

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

615



FROM: Human Resources Department

SUBMITTAL DATE:
October 15, 2007

SUBJECT: Approve the amendment of the 401(a) Money Purchase Plan to permit Special Pay Contributions, the related transfer of existing assets for the Special Pay Plan, and award the plan's administrative service agreements to two Third Party Administrators.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Execute the amendment of the 401(a) Money Purchase Plan to permit leave accrual contributions set forth in Attachment A.
2. Execute the agreement with Nationwide Retirement Solutions as one of two Third Party Administrators providing Passive Trustee, Investment Management, and Recordkeeping services to the 401(a) Money Purchase Plan effective August 1, 2007, and renew the agreement for a period of three additional years, with the expiration date of July 1, 2010 set forth in Attachment B.
3. Execute the agreement with AIG VALIC as one of two Third Party Administrators providing Passive Trustee, Investment Management, and Recordkeeping services to the 401(a) Money Purchase Plan effective August 1, 2007, and renew each agreement for a period of three additional years, with the expiration date of July 1, 2010 set forth in Attachment C.

(continued on page 2)

Ronald W. Komers
Asst. County Executive Officer/Human Resources Dir/

FINANCIAL DATA	Current F.Y. Total Cost:	-0-	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	-0-	Budget Adjustment:	NO
	Annual Net County Cost:	-0-	For Fiscal Year:	2007/08

SOURCE OF FUNDS: Departmental budgets; no additional funds required.	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

County Executive Office Signature BY: Elizabeth J. Olson

- Consent
- Policy
- Consent
- Policy

Dept's Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: 1/28/2003 3.22 | **District:** | **Agenda Number:**

3.31

Purchasing: Billy Cornett, Purchasing Manager
 FORM APPROVED COUNTY COUNSEL
 BY: DOROTHY L. HONN
 DATE: 10-16-07
 Departmental Concurrence

RECOMMENDED MOTION continued

4. Authorize the transfer of assets from the existing Special Pay Plan to the 401(a) Money Purchase Plan funds invested with AIG VALIC, as set forth in Attachment D.
5. Authorize the Assistant County Executive Officer/Human Resources Director to execute the Good Faith EGTRRA Amendment and Certification Form set forth in Attachment E.
6. Authorize the Purchasing Agent and the Assistant County Executive Officer/Human Resources Director to sign amendments and exercise renewal options related to the administrative service agreements on behalf of the County, including any future amendments required to keep the program in compliance with state and federal laws.

BACKGROUND

In July 1998, the Board of Supervisors established the County's Money Purchase Plan to provide supplemental retirement benefits to Management, Confidential and Unrepresented employees and subsequently approved supplemental retirement benefits for LEMU and DDAA. In December 2002, the Board of Supervisors established the County's Special Pay Plan to provide for terminating or retiring employees with five years of service to deposit their unused accrued sick, vacation, holiday, and annual leave into the Special Pay Plan on a one-time basis as a supplemental retirement benefit.

Recently, the Internal Revenue Service (IRS) has clarified its position on IRC Section 401(a) plans such as the Money Purchase Plan and the Special Pay Plan. Our legal advisors have opined that tax-qualified plans must have substantial and recurring employer contributions in order to meet tax qualification requirements. Plans that permit accrued leave contributions on a one-time basis, such as the County's Special Pay Plan, must be combined with plans that have substantial and recurring contributions, such as the County's Money Purchase Plan, to remain qualified.

Human Resources recommends the amendment of the Money Purchase Plan to permit the monetary value of annual, sick, holiday and vacation leave accruals to be contributed to the plan on a one time basis. This amendment is included as Attachment A.

The Purchasing Department, on behalf of the Human Resources Department, solicited competitive proposals for the selection of Money Purchase Plan administrative service providers. A Request for Proposal was mailed to 16 vendors and was also advertised on the Internet. Purchasing received three responses, with AIG VALIC and Nationwide as the most responsive/responsible bidders. AIG VALIC and Nationwide currently provide administrative and investment services for the County's Money Purchase Plan and Deferred Compensation Plan, and AIG VALIC currently manages investments for the Special Pay Plan.

Human Resources recommends renewing the contracts for ongoing Money Purchase Plan services with the current two vendors, AIG VALIC and Nationwide, Attachments B and C respectively. Additionally, Human Resources recommends that current funds from the Special Pay Plan be transferred to the Money Purchase Plan assets that are invested with AIG VALIC, who previously handled all investments for the Special Pay Plan. Attachment D authorizes this transfer of assets.

These providers will supply the following services: Passive Trustee, Investment Management, Compliance Review, employee communication, and recordkeeping services to the Plan. In addition, AIG VALIC will provide Plan Document services to the Plan. Employees may select AIG VALIC and/or Nationwide as their vendor of choice for future investment elections.

From time to time amendments to the provider service agreements may be required in order to renew the agreements, change terms to improve services or lower fees, or change terms to keep the program in compliance with changing state and federal laws. At such times, we recommend that the Board authorize Human Resources and Purchasing to sign amendments to the administrative service agreements during the term of these contracts. There is no direct cost to the County for the recommended action.

PRICE REASONABLENESS

There are no fixed or asset based Management and administrator fees other than embedded fund expenses. AIG VALIC and Nationwide investment fees vary by individual funds and range from 0.00% to 1.26%. These were determined to be competitive fees by the Deferred Compensation Committee, and are subject to ongoing review by the Committee.

REVIEW/APPROVAL

Purchasing concurs with this request.