



Contra
Costa
County

To: Board of Supervisors
From: Dianne Dinsmore, Human Resources Director
Date: February 26, 2019

Subject: Intent to select Empower Retirement as the County's 457 Deferred Compensation Plan Recordkeeper

RECOMMENDATION(S):

ACKNOWLEDGE the formation of the 457 Deferred Compensation Committee made up of representatives of both labor and management; ACKNOWLEDGE that the previous plan Recordkeeper contract will expire in 2019 and pursuant to County Policy, the County issued and RFP in 2018; ACKNOWLEDGE that the 457 Deferred Compensation Committee evaluated the responses, interviewed the finalists and unanimously chose Empower Retirement; DECLARE the County's intent to select Empower Retirement as the County's Deferred Compensation Plan Recordkeeper and AUTHORIZE the County Administrator, or Designee, to negotiate an agreement with Empower Retirement for plan investment and administrative services for the Internal Revenue Code Section 457 Deferred Compensation Plan, for the period of July 1, 2019 through June 30, 2022, with the option to renew for two additional years.

FISCAL IMPACT:

This program is funded by fees charged to employee participants. There is no fiscal impact beyond over-head administrative support costs, which are partially offset through the plan.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **02/26/2019** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V Supervisor

ABSENT: Diane Burgis, District III Supervisor

Contact: Ann Elliott, Human Resources Manager (925) 335-1747

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: February 26, 2019

David Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

BACKGROUND:

The contract with the County's current 457 Deferred Compensation Recordkeeper vendor will expire in 2019. California law imposes fiduciary standards under Article 16, Section 17 of the California Constitution to exercise care, skill, prudence, and diligence and to act with loyalty to the beneficiaries of the fund. Core to that responsibility is to regularly review fees and expenses, including fund expense ratios. In keeping with this responsibility and with County policy, the Board of Supervisors authorized the Human Resources Director to execute a contract with Segal Marco Advisors to provide fiduciary consulting services and assist the County in conducting a full vendor search and response evaluation for the County's 457 Deferred Compensation Plan. A Request for Proposals (RFP) to provide bundled Deferred Compensation services, including recordkeeping/administration, communication/education, onsite education, participant investment advisory, investment management and custodial trustee services, was distributed in September 2018.

The proposals were reviewed by the Deferred Compensation Committee (Committee), whose voting members include: County Treasurer-Tax Collector Russell V. Watts, who is also a member of the Contra Costa County Employees' Retirement Association Board as well as the Post Retirement Health Benefits Trust Agreement Advisory Body (Advisory Body), Auditor-Controller Robert R. Campbell, member of Advisory Body, Finance Director Lisa Driscoll, member of Advisory Body, Human Resources Director Dianne Dinsmore, and three employee representatives. The Committee receives fiduciary consulting services from Segal Marco Advisors under the contract approved by the Board of Supervisors in March 2018. Members have received training on 457 Plan governance and their fiduciary responsibilities as members of the Committee.

The Committee evaluated the seven RFP responses and invited three finalists to submit Best and Final Offers and give presentations focused on the following:

Introductions

The participant experience: A review of vendor communication/education program capabilities and road map for the Plan. Including demonstrations of participant and Plan Sponsor websites.

Implementation: An overview of vendor plan including a summary of the information converted as well as how far back that data goes

Recordkeeping: A brief review of vendor system to include what they can help the County automate or do electronically as well as how vendor protects participant data.

The Committee met multiple times following vendor presentations to review the proposals and discuss the relative merits of each vendor. The Committee unanimously voted to recommend Empower Retirement as the County's 457 Deferred Compensation Plan Recordkeeper. Empower Retirement best matched the criteria outlined in the RFP. Empower had the most public sector defined contribution 457(b) plans with 9,000 participants or more than any of the respondents (28 total versus 19 for the next closest). Through the RFP and finalist presentations, Empower Retirement demonstrated a better understanding of the County's Plan and ability to assist in automating current Plan features,

including loans. Empower has focused resources on developing their systems and website giving plan participants powerful tools at their fingertips 24/7. This was apparent in their presentation. The Committee found their customized website to be more participant-focused and intuitive than others presented, resulting in an enhanced user experience. Loan administration is fully automated, making it easy for participants to monitor as well as apply for loans. Moreover, Empower's approach has led to income replacement projections that exceed national averages. Additionally, Empower's administrative and participant fees were competitive across all pricing scenarios and provided better overall value when taken as a whole.

Empower offered a number of advantages that made them stand out above the other respondents. Toll Free customer service hours include evenings and Saturdays, making it easier for employees to receive assistance. Empower was also the only finalist offering Live Chat in addition to a standard call center. In addition, Empower's Customer Service Representatives and Field Representatives are required to hold Financial Industry Regulatory Authority Series 6 and 63 licenses, meaning they can act in a fiduciary capacity and provide professional advice to Plan participants. The most common complaint received from Plan participants is that the current representatives are unable to provide financial advice.

Finally, the Stable Value Fund offered by Empower is a separate account for Contra Costa County Plan participants, which provides greater security for the more than \$600 million in plan assets than the General Account offered by the current vendor. In addition, the current vendor fund is a "spread product" where the vendor collects the difference between fund earnings and what is credited to plan participants, rather than benefiting the plan participants.

After finalizing all provisions, investment options and the administrative services agreement, the Committee will return to the Board of Supervisors for their approval and adoption of the contract. Following contract approval, the County will begin facilitation of communication and educational materials for the plan participants and establishing contracts with fund companies, as needed.

CONSEQUENCE OF NEGATIVE ACTION:

The County will soon be out of contract with its current provider. Without a successor contract in place, many of the favorable terms and conditions of the current contract are lost.