

Tab G, No. 5

Gulf of Mexico Fishery Management Council Staff Summary of Retirement Plan Study December 2014

Overview

Markley Actuarial was hired to perform a compliance review of the current retirement program and provide an employee retirement benefits analysis comparing the benefits of the current retirement program with the program employees would have been receiving, if they had been employees of the Federal Government. The plan design study also considers post-retirement medical benefits.

401(k) Compliance Review

Gulf of Mexico Fishery Management Council (the Council) provided Markley with documentation of the Council's legal status and various legal documents related to the Council's qualified retirement plan. The Council's 401(k) Retirement Plan (the Plan) has been reviewed for current compliance and the Council has been reviewed as an eligible employer to sponsor the Plan.

The Adoption Agreement for the Council's 401(k) Plan is in the format of an IRS pre-approved plan document. All plans in this format must be restated on or before April 2016. For the upcoming restatement, a review of plan provisions, recognizing those sections that are not applicable to governmental plans, would assure that the Plan meets the goals and objectives of the Council.

The IRS has a process to request a plan determination letter approving an employer's plan. The next cycle that accepts governmental plans ends January 31, 2016. This process should be reviewed for availability and to determine if the Council would benefit from a determination letter approving the Plan, recognizing the Council's status as a governmental employer.

The Council recently launched an RFP to review the current platform for the 401(k) Plan (ING, now VOYA). After consideration, the decision was made to remain with VOYA in a lower cost plan because Vanguard was not comfortable with managing a governmental 401(k) Plan. To support the decision, the RFP, the responses and the decision-making process should be maintained to document the process to meet fiduciary standards.

The Council should also have an Investment Policy Statement (IPS) for the Plan. The IPS should establish criteria for the selection of funds used in the Plan and benchmarks for the funds. A periodic meeting should be held with the platform representative to review the performance of the funds compared to the benchmarks. Minutes for these meetings should be maintained to meet fiduciary standards.

Employee Retirement Benefits Analysis

The Council sponsors a 401(k) Retirement Plan for employees. If Council employees were

considered Federal Government employees, their retirement benefits would have been determined by the Civil Service Retirement System (CSRS), if hired before 1987, or the Federal Employee Retirement System (FERS). The retirement benefits of the Plan have been compared to the applicable program for federal employees. The Council's program is a defined contribution plan. The plans for federal employees include both a defined contribution and a defined benefit plan. To provide for comparability in the study, all retirement plan benefits have been converted to a "Replacement Ratio", which is:

Retirement Income (through all sources, Social Security and an employer sponsored retirement program) Divided by Final Average Compensation at Retirement

A projected retirement age of 62 was used for this study. A replacement ratio in the range of 70% to 100% is generally thought to meet an individual's retirement security goals. This report measures the replacement ratio provided by employer contributions, employee deferrals and Social Security.

For each employee, benefits of the Council's 401(k) Plan were compared to the applicable plan for federal employees.

Conclusions

Based on the retirement benefit analyses the following conclusions were made:

1. An employee hired around 2010 who is between the ages of 38 and 41 would have an equivalent benefit under each plan, assuming the employee takes advantage of the contribution and match opportunities available.
2. There were 17 participants used in the comparison of the applicable governmental plan versus the Council Plan. Of those participants, only 8 had a higher replacement ratio under the applicable governmental plan. There were 2 participants that had an equivalent ratio and 7 participants had a better ratio under the current Council Plan.
3. One employee qualifies under the CSRS retirement plan.
4. Based on projections of benefits, future employees will receive a comparable benefit through the Council Plan.

The clear conclusion is that longer service employees are the most affected by not being in the applicable governmental plan. There are only 2 employees who have a significantly smaller replacement ratio in the current Council Plan. The likely explanation for the difference is that the Council Retirement program previously provided employer contributions smaller than the current 8% of compensation match and the 6% of compensation profit sharing contribution, for a total of 14% of compensation. We recommend that the Council implement a plan to replace some portion (for example, 33% to 100%) of the benefit provided by the applicable governmental plan that is not provided by the Council Plan.