2026 Art Caple Award Submission

Plan profile: City of Sacramento Defined Contribution Plans

Participants	Assets	Plan Types	Administrator	Consultant
5,100	$929.4 million (03/31/2026)	457(b), 401a, HRA	Nationwide	Fiduciary Consulting Group (Hyas Group)

Initiative: Participant-Driven Plan Modernization Initiative

Executive Summary

Over the past dozen years, the City of Sacramento (City) has transformed its defined contribution program through a sustained, participant-driven strategy that created a shared governance structure, lowered costs, strengthened investments, and increased dedicated record-keeper support by more than 500%. The City's commitment, in partnership with its recognized employee organizations (employee unions and associations), to ensuring participants receive high-quality retirement savings options evolved into a multi-year modernization effort spanning procurement, governance, fee transparency, investment oversight, and participant services.

Just as important, the City prioritized participant advocacy. A working group comprised of the City's recognized employee organizations, the retiree association, and City management led to the formation of the City of Sacramento Defined Contribution Plans Committee (Committee), approved by City Council in 2018. The Committee reviews, advises, and makes fund lineup and participant fee spending decisions for the City's 457(b), 401(a) and Health Reimbursement Arrangement (HRA) plans, acting solely in the interest of participants and beneficiaries with care, skill, prudence and diligence.

The results are significant and measurable. Based on a longitudinal fee analysis of the City's 457(b) and 401(a) plans, participants have realized an estimated $28.1 million in cumulative savings from 2016, when a new record-keeper took over, through 2025, as plan pricing moved away from a legacy structure averaging 81 basis points to a significantly lower-cost structure. Average annual savings over that period were approximately $2.81 million.

The initiative also produced structural improvements that will continue delivering value well beyond the award period. In 2021, Sacramento approved fund lineup enhancements affecting 58% of plan assets and successfully mapped participants into new funds and share classes, helping move all 457(b)/401(a) options to the lowest-cost share classes and replaced underperforming funds where needed. In 2022, the Committee reduced target date fund costs to 0.08%, generating an additional estimated $56,000 in annual participant savings. In 2023, Sacramento negotiated a further reduction in the record-keeping fee from 3 basis points to 1.25 basis points, saving participants about $108,000 per year, while also securing most-favored pricing on managed account services and a dedicated Nationwide financial planner available at least five days per quarter.

Sacramento's accomplishment is not a one-time improvement. It is a multi-year, compounding strategy that turned participant concerns into participant savings, stronger oversight, better investments, expanded education, and a durable governance model designed to keep improving outcomes over time.

Comprehensive Documentation

Project objectives

The initial objective in 2015 was simple: conduct a Request for Proposals (RFP) process that hadn't been done since 1995. As the RFP process came to conclusion with a new record-keeper being selected, it became clear that enhanced participant involvement in oversight and decision-making was necessary. During discussions about how an oversight committee would operate, a need for an independent investment consultant crystallized, and employees were told they needed to create a funding source. When a participant fee was put into place several years later and the consultant was hired, numerous opportunities became available to make needed changes to the fund lineup. One after another of small objectives were addressed, and they led to a series of cascading achievements that could not have been foreseen years earlier. Because there was a commitment to build a defined contribution program that works more transparently, efficiently, and effectively for participants, several connected goals were achieved:

- provided fee transparency and reduced participant costs
- modernized a long-standing record-keeping arrangement that no longer reflected current market standards
- strengthened investment oversight and replaced outdated or underperforming options
- expanded participant services and education
- created a formal governance structure that gave participant representatives an active, ongoing role in plan improvement
- established a repeatable process for continuous benchmarking and refinement

This was not a single-year campaign. It was a multi-stage strategic effort in which each improvement uncovered the next opportunity to better serve participants.

Background Review and Implementation Strategy

1. Reopen the marketplace through a competitive RFP

The City had utilized the same plan provider since the plan's inception in 1975. Several recognized employee organizations asked the City to conduct an RFP for record-keeper. This process would solicit plan providers to test the marketplace for reasonableness of fees, meet the evolving needs of plan participants, support greater transparency in plan and investment fees, and enhance participant contact and customer service.

In 2015, the City issued a record-keeper RFP, and the City involved representatives from the recognized employee organizations to participate in the RFP process ensuring the effort reflected both governmental and participant perspectives.

The RFP process led to the selection of a new record-keeper, with implementation beginning at the end of 2016.

This was the first major turning point. It created a path toward transparent pricing, better participant service, and more modern plan design.

