

**Part 2A of Form ADV: Firm *Brochure***

*For Financial Planning Advisory Services*

March 31, 2014

# **ICMA Retirement Corporation**

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This brochure provides information about the qualifications and business practices of ICMA Retirement Corporation (“ICMA-RC”). If you have any questions about the contents of this brochure, please contact us at 800-669-7400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about ICMA-RC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2 Material Changes**

No Material changes since March 25, 2013.

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## **Item 4 Advisory Business**

ICMA-RC is a Delaware non-profit corporation established in 1972 to assist state and local governments and their agencies and instrumentalities (“Plan Sponsors”) in the establishment and maintenance of deferred compensation and qualified retirement plans (“Retirement Plans”) for their public sector employees. ICMA-RC offers a full range of retirement plan administration services to Plan Sponsors, including administration, recordkeeping, and education services. ICMA-RC has been an SEC registered investment adviser since 1983 and provides a number of different investment advisory services, including the following:

ICMA-RC has been providing financial plans to Retirement Plan participants for approximately 18 years. Generally, ICMA-RC financial planning specialists based out of our headquarters office in Washington, DC deliver the financial plans over the phone to participants. On occasion, one of ICMA-RC's Certified Financial Planners located across the country may deliver the financial plan to a retirement plan participant either in person or over the phone.

All associates who deliver the financial plans hold the FINRA Series 6, 63, and either the Series 65 or the CERTIFIED FINANCIAL PLANNER<sup>TM</sup> designation.

ICMA-RC makes three types of financial plans available to Retirement Plan participants. These plans include a snapshot financial plan, goal-specific financial plan, and a comprehensive financial plan. While the three plan types each provide a different level of specificity and tailoring, the financial plans only provide investment recommendations at an asset class level. None of the available financial plans provide specific investment option recommendations or selections.

**Snapshot Financial Plans** - Our electronic snapshot financial plan lays a useful foundation for retirement planning. The snapshot financial plan provides a retirement forecast so a Retirement Plan participant can see if he or she will be able to sustain their desired standard of living throughout retirement based on their current savings strategy. The snapshot financial plan projects the success or failure of a Retirement Plan participant's projected retirement, and in the event of failure, the plan suggests ways in which the Retirement Plan participant can modify their financial plan to make it successful. The options presented to the Retirement Plan participant are to work longer, increase savings, or reduce retirement expenses.

**Goal-Specific Financial Plans** - For a more in-depth financial analysis, ICMA-RC offers goal-specific financial plans. Goal-specific financial plans address one or two financial planning topics so a Retirement Plan participant can focus their attention on specific goals, such as asset allocation, education planning, retirement planning, major purchase planning (e.g., home purchase), or insurance planning. The goal-specific plan is geared for the participant that is typically in the middle of their career, but it is available to anyone invested in a Retirement Plan administered by ICMA-RC. The goal-specific financial plan is consultative in nature. Retirement Plan participants that choose to utilize the goal-specific plan generally have numerous opportunities to discuss their particular situation and retirement goals with a financial planning specialist. The objectives of the goal-specific financial plan are to forecast the chance of success for one or two financial goals based on the participant's current savings strategy, and to identify variables a Retirement Plan participant can change to obtain an alternative outcome. These variables include retirement age, savings rate, spending level in retirement, or a combination thereof. Once the goal-specific financial plan is completed, it is uploaded to the Retirement Plan participant's online Account

Access, and the results are reviewed and discussed with a financial planning specialist.

**Comprehensive Financial Plans** - Comprehensive financial plans provide a very in-depth analysis of a Retirement Plan participant's overall financial situation. The plan encompasses key elements of a Retirement Plan participant's financial situation including cash flow analysis, retirement income forecasts, estate planning strategies, and education and insurance planning. Typically speaking, a comprehensive plan is geared towards Retirement Plan participants within five years of retirement; however, the comprehensive plan is available to anyone invested in a Retirement Plan administered by ICMA-RC. Similar to the goal-specific financial plan, the comprehensive financial plan is consultative in nature as the financial plan is developed by our financial planning development team and delivered to the participant by a financial planning specialist. Further, the results of the plan mirror the goal-specific financial plan in that it allows the participant to see how a change in variables (e.g., retirement age, savings rate, spending level in retirement) impacts the overall results of the plan. The key difference between the goal-specific financial plan and the comprehensive financial plan are the number of planning items addressed.

In 2013, ICMA-RC provided financial planning guidance on over \$134 million in assets.

