



Board Report 20-28

Date: August 4, 2020

To: Board of Deferred Compensation Administration

From: Staff

Subject: Plan Administration and Communications Consulting Services Request for Proposals Evaluation and Recommendation

Board of Deferred Compensation Administration

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Recommendation:

That the Board of Deferred Compensation Administration (Board): (a) select Segal to provide plan administration and communications consulting services for the Deferred Compensation Plan for a five-year contract term; (b) instruct staff to negotiate and draft a contract in consultation with Board counsel; and (c) authorize the Board Chairperson to execute said contract on behalf of the Board, subject to agreement between the City and the provider as to all applicable terms and conditions and all necessary approvals.

Discussion:

A. Background

At its **December 10, 2019** meeting, the Board approved and authorized the release of a Request for Proposals (RFP) for Plan Administration and Communications consulting services for the Deferred Compensation Plan (DCP). Since that action, the following has occurred:

- **March 9, 2020** – The RFP was released to the vendor community on the Los Angeles Business Assistance Virtual Network (LABAVN), with a response deadline of April 23, 2020.
- **March 26, 2020** – A mandatory pre-proposal conference was held.
- **April 23, 2020** – One response was received from the incumbent provider, Segal.

The Personnel Department's Administrative Services Division evaluated the proposal for compliance with the City's general contracting requirements. The proposal was determined to have satisfied these requirements. Staff subsequently completed all of the process and evaluation steps as required in the RFP to assess the proposer's competence to provide the required services and generate a recommendation to the Board.

B. Plan Administration and Communications Consulting Services RFP Evaluation and Findings

The RFP solicited expert plan administration and communications consulting services for the DCP. Plan administration consulting includes expert guidance and support on plan design and administration, regulatory matters, procurements for plan services, benchmarking, training, and other services. Communications consulting includes expert guidance and support on engagement campaigns and strategies, communication and engagement materials development, website design, participant surveys, and focus groups.

The review panel consisted of staff members Steven Montagna and Eric Lan. Following is the review panel's combined scoring summary:

Plan Administration Consulting			
Proposer	Points Available	Total Points	Percentage Score of Available Points
Segal	1,000	945.3	95%

Communications Consulting			
Proposer	Points Available	Total Points	Percentage Score of Available Points
Segal	1,000	918.6	92%

A scoring summary by category is provided in **Attachment A** to this report. This staff report will summarize the key findings and results of the RFP evaluation.

OVERVIEW

The recommendation of the review panel is that Segal be selected to provide plan administration and communications consulting services for the DCP. Segal's proposal included the following capabilities that were determined by the review panel to fully address the selection criteria established in the RFP and which represents important objectives for the DCP:

- Organizational strength and experience as a private, employee-owned firm providing defined contribution plan consulting services to both public and private sector clients.
- Strong experience working with a large public client sector base.
- Extensive experience providing governmental plan sponsors with expert guidance and support on plan design, service procurements, benchmarking, training, fee analysis, and other services as requested in the Board's RFP.
- Access to established and reputable defined contribution regulatory and compliance resources for industry and legislative updates.
- Experienced communications consulting personnel and strong ability to support the DCP's communications objectives.

- Excellent performance in the engagement exercise providing unique perspectives on key issues involved in administration of the DCP.
- Competitive pricing and fee structure, including an offer to place 100% of compensation at risk if the Board or staff are unsatisfied with the work product.

A summary of key highlights from the proposal for each of the major categories included in the RFP written questionnaire is provided in this narrative report.

I. ORGANIZATIONAL QUALIFICATIONS

- **Organizational Qualifications and Reliability** – The RFP posed questions regarding organizational experience, stability, financial strength, staff qualifications and turnover, and other factors to assess how well a proposer is resourced to be a long-term viable partner with the Board and staff in providing the services included in the RFP. The table below provides a high-level review of proposal information.