2. Build formal participant-focused governance

Following the record-keeper transition decision, the City and its recognized employee organizations began discussions on the formation of an oversight committee. In 2017, a working group made up of City management, recognized employee organizations, and the retiree association began meeting to design a governance structure for the City's defined contribution plans. With guidance from an investment consulting firm, that work led to City Council's approval of the formation of the Defined Contribution Plans Committee in 2018 and the launch of quarterly Committee meetings in 2019.

The Committee's mission and structure embedded a participant-driven approach into the City's defined contribution plan governance and ensured a direct and ongoing role in developing and implementing the strategy, consistent with the award criteria.

3. Secure independent expertise and funding

As the governance work progressed, the need for an independent investment consultant crystallized. The working group, and later the Committee, identified a funding mechanism to support that expertise while the recognized employee organizations navigated implementation obstacles. Ultimately both the funding mechanism and the independent investment consultant relationship were launched in February 2021.

This was a critical strategic advancement. It gave Sacramento the analytical capability to benchmark pricing, evaluate investments, refine governance documents, and negotiate from a position of strength.

4. Improve investments, pricing and participant value

Once governance and oversight were in place, Sacramento moved from assessment to action.

In 2021, the Committee approved fund lineup enhancements affecting 58% of plan assets, and those assets were successfully mapped to new funds and share classes in late 2021. The enhancements placed all 457(b) and 401(a) options into the lowest-cost share classes where available, replaced underperforming funds where necessary, and eliminated revenue-sharing structures in favor of more transparent pricing.

In 2022, Sacramento further reduced costs by lowering target date fund expenses from 0.12%-0.15% to 0.08%, generating another estimated $56,000 in annual savings for affected participants. The Committee also continued active monitoring of investment options, placing funds on watch when warranted, removing them after improvement, or replacing them.

In 2023, Sacramento benchmarked plan fees against similarly sized plans, approved a five-year renewal of Nationwide's record-keeping contract, and negotiated another reduction in record-keeping fees from 3 basis points to 1.25 basis points, saving participants approximately $108,000 per year. The agreement also secured most-favored pricing for the group-managed account service and guaranteed access to a financial planner at least five days each quarter.

5. Extend improvements across the full plan ecosystem

The strategy did not stop with the 457(b) and 401(a) plans. Sacramento also initiated a Request for Proposals (RFP) process for the HRA plans, which did not transition to the new record-keeper in 2015. Goals included removing the high-cost funds that had been failing the Investment Policy Statement criteria by aligning the HRA fund lineup with the 457(b)/401(a) plans, improving fee transparency, simplifying plan structure, and creating more efficient participant and staff service. This reflected a broader strategic mindset: improve the participant experience consistently across plan types rather than in isolated silos. This change of record-keeper took place in 2025.

Results achieved

The City of Sacramento's initiative produced measurable outcomes in four major areas.

1. Significant participant fee savings

Using a longitudinal methodology that compares the legacy prior record-keeper average fee level of 81 basis points against year-end assets and the City's improved fee structure, Sacramento estimates the following participant savings for the 457(b) and 401(a) plans:

- 2016: $1,431,000
- 2017: $1,521,000
- 2018: $1,617,000
- 2019: $1,720,200
- 2020: $1,830,000
- 2021: $3,612,000
- 2022: $3,232,450
- 2023: $3,884,400
- 2024: $4,290,600
- 2025: $4,971,000

Estimated cumulative savings of $28,109,650 have been achieved, or more than $5,500 per participant. Average annual savings are $2,810,965, or more than $550 per participant.

These documented savings support the broader conclusion that the City's strategy has materially improved participant financial outcomes.

2. Better investments and stronger oversight

Sacramento moved from a dated lineup with negligible transparency to a more disciplined, better-governed structure featuring best-in-class investment options, low costs, and ongoing performance oversight. Thanks to the devoted work of the Committee, staff, recognized employee organizations, current employees, and retirees, the retirement program grew participant assets by more than $515.6 million since December 31, 2016, from $413.8 million to $929.4 million.

In that time, the Committee focused on governance, utilizing the Investment Policy Statement, Fee and Expense Policy Statement, and watch-list compliance to hold investments accountable.

3. Expanded participant services and engagement

Cost reduction wasn't the only result. The modernization effort increased participant support as a result of a full-time retirement consultant who visits even the most remote employee work sites. Sacramento also reduced group-managed account fees, added self-directed brokerage access, added new target date vintages, and secured regular access to an on-site financial planner for participants.

4. Durable governance and continuous improvement

Perhaps the most important result is that Sacramento built a process that keeps working. The Committee continues monitoring investments, benchmarking fees, reviewing legislation and regulation, reviewing governance documents, and reviewing third-party relationships to ensure participants continue receiving competitive pricing and services. This is exactly the kind of sustained, multi-year impact the Art Caple President's Award is meant to recognize.

