



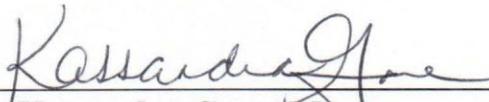
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CITY OF AMESBURY
IN THE YEAR TWO THOUSAND TWENTY

AMESBURY CITY CLERK

SPONSORED BY:


Kassandra Gove, Mayor

BILL No. 2020-047

An Order: to appropriate \$10,555.64 from Free Cash to reimburse retirees a portion of the MVA fees (Market Value Adjustment) charged by Nationwide during the fiscal 2018 city conversion from Nationwide to the Massachusetts Smart Plan for its deferred compensation – 457 plan option.

Summary: This order proposes to appropriate \$10,555.64 for the purpose of reimbursing retirees who were charged an MVA fee in excess of \$500 during the conversion from Nationwide to the Massachusetts Smart Plan in fiscal year 2018. The total MVA fees charged equaled \$58,979.40 and affected 1281 plan participants. The great majority of participants (90%) were charged less than \$100 in total fees. However, a few participants who had a significant portion of their asset portfolio invested in Nationwide's annuity contract, were charged a much higher, but proportionate fee. As a result of this seemingly disproportionate fee, a complaint was filed by a plan participant with the Attorney General's Office against the City of Amesbury. Although it was determined the city had no culpability and Nationwide was permitted under their contract to assess such participant fees, the city proposed as a gesture of goodwill, to reimburse 100% of the MVA fees charged in excess of \$500. The city has made clear this reimbursement is not an admission of liability on behalf of the city but rather it is intended to assist plan participants with the burden experienced as a result of the plan change.

Be it Ordered by the City Council of the City of Amesbury assembled, and by the authority of the same, as follows:

\$10,555.64 from Free Cash to reimburse retirees a portion of the MVA fees (Market Value Adjustment) charged by Nationwide during the 2018 city conversion from Nationwide to the Massachusetts Smart Plan for its deferred compensation – 457 plan.

Dear _____:

This letter is addressed to you as a participant in the City's deferred compensation plan. This plan, operated pursuant to Internal Revenue Code Section 457, allows participants to make salary deferral contributions, depositing pre-tax money in accordance with choices made within the plan.

In October of 2017 the City determined to change plan administration based upon the City entering into an agreement with the Commonwealth to participate in the Massachusetts Deferred Compensation SMART Plan in an effort to reduce overall fees to plan participants. As a consequence of this choice, a market value adjustment (MVA) fee was assessed to plan participants' accounts based upon the transfer of funds between the old accounts and the new administration accounts prior to the time period stipulated by the prior plan administrator, constituting an early withdrawal.

As you are aware, there are a number of inherent risks to participants in participating in a 457 plan. These risks are specified in the City's 457 Plan Document with its prior plan administrator, Nationwide, which provided for withdrawal at any time should the City so choose. In this case, plan change was determined to be in the overall best interest of plan participants. Change in plan administration and assessment of fees are some of the risks with respect to plan participation.

The City's determination to enroll in the Commonwealth's SMART Plan and transfer existing 457 plan participants to the SMART Plan was wholly within the allowable discretion of the City as it sought to address the overall best interests of plan participants. However, the City is aware that such transfer, and the imposition of MVA fees upon plan participants based upon that transfer, created a burden upon plan participants. The City has therefore determined to address that burden and provide a reimbursement of one hundred percent (100%) of such fee assessment for all plan participants who were assessed fees in an amount in excess of \$500. Provision of this reimbursement is not an admission of liability or responsibility on the part of the City, as the City has complied with all obligations to plan participants. Instead, this payment is intended to assist plan participants with the burden experienced as a result of the plan change.

Enclosed is a check from the City made payable to you in an amount equal to one hundred percent (100%) of the fee assessed on your account in excess of \$500. Your acceptance of this payment will constitute resolution of this matter. Please refer to your plan documentation with respect to any questions regarding administration of the plan under the Commonwealth's SMART Plan

Very truly yours,

Mayor Cassandra Gove