

Deferred Compensation Plan BOARD REPORT 15-51

Date: October 15, 2015
To: Board of Deferred Compensation Administration
From: Staff
Subject: Request for Proposal – Third Party Administrator

*Board of Deferred
Compensation Administration
John R. Mumma, Chairperson
Michael Amerian, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Thomas Moutes, Second Provisional Chair
Raymond Ciranna, Third Provisional Chair
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Robert Schoonover
Don Thomas*

Recommendation:

That the Board of Deferred Compensation (a) receive and file this report and update regarding development of the Deferred Compensation Plan Request for Proposal for Third-Party-Administration; and (b) approve the proposed participant survey to be issued to all Plan participants.

Discussion:

At its July 21 and August 18, 2015 meetings, the Board adopted a series of recommendations relative to procuring for Third-Party-Administrative (TPA) services for the City of Los Angeles Deferred Compensation Plan. The contract with the incumbent provider expires on December 31, 2016. Actions taken by the Board thus far include:

- Adopting a Master Procurement and Contracting Schedule which includes the TPA search within its five-year search plan;
- Approving the initiation of the TPA procurement in 2015/2016 and calendar for TPA RFP development with a target implementation date for a new service provider contract to be in place by January 1, 2017;
- Approving requesting City Council approval to expand the Board's authority to enter into five-year contracts for Deferred Compensation services to include TPA, consulting and all other administrative services, and authorize the Board Chairperson to sign and submit that report to Council;
- Approving a proposed communications plan for Plan participants; and
- Approving/executing a Conflict-of-Interest & Ex-Parte Communication Pledge form for execution by all Board members/City staff involved in the development process for this procurement.

At its September 15, 2015 meeting, the Board received a presentation from staff and the Board's consultant, Segal, defining the mission of procurement relative to Plan mission, reviewing primary service categories and current defined contribution services landscape, and concepts under development relative to RFP best practices & innovations.

A. Focus Groups and Participant Survey

As previously noted to the Board, an important element of the RFP development process is the conducting of surveys and focus groups to assist the Board, staff and

Plan consultant is understanding how Plan participants value the services and features of the Plan. Staff conducted one focus group, on 09/22/15, involving six individuals, prior to the NAGDCA Conference, and minimally three additional focus groups are being calendared in between the October and November Board meetings.

1. Focus Group Feedback

The initial focus group discussion was centered around how participants utilized and valued various services offered by the TPA. Primary takeaways from that discussion included the following:

- Most of the participants indicated they receive their investment “advice” from external media sources – investment news feeds, blogs, books, etc.
- Participants were interested in reviewing more peer-to-peer information/statistics
- Participants were open to potential new services such as investment advice or financial planning, but only if costs are on a fee-for-service basis and not spread out to all participants

Information Services - Staff reviewed with the group a range of TPA informational resources and other potential sources of information, including the Plan website, call center, newsletter, local counselors, print materials, retirement income projection calculator, use of outside professional advisors, and peer advice. As noted above, many in this group of focus group participants indicated that their source for investment advice services was external print and electronic media. All of the participants indicated the Plan website was their primary engagement tool; four of six indicated they read their quarterly statements and the news articles, while 3 of 6 had used the retirement income projection calculator. Only one indicated use of an external investment advisor. Half of the participants indicated they had used the Plan’s local counselors, and half indicated friends/co-workers were a primary source of information.

Plan Transactions – Staff reviewed with the group their preferences for conducting Plan transactions. All indicated they primarily used the website to navigate their transactions, while 2 of the 6 indicated they also sometimes used the call center depending on the type of transaction. All participants felt the current website was easy to use.

Additional Services – Staff asked the focus group participants for their thoughts around potential additional services the Plan might offer. On the topic of investment advice, virtually all of the participants indicated that they would like to have the option but expressed concern about how it would be paid for, and felt strongly that the service should be offered on a fee-for-service basis only, so that participants who didn’t use it would not be required to fund the costs for those who did. Several participants commented that they trusted the Plan to vet and provide an investment advisory service but would be skeptical of allowing in advisors that had not been vetted by the Plan. Two of the participants indicated an interest in broader (non-investment) financial planning services, such as estate planning, debt and budget management, etc., but again on a fee-for-service basis only. Four of the six participants indicated an interest in having

more ways to save in the Plan beyond the 457 contribution limits. Virtually all of the participants appeared hesitant around the notion of introducing annuity or guaranteed income products.