#### **Item 5 Fees and Compensation**

ICMA-RC charges fees for our goal-specific and comprehensive financial plans, but the fees are waived if a Retirement Plan participant's account balance is over a predetermined limit. ICMA-RC may also agree with the Plan Sponsor to alter or waive the fees under other circumstances. Goal-specific financial plans are available to Retirement Plan participants for a cost of \$175. The fee is waived for Retirement Plan participants with over \$100,000 in total account balances in Retirement Plans administered by ICMA-RC. Comprehensive financial plans cost \$450, but the fee is waived for Retirement Plan participants with over \$200,000 in total account balances in Retirement Plans administered by ICMA-RC. Snapshot financial plans are provided at no charge.

All of ICMA-RC's financial planning specialists and Certified Financial Planners are salaried employees of ICMA-RC. No ancillary products are sold with the financial plans. For example, a comprehensive financial plan may indicate that a Retirement Plan participant needs more life insurance, but ICMA-RC would not sell a life insurance policy to the participant; ICMA-RC would only identify the need for more insurance. A Retirement Plan participant would have to seek the help of a broker or agent unaffiliated with ICMA-RC to purchase insurance policies.

Additionally, ICMA-RC's financial plans only provide investment recommendations at an asset class level; ICMA-RC does not provide specific mutual fund advice through its financial planning services.

Fees for financial plans are assessed at the beginning of the financial planning process when ICMA-RC collects Retirement Plan participant data and begins the analysis. Retirement Plan participants may pay for a financial plan with a personal check.

#### **Item 6 Performance-Based Fees and Side-By-Side Management**

Not Applicable.

#### **Item 7 Types of Clients**

ICMA-RC makes financial plans available to anyone who is enrolled in a Retirement Plan administered by ICMA-RC, regardless of account balance.

#### **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

ICMA-RC uses sophisticated financial planning software to produce the financial plans, using a needs-based approach to our financial plans, which means that results of the plans are based on what the Retirement Plan participant will need in retirement based on their current living expenses, expected retirement expenses, income sources, and savings and investments.

The goal-specific and comprehensive financial plans illustrate side-by-side comparisons of two potential outcomes in retirement. The first outcome is based on the Retirement Plan participant's current situation (i.e., their current portfolio, income expectations, and expense expectations). The second outcome is based on a default conservative pre-retirement and post-retirement rate of return, and depending on whether the participant's current plan is successful or not, a combination of increased/decreased retirement expenses, increased/decreased savings rate, and an earlier/later retirement age. In the data gathering process, the participant indicates what variables (e.g., retirement age, savings rate, spending level during retirement) they wish to adjust in the proposed plan. This allows ICMA-RC to project whether or not the Retirement Plan participant's retirement will be successful if the rate of return on their retirement investments is conservatively low.

Both the goal-specific and comprehensive financial plans include a Monte Carlo analysis. The Monte Carlo analysis introduces variability to the financial plans by running 500 iterations to stress-test the results. The results of the Monte Carlo analysis determine the ultimate probability of success or failure of the participant's existing financial plan. It is here that the ICMA-RC financial planning specialist and the Retirement Plan participant can discuss ways in which to improve the chances of a successful financial plan, such as having the participant delay retirement, save more, or reduce retirement expenses.

Saving more for retirement with a Retirement Plan could involve investing in securities that have various investment risks that are disclosed in the applicable disclosure document provided to the Retirement Plan participant. Under financial planning, no specific investment options are selected or recommended.

### **Item 9 Disciplinary Information**

Not Applicable.

### **Item 10 Other Financial Industry Activities and Affiliations**

#### **Broker-Dealer**

ICMA-RC Services, LLC (“RC Services”), a wholly owned subsidiary of ICMA-RC, is a broker-dealer registered with the SEC and is a member of FINRA. Certain management persons of ICMA-RC are registered representatives of RC Services. RC Services serves as the principal underwriter for The Vantagepoint Funds. All transactions on behalf of VantageTrust (described below) funds invested in unaffiliated, third-party mutual fund shares are executed through RC Services. RC Services does not charge commissions, transaction fees, or any other direct cost to clients for these services.

RC Services, however, receives payments from these third-party mutual fund families or their service providers in the form of 12b-1 fees, service fees, compensation for sub-accounting, and other services provided by RC Services and/or ICMA-RC. RC Services, after paying various direct expenses to unaffiliated third parties, remits the remainder of these payments to ICMA-RC. In exchange for this remittance, ICMA-RC assumes responsibility for the payment of certain of RC Services’ direct and indirect liabilities.

