



Finance Committee Meeting

Commission Chamber- 9/10/2019- 1:20 PM

FINANCE

1. Motion to approve the minutes of the Finance Committee held on August 27, 2019.  [Attachments](#)

2. Motion to approve Option 2 concerning the Guaranteed Minimum Interest Rate (GMIR) for the fixed annuity investment option in the Nationwide Fixed Annuity offered in the 457(b) Deferred Compensation Plan.  [Attachments](#)

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**Finance Committee Meeting
9/10/2019 1:20 PM
Minutes**

Department:

Presenter:

Caption: Motion to approve the minutes of the Finance Committee held on August 27, 2019.

Background:

Analysis:

Financial Impact:

Alternatives:

Recommendation:

**Funds are
Available in the
Following
Accounts:**

REVIEWED AND APPROVED BY:



Finance Committee Meeting Commission Chamber - 8/27/2019

ATTENDANCE:

Present: Hons. Hardie Davis, Jr., Mayor; Fennoy, Chairman; D. Williams, Vice Chairman; M. Williams and Frantom, members.

FINANCE

1. Motion to approve the minutes of the Finance Committee held on August 13, 2019.

**Item
Action:**
Rescheduled

Motions

Motion Type	Motion Text	Made By	Seconded By	Motion Result
Defer	Motion to refer this item to the full Commission with no recommendation. Motion Passes 4-0.	Commissioner Marion Williams	Commissioner Dennis Williams	Passes

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**Finance Committee Meeting
9/10/2019 1:20 PM
Nationwide 457(b) Fixed Annuity Interest Rate Change**

Department: Finance and Human Resources

Presenter:

Caption: Motion to approve Option 2 concerning the Guaranteed Minimum Interest Rate (GMIR) for the fixed annuity investment option in the Nationwide Fixed Annuity offered in the 457(b) Deferred Compensation Plan.

Background: One of the investment options for Augusta's employees who participate in the voluntary 457(b) plan is a fixed annuity with a guaranteed minimum interest rate. In the climate of declining interest rates, Nationwide has not adjusted the rate downward until now. Augusta must choose an option prior to September 30.

Analysis: Both options have the same schedule of interest rates but Option Two allows the employee to transfers a larger percentage annually out of the fixed annuity to other investment plans, allowing more flexibility in their investment strategy.

Financial Impact: There is no cost to Augusta and no cost to the employee.

Alternatives: 1) choose Option One which allows less flexibility to the employee 2) do not choose an option, which will result in the loss of the fixed annuity option for the employee. Neither of these alternatives are preferred to Option Two

Recommendation: Select Option Two

Funds are Available in the Following Accounts: N/A

Cover Memo

Item # 2

REVIEWED AND APPROVED BY:

Finance.

Law.

Administrator.

Clerk of Commission



Dear MICHAEL LOESER,

RE: AUGUSTA-RICHMOND COUNTY PLANNING

IMPORTANT PLAN UPDATES – YOUR ACTION NEEDED

This is a follow up request to an options package that you should have previously received concerning your Nationwide Fixed Annuity Contract available in your 457(b) Deferred Compensation Plan. We ask that you please review the attached information and respond by the requested date of July 3, 2019.

Nationwide works to help employees save with confidence. Our goal is to help America's workers prepare for and live in retirement. One of the ways we work to achieve this goal is by periodically evaluating our suite of products, tools and resources. These evaluations lead to adjustments which allow for the continued delivery of an *On Your Side*® service experience to you and your participants.

As previously communicated, Nationwide is taking steps to change the Guaranteed Minimum Interest Rate of the Fixed Annuity Contract available in your plan. As a contract holder, you have options. The following packet includes all the steps required to make the necessary changes to your plan.

Next Steps

As part of this change, we are asking you to consider the options outlined in the enclosed *Guaranteed Minimum Interest Rate Change: Explanation of Options*. As Plan Sponsor, you have a responsibility to make decisions on behalf of the entire plan regarding products and features available to your plan participants.

Please take time to review the options and sign and return the required documents to Nationwide. **If you do not select one of the options provided, new contributions will no longer be accepted to your current Fixed Contract.** This includes, but is not limited to, payroll contributions, rollovers, transfers and exchanges. All future contributions will be invested into your plan's Default Investment Alternative Fund.

Questions?

Refer to the enclosed FAQ for more information. If you have additional questions about this change or the options available for the adjustment, please contact our service center at 877-496-1630 or your local Nationwide Retirement Solutions Representative. Our specialists are available Monday through Friday, 8 a.m. to 8 p.m. Eastern time.

