

**CITY OF LA VISTA**  
**MAYOR AND CITY COUNCIL REPORT**  
**NOVEMBER 20, 2007 AGENDA**

<b>Subject:</b>	<b>Type:</b>	<b>Submitted By:</b>
AMENDMENT TO PENSION PLANS	◆ RESOLUTION ORDINANCE RECEIVE/FILE	RITA RAMIREZ ASSISTANT CITY ADMINISTRATOR

**SYNOPSIS**

A resolution has been prepared to authorize amendments to the City's employee pension plans. The amendments are necessary to appoint a new trustee for the plans and maintain their qualified status.

**FISCAL IMPACT**

N/A

**RECOMMENDATION**

Approval

**BACKGROUND**

The City's pension plans (four 401 plans and two 457 plans) are currently administered by ICMA-RC, which has a service agreement with State Street Bank and Trust Company to serve as the trustee of the City's pension plan trusts. We have received notification that this service agreement will expire on December 31, 2007 and State Street Bank and Trust Company will resign as trustee effective January 1, 2008. A new trustee for the plan trusts must be appointed and ICMA-RC has offered the services of Vantage Trust Company, a wholly-owned subsidiary of ICMA-RC.

This proposed amendment was presented at the November 6, 2007 City Council meeting and additional information was requested regarding Vantage Trust Company. The City Attorney has visited with ICMA and a summary of the information received is attached as well as information regarding the organizational structure of ICMA and how the Vantage Trust Company fits into that structure.

The existing trustee of the Plan, as well as any entity appointed as successor trustee, is a directed trustee and performs primarily administrative functions to carry out the investment instructions of plan participants. The trustee has no legal obligation to oversee management of plan assets. Further, Vantage Trust Company has been performing the functions of directed trustee on a subcontract basis for the retirement plans by a delegation of authority from Investors Bank and Trust. The only real difference is that the City will now appoint Vantage Trust Company directly to do what they have already been doing indirectly through Investors.

It is recommended that we appoint Vantage Trust Company to serve as the trustee for the City's pension plan trusts.

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF LA VISTA, NEBRASKA APPROVING THE APPOINTMENT OF VANTAGE TRUST COMPANY AS SUCCESSOR TRUSTEE OF CITY OF LA VISTA RETIREMENT PLANS AND AUTHORIZING CORRESPONDING PLAN AMENDMENTS.

WHEREAS, the City maintains retirement plans for the employees of the City, including:

Plan No. 107200 - The City of La Vista, NE Defined Contribution Pension Plan and Trust,  
Plan No. 106162 – The City of La Vista, NE City Administrators' Defined Contribution Pension Plan and Trust,  
Plan No. 106442 – The City of La Vista, NE Firefighters Pension Plan and Trust ("Firefighters Plan"), and  
Plan No. 107185 - The City of La Vista, NE Police Officers Pension Plan and Trust (collectively the "Plans"); and

WHEREAS, Investors Bank & Trust is trustee of the Plans; and

WHEREAS, The City also maintains two additional plans - Plan No. 300510 - The City of La Vista, NE City Administrators' 457 Deferred Compensation Plan and Trust, and Plan No. 304703 - The City of La Vista, NE Civilian Employees Supplemental 457 Deferred Compensation Plan and Trust – for which the City of La Vista serves as trustee, which duties are carried out by the City Treasurer; and

WHEREAS, the City has been notified that the State Street Bank and Trust Company acquired Investors Bank and Trust Company by merger, and as a result is successor trustee of the Plans, and will resign as trustee of the Plans effective as of January 1, 2008; and

WHEREAS, the City desires to appoint the Vantage Trust Company to serve as successor trustee of the Plans, effective as of January 1, 2008.

NOW, THEREFORE, BE IT RESOLVED, that Vantage Trust Company is hereby appointed to serve as the trustee of the above named retirement plans and trusts effective January 1, 2008;

BE IT RESOLVED FURTHER that the Mayor and City Clerk are authorized to execute the approved amendments for the Plans and to take any and all other action on behalf of the City as is necessary or appropriate to carry out the actions approved in this Resolution and to maintain the qualified status of the Plans.