Additionally, ICMA-RC may credit or make payments (“administrative allowances”) to certain Retirement Plans or employers based, in part, on anticipated fee income from such third-party mutual funds or their service providers or may reduce the fees charged to Retirement Plans or employers for plan administration or other services based on such anticipated fee income to ICMA-RC. These administrative allowances are negotiated, may not be directly tied to the payments received by RC Services and/or ICMA-RC, and may be more or less than actual payments received. Any such crediting, allowance, or fee reduction arrangement is described in the Administrative Services Agreement with each Retirement Plan.

#### **Investment Company**

ICMA-RC is the sponsor of The Vantagepoint Funds, an SEC registered investment company, comprised of separate funds with each fund having different investment objectives and strategies. Affiliates of ICMA-RC are responsible for providing advisory, distribution, transfer agency, and administrative services to The Vantagepoint Funds. RC Services serves as distributor to The Vantagepoint Funds for no direct compensation. VIA, as described below, serves as the investment adviser to The Vantagepoint Funds.

## **Transfer Agent**

Vantagepoint Transfer Agents, LLC (“VTA”), a wholly owned subsidiary of ICMA-RC, is The Vantagepoint Funds’ designated transfer agent and provides The Vantagepoint Funds with certain transfer agency and administrative shareholder support services related to the Retirement Plans and participants that invest in The Vantagepoint Funds. These services include the preparation of shareholder reports and proxies, shareholder recordkeeping, transferring ownership of shares, and maintaining share ownership records for The Vantagepoint Funds. VTA receives asset-based compensation for these administrative and transfer agency services up to 0.10% on a monthly basis and accrued daily.

## **Investment Adviser**

Vantagepoint Investment Advisers, LLC (“VIA”), a wholly owned subsidiary of ICMA-RC and an SEC registered investment adviser, serves as the investment adviser to The Vantagepoint Funds. Pursuant to its written advisory agreement with The Vantagepoint Funds, VIA, with the consent and approval of The Vantagepoint Funds’ Board of Directors, may enter into agreements with subadvisers for the performance of some or all of VIA’s duties and responsibilities to the Funds. VIA retains the responsibility and authority to monitor and review the performance of each subadviser. VIA receives investment advisory fees from The Vantagepoint Funds ranging from 0.05% to 0.10% annually depending on the fund, and the fees accrue daily and are paid monthly.

## **Banking Institution**

VantageTrust Company, LLC (“VTC”) is a New Hampshire non-depository trust company and a wholly owned subsidiary of ICMA-RC. VTC is the sole trustee of the VantageTrust, a trust established and maintained by VTC for the purpose of comingling funds held by state and local governments in connection with their deferred compensation and qualified retirement plans. ICMA-RC provides, for a negotiated fee, certain recordkeeping, management, and administrative services to VTC for the benefit of the deferred compensation and qualified retirement plans within VantageTrust.

## **Conflicts**

Please see the response to Item 11, under Participation or Interest in Client Transactions, for a description of any potential conflict of interest from the above financial industry affiliations.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

### **Code of Ethics**

ICMA-RC adopted a Code of Ethics pursuant to Advisers Act Rule 204A-1 to help meet its fiduciary obligations to its clients to act in the clients' best interests and to subordinate ICMA-RC and its associates' interests to the interests of ICMA-RC's clients. The Code of Ethics helps to ensure that ICMA-RC associates avoid or appropriately manage conflicts with the interests of clients. Under the Code of Ethics, all ICMA-RC associates are required to comply with ethical restraints relating to clients, including restrictions on giving gifts to, and receiving gifts from, clients in violation of ICMA-RC's gift policy.

ICMA-RC's Code of Ethics also addresses the SEC's "pay-to-play" rule, which is designed to prevent investment advisers from making political contributions or hidden payments in an effort to influence their selection by government officials to provide advisory services to government entities. ICMA-RC's Code of Ethics prohibits political contributions to certain state and local government officials, restricts using third party solicitors for potential clients unless those solicitors are subject to the pay to play rule, and implements a ban on engaging in fundraising activities for certain officials, political action committees, as well as state and local political parties. ICMA-RC's Political Contributions Policy contained in the Code of Ethics applies to all officers and employees of ICMA-RC and its affiliated entities regardless of position, responsibility or title. Exceptions to the political contribution prohibition are possible only upon approval of ICMA-RC's Chief Compliance Officer and only if, among other things, the amount of the contribution is the lesser of \$150 per year or per election.

Also as part of the Code of Ethics, ICMA-RC has adopted procedures to control the use of material, non-public information. These procedures take into account that ICMA-RC and its related persons may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, ICMA-RC and its related persons may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is an advisory client of ICMA-RC. Accordingly, should such persons come into possession of material nonpublic or other confidential information with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of, their respective clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, their clients when following policies and procedures designed to comply with law.

