



SOUTH FEATHER WATER & POWER AGENCY

TO: Board of Directors

FROM: Michael Glaze, General Manager

DATE: May 4, 2007

**RE: Employee Retirement Program Option
5/22/07 Board of Directors Meeting**

Prior to 2003 the Agency's retirement program for its employees was comprised of two deferred compensation plans through ICMA and National Deferred, respectively. Both of these plans were/are (they are both still in place and available to employees) similar to each other in their investment opportunities and the ability of employees to direct where they want their personal contributions and those from the Agency to be invested. But neither of these plans provided a local broker/representative that was available to provide investment advice and planning for our employees. Believing that wise management of each employee's deferred compensation retirement plan necessitated expertise in financial investing, we began looking for a plan that would better assist employees in optimizing their retirement fund opportunities.

We ultimately established a relationship with the Oroville office of A.G. Edwards & Sons, Inc. and subsequently (October 2003) added Hartford Insurance Company's 457 and 401(a) retirement plans as a third option for employees. While the A.G. Edwards/Hartford plan was similar to the original two, it was different in that the A.G. Edwards brokerage firm and its local agents were available as-needed to employees on a one-on-one, no-additional-fee basis to provide assistance and to discuss personal financial and retirement planning issues.

Marc Miller and Jim Moll of the local A.G. Edwards & Sons office recently proposed adding Lincoln American Legacy's 457 and 401(a) retirement plans as a companion plan to the other plan choices available to employees. Their recommendation was based on the fact that Lincoln's fees are almost half of Hartford's, and they believe that Lincoln offers "superior fund choices." After talking with Mssrs. Miller and Moll and assessing the Lincoln plan, I asked them to explain their proposal to employees and, after doing so, they reported that they "had a very positive response about implementing the Lincoln" plan option. Subsequently, employee representatives affirmed that all Hartford-plan participants were in favor of the addition.

Because there is no added expense to the Agency, and because participating in the Lincoln retirement plan would be a voluntary additional investment opportunity for employees, I am recommending its addition with the following action:

"I move authorization for the Lincoln American Legacy 457(b) and 401(a) deferred compensation retirement plan to be offered to Agency employees."