

TO: Common Council

FROM: Brad Wirtz-Human Resources Director and Chair of the Deferred Compensation Committee

DATE: March 8, 2013

SUBJECT: Updated Investment Education Services Agreement and Retirement Plan Investment Consulting and Non-Discretionary Advisory Agreement with Lincoln Financial Advisors Corporation and Alliance Benefit Group of Illinois, Inc.

The City of Madison offers permanent employees the ability to participate in 457 deferred compensation plans to supplement the Wisconsin Retirement System pension available upon retirement. Participation in the 457 plans is voluntary and the City does not offer any contribution for employees participating in the plan. One of the vendors is Lincoln Financial Advisors Corporation, and it uses a third party administrator, Alliance Benefits Group of Illinois, Inc. (ABG), to manage the investments. In 2012, after a public meeting was held to obtain feedback from participants regarding the proposed changes, the City's Deferred Compensation Committee voted to authorize a change in fee structure for Lincoln and ABG so that their income is not derived from the investments the participants select, but rather is based on a flat fee. This will eliminate any potential conflicts of interest in Lincoln's ability to recommend funds to participants and will allow the DCC to consider the addition of funds, such as those offered by Vanguard, that do not pay fees to vendors. The agreements are necessary to enact this change in compensation for Lincoln and ABG.