A copy of the Code of Ethics is available to any client or prospective client upon request.



## **Participation or Interest in Client Transactions**

ICMA-RC does not make specific investment option recommendations or selections as part of financial planning services. ICMA-RC's financial plans only provide investment recommendations at the asset class level. However, ICMA-RC's financial planning is made available to participants in Retirement Plans administered by ICMA-RC. For those Retirement Plans, ICMA-RC also makes available investment options in VantageTrust as well as third-party mutual funds. As noted above in Item 10, ICMA-RC is affiliated with both VTC, the trustee for VantageTrust, and The Vantagepoint Funds, which comprise the underlying investments of certain VantageTrust Funds. When ICMA-RC makes available investments through VantageTrust or otherwise, a conflict of interest may exist because either ICMA-RC or one of its affiliates receives compensation in the form of advisory fees, transfer agent, shareholder servicing, or other administrative fees based on the assets invested in VantageTrust Funds, including the underlying Vantagepoint Funds. Additionally, ICMA-RC or its affiliate, RC Services, receives asset based payments from the third-party mutual fund families that underlie certain VantageTrust Funds, or their service providers, in the form of 12b-1 fees, service fees, compensation for sub-accounting and other services provided by RC services and/or ICMA-RC. Further, ICMA-RC receives administrative fees from its third-party mutual fund settlement and clearing agent for providing administrative and other services based on Retirement Plan assets invested in third-party mutual funds; such administrative fees come from payments made by third-party mutual funds to the settlement and clearing agent.

A Retirement Plan participant is solely responsible for the identification, purchase and sale of any specific investment option in relation to guidance provided under a financial plan. With respect to Retirement Plans, ICMA-RC also discloses the specific fees and expenses, as well as the compensation received from third-party mutual funds, associated with a plan's investment options to Plan Sponsors, who have a fiduciary duty to select the investment options available to a Retirement Plan participant.

## **Personal Securities Trading**

ICMA-RC and its associates are not obligated to refrain from recommending, buying or selling any security that it recommends to its clients, and may buy or sell for their own accounts, or for the accounts of any other client, any such security. Because ICMA-RC or certain of its associates (defined as "Access Persons") may invest in the same securities as ICMA-RC's clients, there exists a potential conflict of interest from placing their own corporate or personal interests ahead of those of their clients. There is also a potential conflict from ICMA-RC or its Access Persons having access to material, non-public information about the investments of their clients and using such information for personal gain in breach of their fiduciary duty to those clients.

In order to address these conflicts, ICMA-RC has implemented a Personal Securities Trading Policy that governs the personal investing activities of Access Persons and any associate that has gained access to material nonpublic information. The Personal Securities Trading Policy is designed to prevent unlawful practices in connection with personal securities trading of associates.

All Access Persons are required to pre-clear securities trades and provide quarterly reports of their personal transactions. In addition, Access Persons must direct their brokers to provide copies to the CCO or the designee of all brokerage confirmations relating to all personal securities transactions in which they have a beneficial ownership interest.

A copy of the Personal Securities Trading Policy is available to any client or prospective client upon request.

ICMA-RC has also taken steps to ensure that associates who manage investments for ICMA-RC's own corporate portfolio do not misuse confidential information about client investments or engage in securities trading at the same time as a client. Specifically, ICMA-RC requires that trades for the corporate portfolio be placed in accordance with pre-clearance guidelines that mirror those in the Personal Securities Trading Policy. Additionally, the ICMA-RC associates that participate in the investment decision and transaction must attest that the trade was not based on material nonpublic information and that the trade does not conflict with the interests of other accounts managed by ICMA-RC or its affiliates.

#### **Item 12 Brokerage Practices**

Not Applicable.

#### **Item 13 Review of Accounts**

##### **Financial Planning**

After the results of the financial plan have been delivered to a Retirement Plan participant, to their satisfaction, the planning process is complete and ICMA-RC will not conduct any future reviews of the financial plan without the participant's request. ICMA-RC encourages the participant to contact ICMA-RC to update their financial plan if they have had a life changing event (e.g., marriage, divorce, birth of a baby, new job, etc.) or on an annual basis, but ICMA-RC will only review the financial plan if the participant asks for an updated financial plan and ICMA-RC agrees to prepare an update. Additional fees may be incurred for any plan updates.

#### **Item 14 Client Referrals and Other Compensation**

Not Applicable.

#### **Item 15 Custody**

Not Applicable.

**Item 16 Investment Discretion**

Not Applicable.

**Item 17 Voting Client Securities**

Not Applicable.

**Item 18 Financial Information**

Not Applicable.