2. Participant Survey

Simultaneous with its conduct of focus groups, staff has been developing a participant survey (Attachment A). The survey will be web-based and address major service-related topics following the same basic structure used in the focus groups:

- Awareness of current Plan services and features
- Plan services utilization and value
- Plan transaction resources utilization and value
- Potential new services

Staff has developed this survey internally and with review and input from the Plan's consultants at Segal. Staff recommends that the Board review and approve the proposed survey.

Once approved, the survey questions will be developed into a web-based format with a target release date within the first week of November (following the National Retirement Security campaign, so as not to conflict with that promotional effort). The survey will be announced via Citywide email and postcard mailing to retirees, as well as on the Plan website and the Personnel Department's Employee Benefits Division website.

B. Updates & Next Steps

1. **5-Year Contracting Authority** - Staff drafted and the Board Chairperson and Vice-Chairperson have signed a report to City Council (Attachment B) requesting that the Council expand the Board's authority to enter into five-year contracts for Deferred Compensation services to include TPA, consulting and all other administrative services. This report is tentatively scheduled to be heard by the Personnel and Animal Welfare Committee on October 21, 2015. The Board Chairperson, Vice-Chairperson (subject to his availability) and Plan Executive Director will be present at the meeting to represent the Board.
2. **Pension Savings Plan Request for Information** - The Personnel Department released its Request for Information (RFI) relative to the City's Pension Savings Plan (PSP), the retirement program for the City's part-time, temporary and seasonal employees on October 14, 2015 (Attachment C).
3. **RFP Development Update** – At the Board's November 17, 2015 meeting, staff will provide a proposed summary of the primary evaluation categories and proposed weightings, as well as a proposal for the structure of the evaluation process. At the Board's December 15, 2015, meeting staff will provide a proposed Scope of Services and summary of the survey results. At

the Board's January 19, 2015 meeting staff will provide an initial draft of the RFP, which the Board may adopt at that meeting or ask to be brought back with revisions at its February 16, 2015 meeting.

The following calendar provides an update of action items and staff's progress relative to development of the RFP:

Month(s)	Action	
Jul-15	Approve staff proposals related to moving forward with the TPA RFP, 5-year contracting, and related items	Completed
Aug-15	(1) Review/approve staff proposals for participant outreach and communications during selection process; (2) Submit approved report to City Council regarding 5-year contracting	(1) Completed (2) Completed - report to City Council tentatively scheduled for review by Personnel and Animal Welfare Committee on 10/21/15.
Sep-15	(1) Staff/consultant overview of RFP development process and key evaluation categories (2) Conduct focus groups of Plan participants	(1) Completed (2) One completed; balance in process of being scheduled
Oct-15	(1) Board review/approve proposed participant survey (2) Discussion of RFP development	
Nov-15	(1) Proposed evaluation categories/weightings and evaluation process (2) Issue Plan participant survey	
Dec-15	(1) Review RFP Introduction and Scope of services (2) Review participant survey results	
Jan-16	(1) Review first draft of RFP	
Feb-16	(1) Finalize and release RFP	
Apr-16	Response Due Date	
Apr:May-16	Response Evaluation	
Jun/Jul-16	Board selection of provider	
Dec-16	Execute contract	

Submitted by: _____
Steven Montagna

CITY OF LOS ANGELES
DEFERRED COMPENSATION PLAN

PLAN ADMINISTRATION SURVEY

EMAIL TEXT:

If you are a participant in the City of Los Angeles Deferred Compensation Plan, we would like to invite you to take an important survey. This survey should take approximately 5-8 minutes to complete.

The purpose of this survey is to obtain your feedback regarding how you use and value Plan services. The City's Board of Deferred

Compensation Administration, which administers the Plan, is developing a Request for Proposal (RFP) for "Third Party Administrator," or "TPA," services. These services include recordkeeping, administration, and communications, including the website, call center, and local representatives – in other words, most of the ways that you as our participant interact with the Plan and with your account.