PASSED AND APPROVED THIS 20TH DAY OF NOVEMBER 2007.

CITY OF LA VISTA

ATTEST:

\_\_\_\_\_  
Douglas Kindig, Mayor

\_\_\_\_\_  
Pamela A. Buethe, CMC  
City Clerk

City Attorney Tom McKeon visited with Angela Montez (Assistant Secretary and Corporate Counsel for ICMA-RC) and George Suzich, who works with Ms. Montez.

Summary:

Vantage Trust Company has offered to take over for Investors Bank and Trust Company as directed trustee for any municipal retirement plans needing that service at no additional charge. Vantage Trust Company is managed by a board of directors, a majority of whom are appointed by the member municipalities of ICMA. Vantage Trust Company's primary duties will continue to be management of pooled investment funds including approximately \$20 billion of retirement plan assets (which include the City's retirement plans). The additional directed trustee service is offered as a convenience for municipal customers and not as a money maker.

When asked if Vantage Trust Company has the systems and personnel in place to handle additional directed trustee responsibilities, Mr. Suzich indicated that the systems and personnel have been in place since 2000 and have been operating for some time under an arrangement in which Vantage Trust Company actually had been performing the functions of directed trustee on a subcontract basis for retirement plans pursuant to a delegation of authority from Investors Bank and Trust Company. Consequently, Vantage Trust Company will continue doing what it has been doing; only the appointment will be directly with retirement plans such as the City's vs. indirectly through Investors.

Additionally, it is important to note that Investors Bank and Trust Company is (and any successor trustee will be) a directed trustee under the plans as they currently exist, and in that capacity performs primarily an administrative function to carry out the investment instructions of plan participants. It generally has no legal obligation to oversee Vantage Trust Company or management of plan assets.

Additional Information:

The primary function of Vantage Trust Company historically has been to serve as trustee of a pool of over \$35 billion in assets of various employee benefit plans maintained by member municipalities of ICMA, which includes over \$20 billion of retirement plan investments offered by ICMA-RC and specifically the investment options of the City's retirement plan. Investment pooling arrangements such as this were developed to leverage and obtain efficiencies in the management of retirement plan assets. Some of the investment funds in the Vantage Trust Company pool are actively managed by Vantage Trust Company. In other cases, Vantage Trust Company merely is a conduit for mutual funds that are generally available on the market, such as American Century, Fidelity or T. Rowe Price.

The current proposal is for Vantage Trust Company to serve as trustee in an additional capacity that is different than its historical function with respect to the pooled funds. The Internal Revenue Code requires that all qualified retirement plan assets be held in trust. Some municipalities appointed Investors Bank and Trust Company to serve as trustee for their retirement plans. As a result of various business transactions involving ICMA-RC and Investors recently, Investors notified ICMA-RC that it will no longer serve as trustee of plans administered and invested through ICMA-RC, effective December 31. Absent other direction from a municipality, Vantage Trust Company has offered to assume the duties previously performed by Investors. Ms. Montez advised that the charter of Vantage Trust Company permits it to serve as trustee in this additional capacity, and its board of directors recently approved the same.

The City's retirement plans allow participants to direct the trustee as to the investment of their accounts. Consequently, Investor's duties to this point have been significantly more administrative and less substantive relative to situations in which a trustee exercises discretion - such as Vantage Trust Company's duties with regard to the investment pool. Investors merely holds title to retirement plan assets and carries out participant directions to allocate investments among the funds provided by Vantage Trust. Investors does not have a legal obligation to exercise discretion or oversight regarding the directions it receives from participants or the management of trust assets. If appointed, Vantage Trust Company (or any other person or entity appointed as trustee) would act in a similar limited capacity.

Investors Bank and Trust Company is a "for profit" trust company. Investors has served as custodian of ICMA-RC funds within the pooled arrangement since 1999, and as part of that arrangement, agreed to serve as directed trustee of municipal retirement plans administered by ICMA-RC. State Street Bank recently acquired Investors, and as a result, ICMA-RC hired JP Morgan Chase to replace Investors as custodian of ICMA-RC funds. JP Morgan Chase did not agree to also act as directed trustee of municipal plans as part of the arrangement to be custodian of ICMA funds. Consequently, Vantage Trust Company is stepping in to fill that role as needed.