Thank you for your partnership as we mutually work to help your participants prepare for and live in retirement.

Sincerely,
Nationwide Retirement Solutions

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NRM-17093AO (05/18)

Item # 2



Guaranteed Minimum Interest Rate Change: Explanation of Options

Please consider your available options before making a selection on the *Guaranteed Minimum Interest Rate Change: Options Form* (the *Options Form*). The *Options Form* and required documents are enclosed. **An option will need to be chosen and sent in to prevent your current fixed fund from being closed to future contributions, including rollovers, transfers and exchanges.**

1) Option One

Your contract is amended to lower the Guaranteed Minimum Interest Rate annually on the following schedule:

2019	2020	2021	2022	2023
3.5%	2.5%	2.0%	1.0%	0.5%

Nationwide commits to limiting the reduction of the Crediting Rate¹ to no more than 0.12% per quarter for the next 12 quarters. The reduction is based on market conditions and investment performance and may be less than 0.12%, which is the maximum per quarter as illustrated in the following table:

	GMIR	Minimum Gross Crediting Rate	Exchange/Transfer Limit
Q2 2020	2.50%	3.38%	20% annual
Q3 2020	2.50%	3.26%	20% annual
Q4 2020	2.50%	3.14%	20% annual
Q1 2021	2.00%	3.02%	20% annual

2) Option Two

The contract is amended to lower the Guaranteed Minimum Interest Rate annually on the same schedule shown in Option One. Additionally, the annual per participant exchange and transfer limit is also increased from 20% to 40%.

Nationwide commits to limiting the reduction of the Crediting Rate¹ to no more than 0.12% for the next 12 quarters. However, because of the increased exchange and transfer limit, the Crediting Rate under this option will be 0.10% less per quarter than under Option One, as illustrated in the following table:

	GMIR	Minimum Gross Crediting Rate	Exchange/Transfer Limit
Q2 2020	2.50%	3.28%	40% annual
Q3 2020	2.50%	3.16%	40% annual
Q4 2020	2.50%	3.04%	40% annual
Q1 2021	2.00%	2.92%	40% annual

¹The Crediting Rate is the interest rate credited as an annual effective yield as determined by your Fixed Annuity Contract.

What happens if I don't select an Option?

Default If you do not act on any option, you are electing to place future participant allocations into your existing Default Investment Alternative Fund (DIA), or in the most conservative investment option in the plan's core fund line up if a DIA does not exist. Subsequently, if your participants do not elect a new investment to replace the Fixed Annuity Contract option, the DIA will be used for future contributions that would have otherwise been allocated into the Fixed Annuity Contract. Your plan's current fund lineup can be viewed online at www.nrsforu.com/plansponsor. The participants will be notified of the change so that they may have the opportunity to change their allocation.

Important Note: *Please see the notice below on how plans that offer ProAccount Managed Account Services, provided by Nationwide Investment Advisors, will be affected by not choosing an option and defaulting.*

Important notification concerning ProAccount Managed Account Services and the Guaranteed Minimum Interest Rate Changes

If your plan offers Nationwide ProAccount Managed Account Services, please take a moment to read why your option selection is important to ProAccount balances of your participants. By selecting Options 1 or 2 on the enclosed Options Form, there will be no changes to the participant's allocation within ProAccount and your participants will have no disruption to their managed account services.

However, if you do not act on either option, you are electing to place future participant allocations into your existing Default Investment Alternative Fund (DIA), or in the most conservative investment option in the plan's core fund line up if a DIA does not exist. Your plan will no longer have an active Fixed Annuity Contract and ProAccount will no longer have access to the existing balances of the Fixed Assets that are currently under ProAccount management. The Fixed Assets will be held in the participants' account outside of ProAccount at the 3.5% GMIR and will not be open to new contributions. Those participants with ProAccount will no longer have the Fixed Annuity Contract available in their ProAccount allocation and will be invested in other conservative allocation options available in your plan.

Participants who wish to fully incorporate their Nationwide retirement plan assets in professional management can contact Nationwide to move the assets currently invested in the Fixed Annuity Contract into their ProAccount Portfolio. Plan Level Exchange and Transfer contract features will still apply.

Please contact our service center at 877-496-1630 or your local Nationwide Retirement Solutions Representative if you have any questions. Our specialists are available Monday through Friday, 8 a.m. to 8 p.m. Eastern time.