The current TPA contract is with Empower Retirement (formerly known as Great-West Retirement Services). That contract expires December 31, 2016. Pursuant to City rules, an RFP will be issued to allow interested vendors to compete for the City contract. The RFP is expected to be released in early 2016. The Board will choose a provider by July 2016. The effective date of the new contract will be January 1, 2017.

This survey is being conducted to incorporate participant feedback into the RFP development process. **Your feedback is a crucial part of determining how we value Plan services and features.**

Please let us know your thoughts about this important program which plays such an important role in your financial future. Results will be communicated to participants once they have been compiled. Thank you in advance for your participation!

Please click [here](#) to access the survey.



SURVEY QUESTIONNAIRE

Thank you for participating in our City of Los Angeles Deferred Compensation Plan Administration Survey! The purpose of this survey is to learn more about your usage/ and preferences for Plan services.

Let's dive in:

THRESHOLD QUESTION

I am a current participant (meaning I have an account balance) in the City's Deferred Compensation Plan:

- Yes
- No
- Unsure

(If yes, proceed to survey questions; if no, indicate not eligible to participate in survey; if "unsure," direct to Plan call center to determine if individual has an account balance).

A. PERSONAL INFORMATION ABOUT YOU

1. How long have you worked for the City of Los Angeles?

- Less than one year
- 1-4 years
- 5-9 years
- 10-14 years
- 15-19 years
- 20 or more years
- No longer a City employee

2. How much longer do you expect to work for the City of Los Angeles?

- Less than one year
- 1-4 years
- 5-9 years
- 10-14 years
- 15-19 years
- 20 or more years
- No longer a City employee

3. Which status best describes you?

- Active Civilian
- Retired/Separated Civilian
- Active Sworn (LAPD, LAFD)
- Retired/Separated Sworn (LAPD, LAFD)
- Active DWP
- Retired/Separated DWP

4. Approximately how long have you been a participant in the City's Deferred Compensation Plan?

- Less than one year
- 1-5 years
- 6-10 years
- 11-15 years
- More than 15 years

5. If you're still employed, what City Department do you presently work for?

DROP DOWN MENU

6. What is your age group?

- 25 or under
- 26 to 40
- 41-55
- 56-65
- 66-74
- 75 or older

7. What City job category most closely matches your current job classification?

- Clerical
- Paraprofessional
- Administrative Professional
- Technical/Professional
- Skilled Craft
- Service & Maintenance
- Management
- Sworn – Police
- Sworn – Fire
- Protective Services

8. What City union are you a member of?

DROP DOWN MENU

9. What is your gender?

- Male
- Female

B. AWARENESS AND VALUE OF PLAN SERVICES & FEATURES

10. Prior to taking this survey, please indicate your level of awareness about the following services and features of the Deferred Compensation Plan:

	<i>Not at all Aware</i>	<i>Somewhat Aware</i>	<i>Very Aware</i>	<i>Extremely Aware</i>	<i>Unsure or no opinion</i>
Plan Website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Call Center (Toll Free Line)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quarterly Statements/Newsletters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local Service Center at City Hall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Plan's two tax-advantaged ways to save: Pre-Tax and After-Tax (Roth)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Different contribution limits applying to those under age 50, age 50 or older, and those eligible for "Catch-Up"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Plan's online "Retirement Income Projection Calculator" web tool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How to change my contribution amount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How to make changes to how the money in my account is invested	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Plan's loan program for active employee participants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Plan's loan program for retired participants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ability to "roll in" other retirement accounts and combine them with my Deferred Compensation account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ability to contribute to my account upon retirement from my unused leave balances (e.g. unpaid vacation) upon retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The options I have for taking money out of my account upon retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. Please tell us how much you value the following Plan features:

	<i>Not at all Valuable</i>	<i>Somewhat Valuable</i>	<i>Very Valuable</i>	<i>Extremely Valuable</i>	<i>Unsure or no opinion</i>
The ability to invest both pre-tax and after-tax dollars	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The loan program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ability to save for my retirement via payroll deduction through my employer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ability to roll in other retirement accounts and manage them inside the City's Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Retirement planning resources such as local counselors and web-based information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. Please tell us how much you agree or disagree with the following statements:

	<i>Completely Disagree</i>	<i>Disagree</i>	<i>Agree</i>	<i>Completely Agree</i>	<i>Unsure or no opinion</i>
The City's Plan plays an important role in helping me achieve and maintain a secure retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I trust the City's Plan to provide me unbiased and accurate information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am confident that I am on track to achieve or maintain a secure retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C. PLAN SERVICES

13. Please tell us **how frequently you use** the following sources of information about the Plan and/or your account:

	<i>Never</i>	<i>Rarely (1-2 times per year)</i>	<i>Sometimes (3-10 times per year)</i>	<i>Often (At least monthly)</i>	<i>Always (Weekly or daily)</i>
Plan Website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Call Center (Toll Free Line)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quarterly Statements/Newsletters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Local Counselors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Printed Plan Materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14. Please tell us **how valuable** you find the following sources of information about the Plan and/or your account:

	<i>Not at all Valuable</i>	<i>Somewhat Valuable</i>	<i>Very Valuable</i>	<i>Extremely Valuable</i>	<i>Unsure or no opinion</i>
Plan Website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Call Center (Toll Free Line)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quarterly Statements/Newsletters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local Counselors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Printed Plan Materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. With respect to **making investment decisions** about money in your account, please tell us what sources of information you utilize most frequently:

	<i>Never</i>	<i>Rarely (1-2 times per year)</i>	<i>Sometimes (3-10 times per year)</i>	<i>Often (At least monthly)</i>	<i>Always (Weekly or daily)</i>
Plan communication materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local Plan counselors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My personal knowledge & research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External professional advisors (not related to the Plan)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Friends/Family/Coworkers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External media (publications, television, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D. PLAN TRANSACTIONS

16. With respect to **most of your Plan transactions** (for example loans, taking money out of my account, contribution changes, investment changes, rollovers, purchase of service credit, etc.) please tell us **how frequently** you use the following to help complete your transactions.

	<i>Never</i>	<i>Rarely (1-2 times per year)</i>	<i>Sometimes (3-10 times per year)</i>	<i>Often (At least monthly)</i>	<i>Always (Weekly or daily)</i>
Plan Website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Call Center (Toll Free Line)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local Counselors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Printed Forms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

17. With respect to **most of your Plan transactions** (for example loans, distributions, contribution changes, investment changes, rollovers, purchase of service credit, etc.) please tell us **how valuable** you find the following to help complete your transactions.

	<i>Not at all Valuable</i>	<i>Somewhat Valuable</i>	<i>Very Valuable</i>	<i>Extremely Valuable</i>	<i>Unsure or no opinion</i>
Plan Website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Call Center (Toll Free Line)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local Counselors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Printed Forms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. Please tell us your thoughts regarding **how difficult or easy** you find accomplishing the following Plan transactions:

	<i>Very Difficult</i>	<i>Difficult</i>	<i>Easy</i>	<i>Very Easy</i>	<i>Unsure or no opinion</i>
Enrolling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Making contribution changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Making investment changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Taking out and managing a loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Taking a distribution from my account (after separation from service)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rolling money in or out of my account (e.g. to/from an IRA account)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Using my account to purchase service credit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changing my beneficiary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

E. POTENTIAL NEW SERVICES

19. Please tell us how much you agree with the following statements regarding additional services that could be offered by the Plan:

	<i>Completely Disagree</i>	<i>Disagree</i>	<i>Agree</i>	<i>Completely Agree</i>	<i>Unsure or no opinion</i>
The Plan should provide more locally based Plan representatives for in-person meetings or access by phone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am interested in and would be willing to pay for a service which can provide me advice about <u>how to invest</u> money in my account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p>I am interested in and would be willing to pay for <u>non-investment financial planning services</u> (e.g. debt management, estate planning, insurance planning, etc.)</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>I am interested the Plan offering an Individual Retirement Account (IRA) to provide me with an additional way to save more dollars under the Plan.</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>After I retire, the Plan should offer an option to take lifetime payments from my account through a life-insurance annuity (whereby I provide the insurance company with funds from my account in exchange for a lifetime stream of income).</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

20. Please share any comments you have about any of the topics addressed in this survey or other matters related to Plan services and features.