Innovation and participant-driven significance

Sacramento's approach is innovative not because it relied on a single dramatic change, but because it created a bottom-up improvement engine in cooperation and engagement with its recognized employee organizations and retiree association. An oversight structure was built. Independent expertise was funded. Each success revealed the next opportunity.

That model matters. It shows how a mature public sector plan can evolve from opaque, legacy arrangements into a transparent, accountable and participant-centered program without losing continuity or stakeholder alignment. The initiative is also clearly distinct from a one-year project. It spans procurement, governance, consulting, investment redesign, fee negotiation and service expansion across many years, with results that continue compounding.

Broader lesson for other plan sponsors

One of the most meaningful lessons from Sacramento's experience is that important change can begin from any corner of an organization. A later reflection from someone associated with the former recordkeeping arrangement underscored that broader engagement with participant representatives might have created an earlier opportunity for deeper review. At the time, however, the plans appeared on the surface to be functioning adequately, so the need for more rigorous scrutiny was not yet obvious. Sacramento's story shows that timing, transparency and stakeholder engagement all matter when evaluating whether a plan is truly delivering its best possible value.

It also highlights how valuable it can be to widen the circle of plan oversight. Plan administrators and human resources staff often balance many competing responsibilities and may not always have the time, resources or specialized expertise to independently assess every aspect of plan pricing, investment quality, governance processes and participant service. Inviting recognized employee organizations, retiree associations and other participant representatives to spend time reviewing the plan, asking questions and offering perspective can strengthen oversight in a practical and constructive way.

Publicizing oversight committee meetings, encouraging participants to observe and ask questions, and channeling participant feedback into thoughtful governance discussions can also help uncover opportunities that might otherwise be missed. Even the individuals who raise difficult questions or voice frustration can become important contributors when their energy is directed toward solutions and continuous improvement.

Most importantly, Sacramento demonstrates that the strongest outcomes occur when plan sponsors, staff, consultants and participant representatives work together with a shared commitment to participant well-being. The lesson is not to assign blame for past structures, but to recognize that even long-standing arrangements benefit from periodic review. With regular benchmarking, transparent fee analysis, prudent investment oversight and open dialogue, public employers can continue strengthening their plans and delivering better outcomes for the people they serve.

Supporting Materials

The following materials support this nomination:

Performance metrics and measurable outcomes

- Estimated cumulative participant savings of $28.1 million from 2016-2025 for the 457(b) and 401(a) plans, based on historical-to-current fee comparisons
- 2021 fund lineup enhancements affecting 58% of plan assets.
- 2022 target date fund fee reduction worth an estimated $56,000 annually.
- 2023 457(b)/401a record-keeping fee reduction worth an estimated $108,000 annually.
- 2024 HRA record-keeping and investment fee reduction of $110,000 annually.
- Since 2019, additional $515.6 million in participant wealth accumulated.

Governance and policy documentation

- Establishment of the Defined Contribution Plans Committee to make decisions on and advise on the City's 457(b), 401(a) and HRA plans and act solely in participants' interests.
- The Investment Policy Statement and Fee and Expense Policy Statement provides a framework for decision-making and participant transparency.

Participant education and service enhancements

- Reduction in group-managed account fees and ongoing review of managed account suitability.
- Dedicated financial planner available to meet with participants at least five days per quarter.
- Participation in Public Retirement Research Lab (PRRL) data-sharing to support deeper participant and plan-level analysis.
- Joining NAGDCA in 2019 and sending Committee members to the annual conference to enhance learning.

Participant Testimonials

My union's former president played a pivotal role in advancing the work that continues to benefit employees today. She was instrumental in the 2015 RFP, helped establish the oversight committee, and served on it for several years. Although she kept us informed of her efforts, I only recently came to understand the full scope of her influence and dedication. The foundation she helped build has strengthened the retirement security of countless employees. Her leadership, collaboration, and unwavering commitment to better outcomes embody the very best of public service and union partnership. So many employees have greater financial security today because of the collective advocacy she helped inspire.

- Inez Medrano, Telecommunications Engineer III

I've worked for the City of Sacramento since 1999. I'm relying on my deferred comp plans to cover my healthcare costs and to allow me to enjoy my retirement years. I'm so pleased that my union was an active participant in making improvements to our plans over the past decade. There's always room for improvements and they were at the forefront of pushing for better outcomes for employees. I had no idea how much extra money was in my accounts as a result of their diligent actions.

– Jon Conover, Utilities Operations & Maintenance Superintendent