

BOARD MEETING DATE: October 1, 2021

AGENDA NO. 5

PROPOSAL: Execute a Contract to Provide Recordkeeping and Administration Services for South Coast AQMD's Deferred Compensation Plans

SYNOPSIS: South Coast AQMD sponsors an IRS-approved 457 deferred compensation program for its employees. On February 5, 2021, the Board approved the release of RFP - #2021-11 for bundled services to administer the Deferred Compensation Plan. Based on the evaluation of proposals, this action is to execute a 5-year contract with Empower Retirement, LLC to provide recordkeeping and administration services for South Coast AQMD's 457(b), 401(a) and OBRA Deferred Compensation Plans. Funding for this contract will be generated through charges to participant accounts.

COMMITTEE: Administrative, September 10, 2021; Recommended for Approval

RECOMMENDED ACTION:

Authorize the Executive Officer to execute a contract with Empower Retirement, LLC, for a 5-year term beginning January 1, 2022, to provide recordkeeping and administration services for South Coast AQMD's 457(b), 401(a) and Omnibus Budget Reconciliation Act of 1990 (OBRA) Deferred Compensation Plans.

Wayne Natri
Executive Officer

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Background

On February 5, 2021, the Board approved the release of a Request for Proposals for Deferred Compensation Plan Recordkeeping and Administration Services for South Coast AQMD's 457(b), 401(a) and OBRA Plans. Services related to the RFP are currently provided by Empower Retirement ("Empower"), which acquired Massachusetts Mutual Life Insurance Company ("MassMutual") in January 2021.

To ensure a high level of service and a continuity of programs for Plan participants, the following minimum requirements were included in the RFP:

1. Currently provide recordkeeping and administration to a minimum of 25 governmental 457(b) plans, each with assets above \$100 million.
2. Currently provide recordkeeping and administration to a minimum of 25 governmental 401(a) plans.
3. Provided recordkeeping and administration services to governmental 457(b) plans for more than 10 years.
4. Able to provide fee disclosures similar to those required under ERISA 408(b)(2) to South Coast AQMD.
5. Able to provide fee disclosures similar to those required under ERISA 404(a)(5) to participants.
6. Able to administer and allow Roth contributions and in-plan conversions.
7. Able to offer a self-directed brokerage account.
8. Able to rebate revenue sharing payments to participants with balances in the fund.
9. Able to apply an asset-based fee determined by South Coast AQMD to participant accounts to offset recordkeeping and other plan expenses.

In addition to South Coast AQMD’s website, the RFP was posted in the Orange County Register, Los Angeles Times, San Bernardino Sun, and Riverside Press Enterprise. The RFP consisted of 234 questions divided into five categories: Provider Background, Plan Sponsor Services, Investment Platform, Fees, and Participant Experience, with numerous sub-categories. Questions regarding the RFP were due on February 19, 2021 and responses were posted on the website on March 3, 2021.

The following proposals were received in good order by the due date of March 19, 2021:

1. Empower Retirement, LLC
2. ICMA-RC (“ICMA”)
3. Nationwide Retirement Solutions, Inc. (“Nationwide”)
4. Prudential Retirement Insurance and Annuity Company (“Prudential”)
5. Voya Financial (“Voya”)

Proposal

The Deferred Compensation Committee (the Committee) worked with the Plan consultant, BFGS, to evaluate the proposals. Each Committee member scored the responses and an average was used to determine the overall score, based on the following factors:

Provider Background	10 points
Plan Sponsor Services	20 points
Investment Platform	20 points
Fees	30 points
Participant Experience	20 points

The Committee also sought advisory scoring on the Participant Experience section from a diverse group of six South Coast AQMD employees from various departments – Information Management, Finance, Legal, Clerk of the Board and Administrative & Human Resources; each having experience with the Plans. The employees evaluated the responses to the Participant Experience questions in the RFP. After review, the Committee accepted the scores and assigned them as the score for each proposal for the Participant Experience category.

At the Committee’s May 18, 2021 meeting, BFSG provided the Committee with its view on the strengths and weaknesses of the respondents based on the proposals received and answered Committee questions related to the services being proposed. BFSG did not provide suggested scoring. Following the presentation, the Committee finalized its scoring for the RFP and the final scores for proposals, from highest to lowest, were:

Empower	82.45
Voya	78.25
ICMA	76.60
Prudential	73.45
Nationwide	73.10

Empower scored the highest in all categories, except for Provider Background, where they came in second to ICMA. Their fee for the 457(b) and 401(a) plans tied with Voya for the lowest at 0.02 percent, which is 0.03 percent lower than the current fee. The current crediting rate and crediting rate floor on the Fixed Account were the highest of any of the respondents, which is important due to significant utilization of the account by Plan participants. Empower would also provide consistency and continuity to the Plans and the participants due to its familiarity with the current programs and the retention of key personnel from MassMutual.

Based on the evaluation and scoring of the proposals by the Committee and an employee advisory group, staff recommends awarding a five-year contract to Empower to provide recordkeeping and administration services for South Coast AQMD’s 457(b), 401(a) and OBRA Deferred Compensation Plans.

Resource Impacts

Funding for this contract will be generated through charges to participant accounts.