

**REPORT TO MAYOR AND COUNCIL****TO THE HONORABLE MAYOR AND COUNCIL:**

DATE: May 4, 2009

**SUBJECT: SELECTION OF THIRD PARTY ADMINISTRATOR AND FINANCIAL ADVISOR
FOR CITY OF CONCORD RETIREMENT SYSTEM****Background and Discussion**

The Retirement Board for the City of Concord Retirement System ('CCRS') is both authorized and obligated by its governing ordinance and the state constitution to search for and engage administrators and/or financial advisors with care, skills, prudence, and diligence. This staff report documents the action taken by the Retirement Board for the CCRS as to selecting a new third party administrator and financial advisor for the CCRS, and requests that the City Council accept the decision of the Board.

Under Concord Municipal Code (CMC) § 50-35(a), the Board is empowered to administer the CCRS, though it may, "delegate, in writing, any or all of its authority to administer the retirement system to the City or any other appropriate person." Furthermore, with respect to financial management of the CCRS, the Board "may employ or obtain the advice of such advisors as it deems necessary or appropriate to assist it in making investment decisions." CMC § 50-35(l).

For the past ten years, the Board for the CCRS has exercised its prerogative to delegate the administration of the CCRS and financial management to a third-party, AIG SunAmerica. On May 21, 1999, Vice-Chairman of the CCRS Board Gregory Jones entered into a ten year group annuity guaranteed investment contract whereby AIG agreed to provide both administration and financial management services for the CCRS (the "AIG Contract"). With May 2009 rapidly approaching, however, the AIG Contract will soon expire.

In the fall of 2008, under the leadership of various CCRS Board members, a working group was convened to determine whether to recommend that the Board seek an extension of the AIG Contract or seek new advisors and administrators for the CCRS. The search committee also received input from Board legal advisor Katherine Wisinski (Deputy City Attorney), as well as Patty Kreymborg (Senior Human Resources Analyst and Board alternate for Kathy Ito). City Manager Dan Keen also participated in some of the group's deliberations, as did Craig Labadie (City Attorney).

This group reviewed AIG SunAmerica's performance under the AIG Contract to ascertain whether attempting to secure an extension of the AIG Contract would be prudent. Ultimately, the group did not believe it to be, and thus embarked on an intensive search for a new fund advisor and third party administrator. After many months of work, the group ultimately decided to recommend that the Board engage Public Agency Retirement Services (PARS) as both the new fund advisor and administrator. Deputy

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City Attorney Katherine Wisinski prepared a seven-page staff report for the Board's review, detailing the principles that guided the search, included the findings of the search committee, the background checks that were undertaken, and the factors considered in arriving at the recommendation to the Board.

The Board for the CCRS approved the retention of outside counsel, who provided reviews of PARS proposal documents, and worked with the City's legal advisors to the board. Within the City's ranks, Finance Director Margaret Lefebvre and Human Resources Director Kathy Ito both reviewed the scope of services they had crafted to ensure that PARS could meet the requirements each had identified.

At the April 27, 2009, special meeting of the Retirement Board, the Board received the staff report documenting the extensive search effort undertaken, the principles used in the search, and the recommendations made by staff. Thereafter, the Board unanimously approved:

1. The selection of PARS as the Trust Administrator or Funding Agent for the City of Concord Retirement System;
2. The selection of Union Bank of California as Trustee and Investment Manager for the CCRS;
3. The appointment of Assistant City Manager Valerie Barone as the City's Plan Administrator for the trust held by PARS and as Chair of the Board; and
4. The authorization of the Chair to negotiate and execute such agreements as are necessary and appropriate to implement the Board's decision to select PARS as the Trust Administrator or Funding Agent and Union Bank of California as Trustee and Investment Manager.

Fiscal Impact

The Retirement Fund pays for its own administration and General Fund will support any shortfall, should it occur.

Public Contact

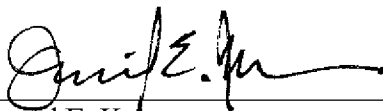
The agenda has been appropriately posted.

Staff Recommendation

Staff recommends the City Council accept the decision of the Retirement Board of the City of Concord Retirement System.

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