Vantage Trust Company also is a "for profit" trust company, though wholly owned by ICMA-RC. ICMA-RC is a nonprofit entity serving retirement plans of ICMA member municipalities. Vantage Trust Company is managed by a board of directors. A majority of the directors are appointed by municipalities that are members of ICMA. Ms. Montez advises that La Vista will vote for directors of Vantage Trust Company when a vacancy on the board arises. As indicated above, the primary function of Vantage Trust Company has been the management of the pooled investment fund. Recently, the directors authorized Vantage Trust Company to also act as directed trustee of individual retirement plans as an additional service. This will be primarily an administrative function compared to the Company's historical responsibilities as trustee of the pooled arrangement.

Ms. Montez advised that Vantage Trust Company will not charge a fee for directed trustee services it provides.

# Description of the Trust Company and VantageTrust

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## Purpose

VantageTrust is sponsored and maintained by the Trust Company and provides for the commingled investment of the assets of retirement and deferred compensation plans administered by ICMA-RC. The Trust facilitates efficient investment management of retirement accounts with similar investment objectives. It enables Public Employers to provide, through the Trust, investment management and supervision that otherwise would have to be obtained through commercially-oriented financial institutions.

## Organization

The Trust Company is a New Hampshire non-depository Banking Corporation founded in 2001. The Trust's predecessor, the ICMA Retirement Trust, was founded in 1983. The Trust Company is governed by a Board of Directors, a majority of whom must be full-time employees of Public Employers or participants in a retirement plan the assets of which are managed or administered by the Trust Company, one of whom, at the time of election, must be a present or former member of the Executive Board of the International City/County Management Association, and one of whom, at the time of election, must be a present or former Director of ICMA-RC. A majority of the Directors shall have been ratified by the Public Employers participating or investing in any trusts administered by the Trust Company.

The Trust property allocable to the Section 401 qualified plans and Section 457 plans is held for the trustees of those plans for the exclusive benefit of the plan participants and beneficiaries.

The Directors of the Trust Company are responsible for investing Trust property, overseeing the operations and administration of the Trust, and supervising and reviewing the performance of ICMA-RC as the investment adviser.

## Exemption from Registration under Federal Securities Laws

The Trust issues interests in the Trust without registration under the Securities Act of 1933, as amended, relying upon the exemption from registration available to securities issued by bank trust companies under Section 3(a)(2) of that Act. The Trust Company operates without registration as an investment company under the Investment Company Act of 1940, as amended, relying upon the exemption from registration available to bank trust companies under Section 3(c)(11) of that Act.

## Federal Tax Status

Sections 501(a) and 401(a) of the Code provide that a group trust for the commingled investment of assets of qualified plans and other plans of governmental units is itself exempt from taxation. The Trust is a group trust for the commingled investment of such plans.

Under Section 457 of the Code, the amounts deferred under an eligible state or local government deferred compensation plan and the accumulated investment earnings thereon are not subject to Federal income tax until such amounts are actually received by the participating employee. Amounts deferred under a Section 457 Plan on behalf of an employee are subject to Social Security tax in the same manner as taxable wage payments.

Public Employer contributions to qualified plans under Section 401(a) of the Code (including Participants' elective deferrals under Section 401(k) plans), as well as earnings on all contributions to such plans, are subject to income tax only when actually received by the participating employee. Public Employer contributions (but not Participants' elective deferrals under Section 401(k) plans) are exempt from Social Security tax.

## **Participation Only by Eligible Plans**

Each Public Employer desiring to participate in the Trust must adopt the Declaration of Trust of the Trust or have previously adopted the Declaration of Trust of the Trust or its predecessor organization in order to be eligible to invest in the Trust (see "Investing in the Trust: Adoption of the Trust").

