

Deferred Compensation Plan

BOARD REPORT 16-16

Date: April 13, 2016

To: Board of Deferred Compensation Administration

From: Staff

Subject: Third Party Administrator RFP Review Panel

*Board of Deferred
Compensation Administration
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Michael Amerian, Vice-Chairperson
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Recommendation:

That the Board of Deferred Compensation Administration (a) receive and file this update regarding responses to the Request for Proposal (RFP) for Deferred Compensation Plan Third Party Administrative services; and (b) approve the selection of former NAGDCA President Julia Durand as a third rater on the RFP Review Committee, and authorize staff and Board Chairperson to negotiate and execute a personal services contract for these services.

Discussion:

The Board released its Request for Proposal (RFP) for Deferred Compensation Plan Third Party Administrative services on February 5, 2016. Responses were due March 24, 2016. Two proposals, from Empower Retirement and Voya Financial, were submitted. Both proposals were determined to be compliant with the City's general contacting requirements. Staff member Steven Montagna and the Board's consultant from Segal Consulting, Wendy Young-Carter, who comprise two of the three review panel members, have initiated their review.

In the interim, staff recently became aware that the intended third rater on the review panel, staff member Esther Chang, will be leaving the Deferred Compensation Plan after having competed for and being offered a position working with the City's new Workforce Development initiative in the Personnel Department. Ms. Chang was intended to be the third rater as a result of her background and experience working with the administrative and operational issues affecting the City's Plan.

In light of this development, staff is recommending that the Board authorize the use of an outside rater to serve on the review panel. This would provide a valuable and experienced resource to assist the City's Plan in its review process.

Staff's recommendation is based on a similar approach used by the Board in its last evaluation process for these services, which took place in 2006. At that time, the review panel consisted of a consultant, staff member, and recently retired plan administrator of a government agency Section 457 plan. The advantage of using a recently retired administrator was to add the perspective of an individual experienced in the administration of plans similar to the City's Plan in scope, complexity and responsibility, but without having an existing connection to a service provider. In this instance, staff believes a similar benefit would be available to the City's Plan for this review process.

Specifically, staff is recommending that the Board approve the selection of Julia Durand as the outside rater. Ms. Durand has served in various defined contribution plan managerial capacities for the City and County of San Francisco, California State Teachers Retirement System, and California Public Employees Retirement System supplemental retirement savings plan. Most recently, from 2013-2014, she was administrator of the \$2.6 billion, 24,000-participant Section 457 Deferred Compensation Plan for the City and County of San Francisco. Prior to that, from 2007-2013, she was the administrator of the California State Teachers Retirement System (CalSTRS) Defined Contribution Solutions plans (including their 403(b) and 457 plans, and statewide 403(b) compliance program). Prior to that, from 1989-2007, she was a retirement program manager with the California Public Employees Retirement System (CalPERS) defined benefit and defined contribution plans.

Ms. Durand also served for six years on the Executive Board and was former President of the National Association of Government Defined Contribution Administrators (NAGDCA). She retired from her position with the City and County of San Francisco in October 2014 but is still an active member of NAGDCA, presently serving as NAGDCA's representative on the Executive Board for the International Foundation for Retirement Education (INFRE).

Given this extensive administrative background, staff believes that Ms. Durand would be an excellent candidate for serving on the review panel. With respect to compensation, staff recommends that the Plan offer a similar compensation methodology to that used with the outside rater in 2006 (an hourly rate equal to the average consulting services hourly rate, plus any necessary travel expenses). Staff will discuss proposed compensation with Ms. Durand once the Board has acted to approve the concept, and further proposes that the Board authorize staff and Board Chairperson to negotiate and execute a personal services contract for these services.

Submitted by:

Steven Montagna