

Board of Governors Meeting, September 26, 2018

<p>CONTRACT ID:</p>	<p>Amendment and Restatement of Employee Retirement Plans</p>
<p>BUDGETED ITEM</p>	<p>The amendments do not alter the amount of previously authorized employee retirement benefits and will have no financial impact on Citizens.</p>
<p>EFFECTIVE DATE</p>	<p>The amendments will take effect January 1, 2019 and will continue indefinitely, subject to any further amendment by Citizens Board of Governors (the "Board").</p>
<p>PURPOSE/SCOPE</p>	<p>This Action Item requests Board approval for the amendment and restatement of Citizens' three employee retirement plans (the "Plans"). The Plans are as follows:</p> <ul style="list-style-type: none"> • <u>457(b) Deferred Compensation Plan</u>. This plan became effective on the date Citizens was created (August 1, 2002). The plan allows Citizens employees to direct salary payments to a tax deferred retirement account (up to an annual limit set by the IRS). The company does not contribute money into the plan. Approximately 1,300 current and former employees participate in the plan. Plan assets are \$53 million as of 3/31/2018. • <u>401(a) Defined Contribution Plan</u>. This plan also became effective on the date Citizens was created (August 1, 2002). The plan requires Citizens to match the amount an employee contributes to their 457(b) plan. The matching amount is capped at the lower of (i) 8% of the employee's salary, or (ii) the annual IRS limit on 457(b) plan contributions (currently \$18,500 for employees under age 50, \$24,500 for employees age 50 or older). Approximately 1,260 current and former employees participate in the plan. Plan assets were approximately \$46 million as of 3/31/2018. • <u>401(k) Defined Contribution Plan (the "Frozen" Plan)</u>. This plan became effective on January 1, 1995 through a predecessor to Citizens and was frozen on the date Citizens was created (August 1, 2002). The plan has approximately 20 participants and \$300,000 in assets. The plan has never been active since 2002 and Citizens does not make any contributions into the plan. <p>Citizens employees are not eligible to participate in any other state retirement plan (such as the FRS Pension Plan, the FRS Investment Plan, or the Florida Government Employee's Deferred Compensation Plan).</p> <p>On December 9, 2015, the Board adopted formal resolutions delegating authority to administer and oversee the Plans to the Citizens Retirement Plan Committee. A copy of the Board Resolutions is attached as Exhibit A.</p> <p>Also on December 9, 2015, following a competitive solicitation and negotiation process, the Board approved the hiring of Massachusetts Mutual Life Insurance Company ("MassMutual") as the record keeper and administrative services provider for the Plans. The previous administrative services provider was Lincoln Financial Group, whose contract with Citizens was set to expire in June 1, 2016. A copy of the Board Action Item is attached as Exhibit B.</p> <p>One of the benefits offered by MassMutual is the ability to use their IRS-approved plan documents to ensure ongoing regulatory compliance. Using these documents also</p>

	<p>allows Citizens to use MassMutual’s specialized support teams to handle more of the day-to-day Plan administration tasks (such as processing loan requests). These services were already included in the annual fee paid by Citizens and will not result in additional fees paid to MassMutual.</p> <p>An additional benefit of using the proposed Plan documents is that the “Frozen” 401(k) plan currently uses a template plan document provided by Citizens’ former plan administrator (Lincoln Financial). Citizens is no longer authorized to use that document and neither Lincoln nor MassMutual are standing by the document from a regulatory compliance standpoint. Citizens has been advised by both companies that it must adopt a replacement.</p> <p>Adoption of the Amended and Restated Plan Documents will result in three relatively minor operational changes that are consistent with standard practices in the retirement plan industry. A summary of those changes is set forth in a Memo from the Citizens Retirement Plan Committee attached as Exhibit C.</p> <p>On August 20, 2018, the Citizens Retirement Plan Committee voted 7-0 to present the Amended and Restated Plan documents to the Board for approval. The Committee was advised during this process by its financial advisor (FiduciaryFirst) and outside counsel (Constangy, Brooks, Smith & Prophete).</p> <p>The Amended and Restated Plan Documents are provided to the Board. The documents are also available for viewing at https://www.citizensfla.com/20180926-bog. As drafted, the documents will take effect January 1, 2019.</p>
<p>RECOMMENDATION</p>	<p>The Citizens Retirement Plan Committee recommends that the Board:</p> <ul style="list-style-type: none"> a) Approve the Amended and Restated Plan Documents as described in this Action Item; b) Formally adopt the Amended and Restated Plan Documents by way of the Board Resolutions set forth on Exhibit D, attached hereto. c) Authorize the Citizens Retirement Plan Committee to take any appropriate or necessary action consistent with this Action Item.
<p>CONTACTS</p>	<p>Violet Bloom, Chair of the Citizens Retirement Plan Committee</p>