Category	Segal
Background	<ul style="list-style-type: none"> - Privately held, employee-owned benefits and investment consulting firm established in 1939; 302 employee owners with no shareholder owning more than 5% of company - US headquarters in Boston, MA with offices in Los Angeles, San Diego, New York, and Washington DC; defined contribution headquarters are in Washington DC - Expertise in employee benefits plan design, administration, compliance, and communications - No plans to merge or sell firm - Has never filed for bankruptcy - Over 2,700 clients
Revenue	<u>2016</u> : \$226.5 million <u>2017</u> : \$247.8 million <u>2018</u> : \$253.5 million
Senior Management	Average tenure: 16.8 years; President and CEO assumed role in 2016 after 27 years with Segal
Staffing	<u>2017</u> : 1,009 <u>2018</u> : 1,013 <u>2019</u> : 1,061
Staff Turnover Rate	<u>2016</u> : 1% <u>2017</u> : 1% <u>2018</u> : 1%
Subcontracted Work	- Indicated no current subcontractors at this time but if a service is needed search would be in accordance with the City’s Business Inclusion Program

Overall, Segal scored well in this section primarily due to the depth of its resources, demonstrated institutional viability and reliability, and low staff turnover.

- **Regulatory and Contractual Actions** – On the subject of regulatory actions, complaints, administrative challenges, judicial actions, lawsuits, or other material events, Segal indicated that no complaints have been filed against the firm with any state or federal regulatory agency or office in the past ten years, that there are no outstanding legal issues that would impact its ability to provide services to the City, and that there have been no contract terminations as a result of default. With respect to conflict of interest, Segal indicated it maintains a Relationship Identification and Conflict Identification System, overseen by senior management and in-house Counsel, to check for conflicts or potential conflicts with new clients, prospective clients, and non-routine assignments for existing clients.
- **Security Protocols, Disaster Recovery, and Guarantees** – Although in its consulting role Segal is not expected to work with confidential or Personally Identifiable Information (PII), as part of the DCP’s due diligence, several questions were posed in the RFP regarding security protocols and disaster recovery. Segal provided information regarding its Security Event Response Plan, HIPAA Security Roles and Policies, encryption resources, and other security resources. Segal also indicated it has never experienced a security breach.

II. PLAN ADMINISTRATION CONSULTING EXPERIENCE AND QUALIFICATIONS

The RFP posed questions in each of the following areas to assess the proposer’s experience and qualifications in providing plan administration and communications consulting services. Highlights include the following:

- **Staffing** – Public Sector Defined Contribution Director Wendy Carter would be the lead plan administration consultant, with assistance from Public Sector Compliance Attorney Melanie Walker for regulatory and compliance matters. Communications Consultant Noreen Irving would be the lead for communications matters. In addition, three other individuals were identified for supporting roles.
- **Plan Design and Administration** – The RFP requested examples of plan design changes, best practice recommendations, and assistance in evaluating goals and metrics. Segal provided detailed project examples (assistance in evaluating regulatory considerations of Qualified Domestic Relations Order account calculation methodology, an external review of a Third-Party Administrator’s payroll and loan processes, and a review of retirement income replacement calculations) as requested by the RFP. Segal separately provided examples of major benchmarking projects which led one client to significantly reduce the number of investment options offered; and bi-annual benchmarking studies it conducts for another client. Finally, in response to further questions, Segal provided examples of projects it has worked on with respect to the offering of Deemed IRAs; the use of a governmental plan default option; analysis of a potential employer match program; and

a cost-reduction analysis for a plan sponsor which had not altered or procured for administration of its program in over 20 years and which resulted in substantial fee savings. Responses to all of these questions demonstrated Segal's diverse experience and success consulting on technical, administrative, and plan design features of governmental plans.

