



**City of Rochester Hills  
AGENDA SUMMARY  
NON-FINANCIAL ITEMS**

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**Legislative File No:** 2011-0086

**TO:** Mayor and City Council Members

**FROM:** Keith Sawdon, Director of Finance and Pension Plan Co-Trustee, and  
Kurt Dawson, Assessor/Treasurer and Pension Plan Co-Trustee

**DATE:** February 18, 2011

**SUBJECT:** Combined Investment Provider for the City Sponsored Pension, 457 and Retirement  
Health Reimbursement Account Plans

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**REQUEST:**

The Pension and 457 Plan Co-Trustees, Plan Administrator and the Pension Committee Members (Employee Representatives) would like to receive City Council's approval to have all City sponsored employee retirement plans with one investment provider.

**BACKGROUND:**

The City currently uses two investment providers for its active and inactive participants. There is one provider for the City Pension (Defined Contribution) Plan and a second provider for the 457 (Deferred Compensation) Plan, the Defined Contribution Retiree Health Savings (Retiree Health Reimbursement Account) Plan and Roth IRA program.

Over the last year or so the Co-Trustees, the Administrator and Committee Members have been looking at the advantages that could be gained by combining our plan assets under one investment provider. Some of those advantages include:

- One web site for our participants to access versus the two that we currently have,
- A single quarterly statement with all plans on it,
- One set of investment options to review, study and select from vs. the two sets of investment options that must be reviewed and studied,
- Easier for participants to coordinate portfolios and asset allocations with one provider,
- Easier for retiring participant because all their assets are with one provider,
- Potential for lower Management Fees. Combining assets under one provider gives that provider more assets to cover their costs which lowers management fees,
- Reduce the City's administrative costs. With one provider the City would only be delivering one file and doing one money transfer per each payroll. This would save on 26 file transmissions and 26 money transfers. In addition, City staff would only need to communicate with one provider (changes of addresses, beneficiaries...) and reconcile contributions and distributions with one provider, and
- Would not cost the City any additional funds.

With these advantages in mind, the group requested proposals from the City's two current investment providers to see if there was enough savings in management fees to make this concept worth while to

pursue. In November 2010, proposals were received back from our two current providers and those proposals indicated that there was enough savings to move the project forward.

During the month of December the Pension Committee Members held discussions with their employee groups to get their feedback on combining our plans under one provider. The feedback they received was positive.

Based on the positive feedback, the Co-Trustees, the Plan Administrator and the Pension Committee Members recommends that City Plans be offered through one investment provider.

The group further recommends that Diversified Investment Advisors (DIA) be selected as that sole provider based on the following factors.

1. Provided the best reduction in its Management Fee.
2. Guaranteed its management fee and its resulting reduction for 2 years. A feature the other provider did not do.
3. Provided a well thought-out investment transition plan. The other provider did not provide an investment transition plan structured in the format requested in the RFP.
4. The Retiree Health Reimbursement Account plan document provided by DIA is a VEBA document which allows for more beneficiary options not currently allowed with our current provider.
5. DIA did not require any change in its current agreement terms with the City. The other provider required a change in its current agreement terms with the City and was not flexible with that requirement. The group found this requirement as an unnecessary requirement given the City is a very long term client with that firm.
6. Over the past two years or so the investment options offered by DIA have been reviewed by the Pension Plan Group, replacing underperforming options with better performing options. A process that has not completed with the other provider.
7. Overall the Plan Co-Trustees, Plan Administrator and Pension Committee Members feel the relationship with Diversified Investment Advisors is a very cooperative relationship, a relationship position not yet found with the other provider.

**RECOMMENDATION:**

The Plan Co-Trustees, Plan Administrator and Pension Committee Members recommend going to a single investment provider and the group further recommends that the single provider be Diversified Investment Advisors.

<b>APPROVALS:</b>	<b>SIGNATURE</b>	<b>DATE</b>
<b>Department Review</b>		
<b>Department Director</b>		
<b>Mayor</b>		
<b>City Council Liaison</b>		