The Trust is open for investment to public sector plans meeting the requirements of Sections 457 and 401 of the Code. Section 401 plans may include money purchase plans, defined benefit plans, and profit-sharing plans. Requirements of the Code may affect amounts that can be invested in plans and withdrawal of such amounts. Those requirements could apply to amounts invested in the Trust.

## **Resignation or Removal of ICMA-RC**

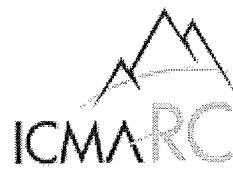
The agreements under which ICMA-RC provides retirement plan administration services typically provide that the Public Employer is empowered to remove ICMA-RC as administrator on 60-days' notice and that ICMA-RC is empowered to resign as administrator on 60-days' notice. In the event of removal or resignation of ICMA-RC, assets administered for the Public Employer, except for the PLUS Fund, are valued and disbursed in the same manner as Participant withdrawals in the month in which the removal or resignation is to become effective. For information as to distribution of assets in the PLUS Fund, see "PLUS Fund: Restrictions on Public Employer Withdrawals."

## **Custodial Arrangements and Securities Lending**

The custodian for the portfolio securities of the synthetic investment contracts in the PLUS Fund is Investors Bank & Trust Company. The Trust participates in a securities lending program administered by the custodian under which the custodian is authorized to lend the portfolio securities of the synthetic investment contracts held by the PLUS Fund to qualified institutional investors under contracts calling for collateral in U.S. Government securities or cash in excess of the market value of the securities loaned. The PLUS Fund receives compensation for the securities loaned in the form of earnings from the reinvestment of the collateral posted by the borrower.

## **Adoption of the Trust**

Public Employers enter into an Administrative Services Agreement with ICMA-RC and are required to adopt the Declaration of Trust of the Trust so as to become eligible to invest retirement plan assets in the Trust. Adoption of the Declaration of Trust is normally effected by resolution of the Employer's legislative body, its investment committee or board of trustees, as the case may be. Participation in the Trust is open only to a unit of state or local government, or any agency or instrumentality of such public sector entity. Upon adoption of the Declaration of Trust, the Public Employer is eligible to vote for the Directors of the Trust Company.



## ICMA-RC's Governance and Structure

The **ICMA Retirement Corporation** (ICMA-RC) establishes, maintains and provides administrative services to retirement and deferred compensation plans exclusively for state and local employers and their employees.

The ICMA Retirement Corporation Board of Directors sets policy for ICMA-RC, directs the President and Chief Executive Officer and makes investment policy recommendations to the VantageTrust Company. The Board's Investment Committee approves portfolio manager changes and monitors subadvisers of corporation-managed Vantagepoint Family of Funds.

**VantageTrust Company**, through the commingled investment trust, **VantageTrust**, offers a range of investment funds designed for retirement plan investing. ICMA-RC is the investment adviser to the VantageTrust Company.

The VantageTrust Company Board of Director's members are fiduciaries of the VantageTrust elected by employers. The Directors consider the interest of participants when authorizing new funds, approving investment policies and fund expenses and monitoring VantageTrust funds.

The **Vantagepoint Funds**, registered with the Securities and Exchange Commission (SEC), is a "series" mutual fund, offering 27 different portfolios. Individual retirement account assets of public employees and their families may be invested in the funds. ICMA-RC is the sponsor of the Vantagepoint Funds.

The Vantagepoint Funds Board of Directors is responsible for protecting the interests of fund shareholders, reviewing the performance of the Vantagepoint Investment Advisors, LLC, and reviewing the performance of the fund subadvisers.

**ICMA-RC Services, LLC**, the broker-dealer affiliate of ICMA-RC, is a member firm of the National Association of Securities Dealers (NASD) and the Securities Investor Protection Corporation (SIPC). Vantagepoint securities are distributed through registered representatives of ICMA-RC Services, LLC.

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- [Pension Protection Act of 2006](#)
- [Plan administration](#)

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Further information about the Boards governing the ICMA-RC System begins on page 14. For further information about the entities comprising the ICMA-RC System, please see *Making Sound Investment Decisions: A Retirement Investment Guide* and the *Vantagepoint Funds Prospectus*.