REPORT
FROM



THE BOARD OF DEFERRED
COMPENSATION
ADMINISTRATION

TO: Personnel and Animal Welfare Committee	DATE September 21, 2015
REFERENCE:	COUNCIL FILE
SUBJECT: City of Los Angeles Deferred Compensation Plan Contracts	

RECOMMENDATION:


That the City Council:

- (a) Authorize the Board of Deferred Compensation Administration to negotiate and execute contracts with total combined terms not to exceed five years for all Deferred Compensation Plan services and providers without additional City Council approval; and
- (b) Request the Office of the City Attorney to prepare and present the necessary ordinance amending LAAC Division 10, Section 10.5 to provide authority for up to five-year terms for all Deferred Compensation Plan service provider contracts.

In 1983 the City of Los Angeles established a Deferred Compensation Plan ("the Plan") under Internal Revenue Code Section 457 as an optional supplementary retirement savings vehicle for all Civilian, Sworn and Department of Water and Power (DWP) employees who are members of one of the City's three primary defined benefit plans. The City's Plan allows employees to set aside a portion of their compensation up to applicable annual Federal contribution limits on a tax-advantaged basis. The mission of the Plan is to assist City employees in achieving retirement income security. The City's Plan presently has approximately 41,000 participants and almost \$5 billion in assets.

The City Council established a Board of Deferred Compensation Administration to oversee the Plan. The Board is composed of nine members representing the various constituencies of its participant population. The City Council further established the Personnel Department as the Plan administrator. The Board and the Personnel Department have a statutory and fiduciary obligation to act solely in the best interests of Plan participants.

The City Council has provided the Board with the authority to contract with service providers to offer administrative, investment, and consulting services. In 2007 the City Council provided the Board with ongoing authority to enter into contracts with terms up to five years for investment management services. This action benefited Plan participants by creating opportunities for better pricing, higher rates, and greater stability from service providers. For these and other reasons the Board is recommending that the five-year contracting authority exemption previously established for Deferred Compensation Plan investment management services be extended to the Board's other contractual relationships, principally its third-party-administrative and consulting services contracts.


JOHN R. MUMMA, CHAIRPERSON

BOARD OF DEFERRED COMPENSATION ADMINISTRATION


MICHAEL AMERIAN, VICE-CHAIRPERSON

A. GOVERNANCE & CONTRACTING BACKGROUND

Internal Revenue Code Section 457 plans were established by Congress for state and local government entities to offer tax-advantaged retirement savings opportunities to their workers. The City Council established the Plan and selected its original service providers in 1983. The first contributions from City employees were taken in 1984. Per Los Angeles Administrative Code (LAAC) Division 4, Chapter, 14, all of the Plan's costs are borne by its participants: this includes all administrative, investment, consulting, and staffing costs.

The program was originally administered by the City Treasurer. The City Council established a Deferred Compensation Plan Advisory Committee to perform certain administrative duties in connection with administering the Plan. Since inception, the following major changes have occurred with respect to the duties and responsibilities of the Board:

- **1995** - In 1995 administration of the Plan was moved from the City Treasurer to the Personnel Department and the Advisory Committee was established as a seven-member Board (CF #93-2277-S1).
- **1999** - In 1999 the City Council acted to place all Plan assets into trust pursuant to the 1996 Small Business Job Protection Act, which required that all Section 457 plan assets be placed into trust or equivalent form of protective custody for the exclusive benefit of plan participants (CF #98-0465); this action had the added effect of expanding the fiduciary responsibilities of plan sponsors in making decisions regarding their plans.
- **2002** - The City Council amended the Administrative Code to authorize the creation of a separate Plan Document, which delegated certain administrative responsibilities such as contracting to the Board, even as Council retained its role in establishing the Plan and its governance, thus providing greater clarity and transparency with respect to the administrative and fiduciary roles in administering the Plan (CF #01-2576).
- **2006** - The City Council changed the composition of the Board to better reflect and be responsive to the various constituencies of the Plan. Those changes established a nine-member Board which included the managers as well as directly elected representatives from the City's three primary retirement systems, as well as a directly elected retired participant representative (CF 04-1749-S2).
- **2007** - The City Council provided the Board the ability to enter into contracts with investment management service providers for terms of up to five years in length (CF #02-1048).

