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**Mayor Pro Tem**  
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**Council Members**  
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## STAFF REPORT

**To:** Lemoore City Council  
**From:** JP Prichard, Administrative Analyst  
**Date:** February 13, 2013  
**Subject:** Deferred Compensation Providers

**Item # 7**

A handwritten signature in blue ink, likely belonging to JP Prichard, is written over the "From:" line of the header.

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### **Background:**

The City of Lemoore currently offers deferred compensation 457 plans through two providers: ICMA Retirement Corporation (ICMA-RC) and PlanMember Services.

The first provider, ICMA-RC, has the longest-standing relationship with the City of Lemoore, having provided retirement services for more than 25 years. It is an independent, not-for-profit firm with more than three decades of serving public sector employees exclusively. They have licensed specialists available by phone, and can provide access to salaried Certified Financial Planner professionals that do not work on commission. With ICMA-RC, there is no sales charge for purchases or redemptions, and no charge for exchanges between funds. Investment options include a broad selection of mutual funds from a variety of fund families. ICMA-RC is based out of Washington, DC.

PlanMember Services has provided services to the City of Lemoore for approximately 8 years. Local service is made available through Registered Representative Ted Edminster of Edminster Financial Services. PlanMember Services acts as a third party administrator for a wide variety of plans, including Security Benefit, Pacific Life, FTJ Fundchoice, Sun America, and Life of the Southwest's Indexed Annuity. While ICMA-RC has a longer track record of service to public sector employees, PlanMember Services maintains more investment options and better personal services, with Mr. Edminster making, at a minimum, monthly visits to the City to be available to meet the needs of our employees. Mr. Edminster makes trips to the City whenever the employees express a need to see him in person, and has been known to use video conferencing with those employees that are comfortable doing so. Additionally, he has been specializing in public sector retirement plans since 1991.

Both 457 providers have common remitting services for ease of administration: The City is not faced with dispersing funds to hundreds of investment funds, rather ICMA-RC and PlanMember Services receive funds from the City and disperse according to the wishes of each employee.

Council Member Gordon has expressed some concern that some City employees might prefer to choose a local provider of 457 plans, and staff has begun research into the variety of providers that may be available.

First and foremost, it would seem prudent to make sure that any local investment professional approached be in good standing with regulatory agencies within the industry. With this in mind, a search has been run through the Financial Industry Regulatory Authority and the Securities and Exchange Commission. Within the 93245 area code, eight providers in good standing have been found: One with Navy Federal Brokerage Services, LLC; three with First Command Financial Planning, Inc.; one with Unionbank Investment Services, LLC; one with Wells Fargo Advisors, LLC; one with LPL Financial, LLC, and one with Horace Mann Investors, Inc. All have various licenses and certifications, most of which allow them to sell various investment products and/or insurance.

As it has been shown that having too many investment options can actually discourage retirement investment, and because administration of several 457 providers would be difficult for City staff, the Council may wish to limit the number of providers.

Staff intends to survey the eight providers using a tool found for evaluating investment professionals that has been adapted for our use (see attachment). The original tool is part of an information packet provided to members of the California Teachers Association to help members sort through the dozens of investment vendors available through the CTA. Once the results have been accumulated, the Health Benefits Committee, which reviews both city-paid and voluntary benefits in lieu of meet and confer, would choose which providers they would like to examine further, perhaps inviting the representative to “pitch” their services, etc.

In recent years, there has been only one request by an employee, and none from employee organizations, to expand the selection of service providers.

**Budget Impact:**

None.

**Recommendation:**

It is recommended that the City Council provide additional direction regarding the process of choosing additional 457 providers, if any.