FAQ: Guaranteed Minimum Interest Rate

What is changing?

We're adjusting the Guaranteed Minimum Interest Rate (GMIR) to ensure we can continue offering current and future participants valuable retirement plan solutions. Accordingly, Nationwide must align with the market and gradually reduce the GMIR in our fixed annuity contracts.

What is a Guaranteed Minimum Interest Rate?

The Guaranteed Minimum Interest Rate is the lowest Crediting Rate that Nationwide will credit to participant accounts under the terms of the contract.

What is a Crediting Rate?

The Crediting Rate is the interest rate credited as an annual effective yield to participants that are invested in the fixed annuity on a daily basis. The Crediting Rate is determined on a quarterly basis by Nationwide and is different than the GMIR.

Why is Nationwide making this change now?

As we survey the retirement plans market, we've recognized a need to change a feature of our product suite—the Guaranteed Minimum Interest Rate (GMIR) of the fixed annuity contract available in your plan. Over the past five years, many providers have lowered their GMIRs. During that time, Nationwide did not take any action; however, long-term interest rates have only increased modestly, creating an interest rate environment in which we can no longer offer an above-market crediting rate.

For the last several years, the industry has operated in a consistently low interest rate environment, which has directly impacted the investment returns available in the market. During this time, Nationwide has continued to provide an above-market crediting rate to participants invested in our fixed contract, but now recognizes the need to adjust the GMIR to allow for more market driven crediting rates.

What is the difference between a Crediting Rate and a GMIR?

While the quarterly Crediting Rate may vary depending on market conditions and investment performance, the GMIR is the minimum interest rate established under the Contract. It is meant to act as a floor, meaning regardless of market conditions or investment performance, participants with assets invested in the Contract will not receive a crediting rate that is lower than the GMIR.

What happens when the crediting rate wants to drop below the GMIR but is limited by the guarantee?

Nationwide's goal is to pay a competitive crediting rate to participants. Reducing the Guaranteed Minimum Interest Rate may not have a direct impact on the crediting rate that is paid to the participant. Even though Nationwide will annually step down the Guaranteed Minimum Interest Rate to 0.5%, the crediting rate may change quarterly. And while it may be reduced occasionally due to market conditions or investment performance, it will never drop below the Guaranteed Minimum Interest Rate.

What can I expect from Nationwide?

You can expect Nationwide to continue to offer a competitive crediting rate to your participants. Our goal is to help America's workers prepare for and live in retirement and we will help do this through the products and services that we offer. Nationwide can also provide materials and tools to help communicate this change to affected participants upon request.

What is the exchange and transfer limit under Option 2?

The percentage of the participant's assets invested in the contract which can be exchanged or transferred out of the contract per year will be increased from 20% to 40%, enabling your participants to transfer more money out of their Fixed asset. If the limit is exceeded, no further exchanges or transfers will be permitted until the following year.

When will the change to the GMIR be effective?

The adjustment for any option selected and the default option, if no option is selected, will be effective on 4/1/2020.



Guaranteed Minimum Interest Rate Change: Options Form

Plan Name: AUGUSTA-RICHMOND COUNTY PLANNING

Entity Number: 0022752001

Please select only one of the options below, sign the bottom of this page, and return both this Options Form and any required documents by July 3, 2019

☐ **Option One: Crediting Rate**

- Return Signed Options Form
- Return Signed Amendment

☐ **Option Two: Increased Participant Level Exchange and Transfer Limit**

- Return Signed Options Form
- Return Signed Amendment

Please Note: If you do not act, you are electing to place those participant allocations in your existing Default Investment Alternative on file, or in the most conservative investment option in the plan's core fund line up if a DIA does not exist. Participants will be notified of the change so that they may have the opportunity to change their allocation.

The signed documents can be returned to Nationwide in one of three ways:

- Return in the provided envelope
- Scan and email to NRSFORU@nationwide.com
- Fax directly to 1-877-677-4329

For information about each option, please refer to the *Guaranteed Minimum Interest Rate Change: Explanation of Options*.

OPTION 1
Or
OPTION 2

REQUIRED
DOCUMENTS

Plan Sponsor Signature

Date

By signing above, I certify that I have the authority to act on behalf of the Plan and that I have fully reviewed the information provided to me. The unregistered group variable and fixed annuity is issued by, and any guarantees are subject to the claims-paying ability of, Nationwide Life Insurance Company, Columbus, OH.

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