- **Interpretive/Compliance Guidance** – The RFP did not request and Segal does not provide legal advice, but it provides regulatory and compliance guidance and analysis. In addition to Ms. Walker, the firm has nine attorneys with expertise in public sector defined contribution plans, with two licensed in the State of California. Segal provided examples of ways in which it assisted other plan sponsors in reviewing legislative impacts, including recent work related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- **Procurements and Contracts** – The RFP asked questions regarding experience in assisting clients with procurements, particularly TPA services. Segal detailed almost fifty client defined contribution plans for which it has provided assistance with administrative services procurements from 2017 through early 2020. Segal also provided detailed responses regarding its project development approach and how it works with a plan sponsor to identify goals and objectives and produce the necessary deliverables.
- **Benchmarking Analysis** – Segal indicated it is an active participant in the partnership involving the National Association of Government Defined Contribution Administrators (NAGDCA) and Employee Benefits Research Institute (EBRI), with Ms. Carter acting as the Chair of the Public Retirement Research Laboratory (PRRL). This involvement and relationship with the PRRL would assist the City in further developing and refining its benchmarking resources and analysis.
- **Financial Analysis** – Segal provided responses to questions indicating its substantial resources for and experience with assisting plan sponsors in conducting financial analysis and benchmarking with respect to plan expenses and participant fees.
- **Training Services** – Segal provides a number of training resources, including fiduciary and regulatory training, cybersecurity training, “deep dive” plan administration review workshops, and other training.
- **Communications Strategies and Process Management** – Segal provided a detailed description of its communications development process, highlighting how it has incorporated behavioral science and focus group research into its project elements with a focus on being able to measure project success. Segal also described its resources with respect to interactive communications (like quizzes and games) and psychographic segmentation which can assist its client in targeting communications based on lifestyle, perceptions, preferences, barriers to communication, and other factors.

- **Communications Deliverables** – Segal provided detailed information regarding how it evaluates the effectiveness of communication materials. Examples were provided of client deliverables, including websites and related materials for a client finalist for a Plan Sponsor 2020 Plan Sponsor of the Year award, and a campaign for another client which raised awareness of their defined contribution plan. Segal provided a strong sample workplan for a communications project and several other effective examples of electronic deliverables. Segal also demonstrated experience in designing effective and engaging surveys.

III. ENGAGEMENT EXERCISE

As part of the RFP evaluation, Segal participated in an interactive two-hour engagement exercise with the review panel. The engagement exercise is designed to provide an opportunity for staff to interact with a proposer regarding the plan administration and consulting services utilized for the DCP. The engagement exercise was worth 20% of the overall score.

The engagement exercise topic was “Driving and Measuring Success.” This exercise focused on the next iteration of DCP goals and data-driven measurement of future success, including developing and refining strategic initiatives and objectives, evolving program goals for achieving improved member outcomes, and using data to support development of engagement strategies. Attendees for Segal included Ms. Carter, Ms. Walker, and Ms. Irving.

The discussion began by asking what gaps might presently exist in the City’s plan design or what potential services or features might be considered to help drive program and participant success. Segal discussed the topic of financial wellness and how engaging participants on broader financial wellness matters can support desired savings habits. Segal also discussed how utilizing a “back-to-basics” communications approach can help to identify gaps in knowledge and awareness by using tools like “mini-quizzes” which are engaging but also provide important data which can be tracked over time. Segal also suggested consideration of approaching retirement planning from a much broader, holistic view of overall financial wellbeing more aligned with how most people interpret and act on financial matters.

A second topic concerned where defined contribution plans have fiduciary and compliance exposure and how that exposure has evolved over time. Segal commented that the City was starting from an excellent place because it was a strong, well-run plan actively reviewing and evolving its services and features. However, Segal noted as the regulatory framework continues to grow ever more complex, it is helpful to use outside auditors and targeted process reviews to identify opportunities for refinement in governing documents and ongoing processes.

A third topic centered around plan design and “plan feature clutter,” whereby new product solutions from the provider community, all designed to serve essentially the same objective, can easily become layered on one another resulting in participant confusion who generally are more inclined to respond to simple and easily understood services and choices. Segal challenged the City to consider taking a more aggressive approach in moving participants to percent-of-pay,

indicating that having 50% of new participants select dollar contributions did not necessarily represent an optimal outcome (pointing out that percent-of-pay will lead to larger account balances over time and driving most if not all new enrollments to percent-of-pay was possible through plan design changes). Segal and staff also discussed retirement income products and how this is still an immature product offering and that plan sponsors should be cautious in adding services or options participants would have difficulty understanding and using appropriately.

A fourth topic was emerging engagement and communications challenges in the post-COVID-19 world and options for redesigning and repackaging virtual content to include a mixture of both live and on-demand resources. It was noted that “webinars” may not be optimal branding and a different marketing approach might support greater engagement. It was further noted that print communications sent directly to people’s homes may be making a “comeback” as a communications vehicle participants will pay attention to provided that the information is engaging and relevant.