## Vantagepoint Funds Earn High Marks

October 26, 2007

More than 70 percent of actively managed individual Vantagepoint Funds have earned four or five stars from Morningstar for the five-year period ending Sept. 30, 2007, a rate that is more than double the 32.5 percent of funds in the industry that are awarded these high rankings. Other Vantagepoint funds also outperformed peer funds and reported higher Sharpe Ratios - a measure of risk and return - than did their peers in a series of reporting periods ending Sept. 30, 2007. Here is a summary of those results.

### A long-term record of outperformance

- Reflecting the quality of the underlying Vantagepoint equity funds, Model Portfolio All-Equity Growth Fund outperformed 86 percent of its Morningstar peers for the preceding five years.
- Of the seven actively managed individual Vantagepoint Funds with a record of one year or longer, three performed in the top quartile of Morningstar peers for the five-year period. Two others scored just below (2 or 3 percentile rankings) the top quartile. In all, five out of seven scored in or near the top quartile for the preceding five years.
- Including the Model Portfolio Funds, VantageTrust PLUS Fund and actively managed individual Vantagepoint Funds with at least a one-year record, 71 percent outperformed peer funds on an asset-weighted basis for the five-year period.

### Across-the-board competitive returns

- Every Vantagepoint Model Portfolio Fund achieved a higher Sharpe Ratio (better risk/return trade-off) than did its peers for the one-, three- and five-year periods reported by Morningstar, helping investors earn competitive returns without exposure to excessive amounts of risk.
- Every Milestone Fund achieved a higher Sharpe Ratio (better risk/return trade-off) than did its peers for the one-year period reported by Morningstar. (Three-year track records for the Milestone Funds will be available the end of 2007.)
- Every actively managed individual Vantagepoint Fund has a lower Annual Report Net Expense Ratio than do its peers, with most having a fee of approximately two-thirds those of their peers and none having a fee that is even three-fourths of its peers' fees.

### Near-term numbers are strong

- Every Model Portfolio Fund and every Milestone Fund beat its peers for the third quarter.
- The Asset Allocation Fund has earned five Morningstar stars overall, four for three years and five for five years. It has outperformed 93 percent of its peers for the five-year period and 86 percent for the three-year period.
- Model Portfolio Savings Oriented Fund, which because of its conservative portfolio allocation is the only Model Portfolio Fund with fewer than three stars, outperformed 75 percent of its Morningstar peers for the quarter, thus showing its strength in preserving gains in volatile and negative markets.

*Please carefully consult both the current applicable prospectus and MAKING SOUND INVESTMENT DECISIONS: A Retirement Investment Guide for a complete summary of all fees, expenses, charges, financial highlights, investment objectives, risks and performance information. Investors should consider the Fund's investment objectives, risks, charges and expenses before investing or sending money. The prospectus contains this and other information*

*about the investment company. Please read the prospectus carefully before investing. All Vantagepoint Funds invested through 401 or 457 plans are held through VantageTrust. Vantagepoint Funds are distributed by ICMA-RC Services LLC, a wholly owned broker-dealer subsidiary of ICMA-RC and a member of FINRA/SIPC. The performance data quoted represents past performance. Past performance is no guarantee of future results. Investment returns and principal values will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data illustrated. For a prospectus or performance data current to the most recent month end, contact ICMA-RC Services LLC by calling 1-800-669-7400 or by writing to 777 North Capitol Street, NE, Washington, DC 20002-4240. Para asistencia en Español llame al 1-800-669-8216. Performance data current to the most recent quarter end is available at [www.icmarc.org](http://www.icmarc.org).*

*Morningstar: For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10 percent of funds in each category receive five stars, the next 22.5 percent receive four stars, the next 35 percent receive three stars, the next 22.5 percent receive two stars and the bottom 10 percent receive one star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics. Vantagepoint Model and Milestone Funds: Please be advised that with "Fund of Funds" arrangements, additional underlying fees may apply. Please consult the prospectus for details.*

#### Learn more about

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- [Plan administration](#)

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