



City of Grand Island

Tuesday, June 22, 2004

Council Session

Item G12

**#2004-147 - Approving Amendment to the Grand Island
Employees Pension Plan**

Staff Contact: David Springer

Council Agenda Memo

From: David Springer, Finance Director

Meeting: June 22, 2004

Subject: Approving Amendment to the Grand Island Employees Pension Plan

Item #'s: G-12

Presenter(s): David Springer, Finance Director

Background

Generally, ERISA 404(c) and the Department of Labor impose individual liability with respect to certain individuals who have dealings with a qualified retirement plan. This is known as a fiduciary duty and obligates the person(s) to act with the utmost good faith with respect to the plan participants. The City, as a non-profit, tax exempt entity, **is not** governed by this ERISA section. However, as our plan already conforms to these requirements, we believe it to be prudent to amend our plan to incorporate them in our Investment Policy Statement. If the plan's investment features satisfies the Department of Labor regulations under ERISA 404(c), the plan fiduciaries may not be liable for any loss which is the direct result of the participant's exercise of control over account investments.

Discussion

Some of the key criteria of ERISA 404(c) are that the plan provide for an individual account for each participant and an opportunity for them to exercise investment control over assets in the individual account by choosing from among a broad range of investment alternatives. Our client representative at Ameritas has advised us that we are in compliance with these criteria and other requirements of ERISA 494(c) and it would be to our benefit to enact this policy.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the amendment to the pension plan.

2. Disapprove or deny the amendment.
3. Modify the Resolution to meet the wishes of the Council
4. Table the issue

Recommendation

City Administration recommends that the Council approve the request to amend the City of Grand Island's General City Employees Pension Plan to incorporate an Investment Policy Statement.

Sample Motion

Approve the request to amend the City of Grand Island's General City Employees Pension Plan to incorporate an Investment Policy Statement.

Grand Island City Employees Pension Plan Investment Policy Statement

Purpose:

The purpose of the Plan is to help employees build a financially secure future by providing a source of retirement income. The purpose of this Investment Policy Statement is to establish investment criteria, document the Plan's investment objectives, and create performance guidelines for evaluating investment decisions.

It is the intent of the Plan to satisfy the requirements under ERISA Section 404(c) and the Department of Labor ("DOL") regulations thereunder, which limit the liability of Plan Fiduciaries for investment losses resulting from participant-directed investments.

Designated Investment Alternatives

I. Statement of Investment Objectives for Designated Investment Alternatives

- A. Provide a broad range of designated investment alternatives (at least three) with varying investment characteristics and degrees of risk to provide Plan Participants with the opportunity to:
 - 1. materially affect the potential return on the amounts in their individual accounts;
 - 2. control the degree of risk to which such amounts are subject; and
 - 3. construct a portfolio with aggregate risk and return characteristics within their appropriate range.
- B. Select and monitor providers prudently and incur expenses that are reasonable based on the quality of the services provided and the nature and extent of the services rendered.

II. Meeting the Investment Objectives Performance Criteria for Designated Investment Alternatives

- A. To meet its investment objectives, the Plan will invest in a group annuity contract offering a wide range of investment options, including a diversified selection of investment options suited to the demographics of the City of Grand Island employees. As part of the Plan Fiduciaries' due diligence with respect to the investments available for qualified retirement plans, the Plan Fiduciaries have selected an Ameritas Group Annuity Contract as the principal investment vehicle to meet the purpose, objectives, and performance criteria set forth in this Investment Policy Statement.
- B. Assets in the group annuity contract will be placed in investment options managed by professional managers. Participants will have the freedom to choose from among these designated investment alternatives to create the investment mix desired to meet their own retirement objectives.

C. The selection and retention of designated investment alternatives will be based on the characteristics of their Fund Managers. Evaluations may include one or more of the following:

- analyzing returns for 1, 3, 5 and 10 years
- reviewing Standard Deviation measures for 3 and 5 years
- measuring performance and correlation to asset class, style, benchmark, and other investment options in the Ameritas line-up
- reviewing performance in fluctuating markets analyzing style and asset class
- looking for portfolio changes and reviewing consistency of style
- considering fund manager tenure
- considering additional characteristics such as: size of fund(s) managed; assets under management; size and depth of
- supporting management company; recent cash inflows/outflows; stability and integrity of the fund management company; changes in fund managers and changes in company ownership.

These characteristics are guidelines only and each may or may not be applied at the discretion of the Plan Fiduciaries.