Segal participants shared other interesting insights, for example with respect to having after-tax savings options in a defined contribution plan, not limiting peer review to the public sector, and paying attention to the ways in which, post-COVID-19, service providers might be evolving how they do business. Overall, the engagement exercise demonstrated not only the quality of Segal’s defined contribution plan consulting experience but the considerable intellectual capital its key staff can provide the DCP to stimulate new thinking and innovation.

IV. FEES AND PERFORMANCE GUARANTEES

Proposers were requested to detail fees and performance guarantees to provide the services detailed in the RFP. This section of the RFP was worth 20% of the overall score.

Consistent with current consulting fee structures, Segal proposed hourly rates for its services with any project-based or recurring assignments available for flat fees as may be identified over the course of the contract. Proposed hourly fees for both plan administration and communications consulting services are identical, indicated as follows:

Consultant Level	Plan Administration	Communications
Principal Consultant	\$475-\$550	\$475-\$550
Managing Consultant	\$320-\$470	\$320-\$470
Consultant	\$250-\$315	\$250-\$315
Associate/Analyst	\$175-\$245	\$175-\$245
Clerical	No charge	No charge
Other (please specify)	None	None

With respect to performance guarantees, Segal indicated that 100% of its compensation will be placed at risk if the Board or staff are unsatisfied with the work product.

C. Conclusion and Next Steps

The objective of this RFP was to identify a provider that could best partner with the Board and staff to provide expert plan design and communications consulting services. Segal is well-positioned to provide these services. Staff's finding is that Segal would be a competent and valuable resource as a consultant.

The Board has the authority under Los Angeles Administrative Code Division 10, Section 10.5, to enter into contract terms of up to five years in length without seeking City Council approval. In this case, given the Board's prior relationship with Segal as a proven provider, and in the interest of providing for the most efficient use of the Board's and staff's resources, staff finds that a five-year contract term would be in the best interests of the DCP and its participants. As a result, staff recommends that the Board: (a) select Segal to provide plan administration and communications consulting services for the DCP for a five-year contract term; (b) instruct staff to negotiate and draft a contract in consultation with Board counsel; and (c) authorize the Board Chairperson to execute said contract on behalf of the Board, subject to agreement between the City and the provider as to all applicable terms and conditions and all necessary approvals.

Submitted by:



Steven Montagna, Chief Personnel Analyst

Plan Administration and Communication Consulting Services RFP



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN

Organizational Qualifications and Reliability

150 Points Possible



- Privately held, employee-owned benefits and investment consulting firm established in 1939
 - 302 employee owners with no shareholder owning more than 5% of company
- US headquarters in Boston, MA with offices in Los Angeles, San Diego, New York, and Washington DC
 - Defined contribution headquarters are in Washington DC
- Expertise in employee benefits plan design, administration, compliance, and communications
- No plans to merge or sell firm
- Has never filed for bankruptcy
- Over 2,700 clients
- 2018 Revenue: \$253.5 million
- Senior management average tenure: 16.8 years
- 2019 staffing: 1,061
- 2018 turnover rate: 1%
- Significant acquisitional growth over the past 3 years
- No current subcontracted work
- No complaints have been filed with any state or federal regulatory agency or office in the past 10 years
- Never experienced a security breach

Scoring: Segal scored well due to the depth of its resources, demonstrated institutional viability and reliability, and low staff turnover. Additionally, Segal's acquisitions indicate a broadening of resourcefulness as well as service provider reliability.

140.8 Points (94%)

Plan Administration Consulting Services

Experience and Qualifications

450 Points



- Staffing lead: Public Sector Defined Contribution Director Wendy Carter
- Examples of Plan Administration projects
 - Assistance in evaluating regulatory considerations of Qualified Domestic Relations Order account calculation methodology
 - External review of a Third-Party Administrator's payroll and loan processes
 - Review of retirement income replacement calculations
- Experience with major benchmarking projects that lead to concrete improvements in plan administration
- Experience with consulting on Deemed IRAs
- Highlighted ability to provide comprehensive regulatory and compliance guidance and analysis
- Provided assistance with administrative service procurements for almost 50 client defined contribution plans from 2017-2020
- Active participant in the partnership, Public Retirement Research Laboratory (PRRL)
 - Involves National Association of Government Defined Contribution Administrators (NAGDCA) and Employee Benefits Research Institute (EBRI)
 - Ms. Carter is the Chair of the PRRL
- Exhibited substantial experience and resources in conducting financial analysis
- Able to provide fiduciary, regulatory, cybersecurity, and other trainings
- Provides compliance consulting services, known as Crosscheck, to prepare plans for potential IRS audits
- Explained a comprehensive six-phase TPA search process

Scoring: Segal demonstrated considerable experience and success consulting on technical, administrative, and plan design features of governmental plans. Segal's highly competent staff provide a wide breadth of experience and their examples demonstrate an ability to keenly identify areas of improvement in plan design with appropriate solutions.

405 Points (90%)

Plan Administration Consulting Services Fees and Guarantees

200 Points



- Proposed hourly rates for its services with any project-based or recurring assignments available for flat fees as may be identified over the course of the contract
- 100% of its compensation will be placed at risk if the Board or staff are unsatisfied with the product

Scoring: Segal's score reflects consistency with other comparable consulting contracts with the City.

197.5 Points (99%)

Communications Consulting Services

Experience and Qualifications

450 Points



- Staffing lead: Noreen Irving, Communications Consultant
- Provided detailed description of communication development practice, incorporating behavioral science and focus group research into project elements
- Explained resources to enhance communication such as quizzes or games, detailing examples of implementation and resulting engagement
- Discussed examples of communication client deliverables such as:
 - Websites and related materials for a client finalist for a Plan Sponsor 2020 Plan Sponsor of the Year award
 - Campaign to raise awareness of their defined contribution plan
 - Informational quizzes
- Demonstrated experience in developing engaging and effective surveys
- Described philosophy of effective communication that is specific and informed by the audience demographic
- Utilizes an internal “Strategic Brief” document to drive communication develop process

Scoring: Segal communicated detailed examples reflecting significant experience and success in developing and implementing communication tools and strategies.

320.3 Points (85%)

Communications Consulting Services

Fees and Guarantees

200 Points



- Proposed hourly rates for its services with any project-based or recurring assignments available for flat fees as may be identified over the course of the contract
- 100% of its compensation will be placed at risk if the Board or staff are unsatisfied with the product

Scoring: Segal's score reflects consistency with other comparable consulting contracts with the City.

197.5 Points (99%)

Engagement Exercise

200 Points




- Topic: “Driving and Measuring Success”
- Highlighted need to engage participants on broader financial wellness that generate desired savings habits
- Recommended utilizing a “back-to-basics” communications approach to identify gaps in knowledge by utilizing engaging and measurable tools such as “mini-quizzes”
- Highlighted a broader holistic view of overall financial wellbeing regarding retirement planning
 - Noted the effectiveness of a 100% lifestyle income calculator and suggested broader use
- Encouraged the City to take a more aggressive approach in moving participants to percent-of-pay
- Demonstrated plan administration experience expertise by recommending caution in adding services or options that participants would have difficulty understanding and using appropriately.
- Discussed the communications challenge in a post-COVID-19 world and recommended the use of live and on-demand resources; noted the resurgence of engaging and relevant direct-mailings
- Identified opportunity to broaden peer review beyond the public sector
- Advocated for simpler plan administration structure informed by previous consulting experience and behavioral science
- Encouraged opportunity to cross-promote within other benefits offerings to create cohesive and unified message


Scoring: Segal demonstrated thoughtfulness, innovation, and creativity concerning defined contribution plans generally and the City’s DCP specifically, highlighting specific and practical solutions to improve the DCP and serve its constituents.

200 Points (100%)

Final Scores

1,000 Points Possible, each

Plan Administration Consulting	Evaluation Category	Weight	Maximum Points	
	Organizational Qualifications and Reliability	15%	150	140.8
	Plan Administration Consulting Services Experience and Qualifications	45%	450	407
	Fees and Guarantees	20%	200	197.5
	Engagement Exercise	20%	200	200
	Total	100%	1,000	945.3

Communications Consulting	Evaluation Category	Weight	Maximum Points	
	Organizational Qualifications and Reliability	15%	150	140.8
	Communications Consulting Services Experience and Qualifications	45%	450	380.3
	Fees and Guarantees	20%	200	197.5
	Engagement Exercise	20%	200	200
	Total	100%	1,000	918.6