III. Investment Options for Designated Investment Alternatives

The Plan will implement this policy by offering investment options which closely parallel the categories described below:

Conservative

The investment options in this category seek to protect principal and provide small growth.

Income

The investment options in this category seek to protect principal and provide some growth.

Growth & Income

The investment options in this category seek a balance between growth and safety of principal.

Growth

The investment options in this category seek growth of principal.

Aggressive Growth

The investment options in this category seek maximum growth of principal.

The Plan will offer all of the specific investment options indicated on the attached Ameritas Edge Investment Options, which will be the designated investment alternatives offered by the Plan.

IV. Monitoring Performance of Designated Investment Alternatives

- A. In order to ensure continued compliance with the purposes and objectives of this Investment Policy Statement, periodic reviews of the performance record of investment options and Fund Managers will be conducted.
- B. Performance reviews and other evaluative materials may be used to assist in the

review process and will become a part of the records maintained regarding the selection and monitoring of the Designated Investment Alternatives and Fund Managers.

- C. Performance will be compared to a style-specific market index and/or appropriate peer group. Fund Managers will be reviewed for their discipline in maintaining their asset class/style. Although short-term results will be reviewed, the primary standard for making changes will be weak performance, based on long-term, sustained results compared to the relevant peer group and/or style-specific market index.
- D. The returns on each investment option will be measured by comparison to the appropriate index.

Date: _____

Signature: _____
(Plan Fiduciary)



*City of Grand Island
Ameritas Edge Investment Options*

<p>Large Value</p> <p>American Century Income & Growth MFS Value</p>	<p>Large Blend</p> <p>Fidelity VIP Index 500 Fidelity VIP Contrafund Calvert Social Investment Equity A</p>	<p>Large Growth</p> <p>Alger American Growth American Century Ultra</p>	<p>Domestic Hybrid / Balanced</p> <p>Fidelity VIP Asset Manager Vanguard Wellington</p>
<p>Mid Cap Value</p> <p>American Century Equity Income</p>	<p>Mid Cap Blend</p>	<p>Mid Cap Growth</p> <p>INVESCO Dynamics</p>	<p>Foreign Stock</p> <p>Fidelity Overseas</p>
<p>Small Value</p> <p>Janus Small Cap Value</p>	<p>Small Blend</p>	<p>Small Growth</p> <p>Baron Growth</p>	<p>Money Market</p> <p>Fidelity VIP Money Market</p>
<p>Fixed Income</p> <p>Ameritas Guaranteed Account Vanguard Long Term Corporate INVESCO Stable Value</p>			

Amendment Number 2
Grand Island General City Employees Pension Plan

In accordance with the provisions of Article VII of the Grand Island General City Employees Pension Plan, Section 2.3 Powers and Duties of the Administrator shall be amended effective July 1, 2004, and shall have the following duty added as follows:

2.3 Powers and Duties of the Administrator

- (k) to act as the named Fiduciary responsible for communications with Participants as needed to maintain Plan compliance with Internal Revenue Code Section 404(c), including, but not limited to, the receipt and transmitting of Participant's directions as to the investment of their account(s) under the Plan and the formulation of policies, rules and procedures pursuant to which Participants may give investment instructions with respect to the investment of their accounts.

IN WITNESS WHEREOF, this Amendment has been executed this _____ day of _____, 2004.

City of Grand Island, Nebraska

By _____
EMPLOYER

RESOLUTION 2004-147

WHEREAS, on June 12, 2001, by Resolution 2001-147, the City of Grand Island authorized Group Annuity Contract 21074 with Ameritas, effective January 1, 2002, for the City of Grand Island General City Employees Pension Plan; and

WHEREAS, it is necessary to amend such contract to maintain fiduciary responsibilities; and

WHEREAS, it is recommended that an Investment Policy Statement be adopted and incorporated into the pension plan to satisfy the requirements under ERISA Section 404(c) and the Department of Labor regulations.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Investment Policy Statement attached hereto as Exhibit "A" is hereby adopted and incorporated into the Ameritas Group Annuity Contract 21074 for the City of Grand Island General City Employees Pension Plan, and that the plan be amended to maintain fiduciary responsibilities.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized and directed to execute Amendment Number 2 to the Grand Island General City Employees Pension Plan as set out above.

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Adopted by the City Council of the City of Grand Island, Nebraska, June 22, 2004.

RaNae Edwards, City Clerk