The current nine-member Board of Deferred Compensation Administration includes:

- General Manager Personnel Department
- General Manager - Los Angeles City Employees' Retirement System (LACERS)
- General Manager - Los Angeles Fire and Police Pensions System (LAFPP)
- Retirement Plan Manager - Department of Water and Power Employees' Retirement Plan (DWPERP)
- Three elected participant representatives who are also members of LACERS, LAFPP and DWPERP
- A directly elected retired participant representative; and
- A labor representative appointed by the City's employee unions.

B. CURRENT BEST PRACTICES IN PROCUREMENTS & CONTRACTING

The Board and the Personnel Department have worked together to establish the City's Plan as a premier program in the universe of governmental defined contribution plans. The City's Plan plays a leadership role among its state and local government peers with respect to innovation, participant outcomes, participation on the national stage, and implementation of best practices. The City Plan's Executive Director serves on the Executive Board of the National Association of Government Defined Contribution Administrators (NAGDCA), the central organization providing educational benefits and legislative advocacy for its state and local government plan sponsor members. This prominent leadership role provides the City with an opportunity to help influence Federal legislation and policy as it relates to defined contribution plans.

The Board and Personnel Department have extended this leadership and best practice orientation to the conduct of procurements and execution of contracts. Among the innovations the Board has already established in this area are the following:

- (1) **Policies for Transparency & Merit-Driven Procurements** – The Board has gone to extraordinary lengths to ensure the transparency and integrity of its procurement processes. Each search process is designed to meet the highest possible standards of professionalism, due diligence, and transparency. The Board has adopted detailed bylaws which, among other provisions, devote two separate sections relating to procurements/contracting: a “Code of Ethics” section which sets high standards for the conduct of Board members particularly as this relates to vendor contacts during a procurement phase, and a “Procurement Processing and Contracting” section which addresses how procurements will be conducted and the Board's collective commitment to avoiding communications with potential vendors during the procurement development and execution phase, and ensuring that the process is merit-driven and focused exclusively on what is in the best interests of Plan participants. The Board's detailed bylaws and specificity in the procurement/contracting arena are unusual in the world of state/local governance of defined contribution plans.
- (2) **Participant Surveys, Focus Groups and Notifications** – The Board similarly goes to unusual lengths to survey its membership regarding important topics and incorporates that feedback into its decision-making process, including and especially its key procurements and search processes. As examples, the Board surveyed Plan participants in 2005 prior to its last Request for Proposal for the Third-Party-Administrator contract, and further surveyed its participants in 2008 regarding potential changes to the Plan's investment menu before those changes were implemented. In addition, the Board maintains a pool of over 100 participants who have volunteered to serve on focus groups, and frequently draws from that pool to obtain participant feedback on important topics. Finally, the Board also has sought and received recognition for the quality of its communications to participants, as the City's Plan has been a frequent recipient of national awards for communications excellence. Communicating to participants as part of important procurements and search processes is a practice that is regularly employed by the Board to keep participants informed and encourage their participation and feedback.

(3) **Search Flexibility & Efficiency** – With respect to its investment provider searches, the Board has created an innovative approach within its adopted Investment Policy Statement (IPS) which provide the City’s Plan with the flexibility to conduct different kinds of searches (some focused on the institutional provider universe, others the mutual fund universe) which have had the effect of broadening the pool of investment products which can be considered.

(4) **General Contracting Requirements Compliance Flexibility** – The Board has provided increased flexibility to the vendor community in the RFP response process by allowing for pre-review of certain required general contracting documents; when those documents are incomplete or not fully responsive, the vendor has an additional opportunity to correct them before the final RFP due date.

C. NEW BEST PRACTICE – EXPANDED APPLICATION OF DEFERRED COMPENSATION PLAN FIVE-YEAR CONTRACTING

As previously stated, LAAC Division 10, Section 10.5, currently provides the Board with ongoing authority to enter into five-year service agreements with Deferred Compensation Plan investment managers. Council adopted this change because it recognized that Plan participants would be best served (in the form of better pricing, organizational commitment, and investment provider stability) by this change.

As the Board is initiating its procurement development process for its Third-Party-Administrator (TPA) contract, it acted on July 21, 2015 to approve a request to City Council to extend similar five-year contracting authority for all Deferred Compensation Plan contracts, to include third-party-administrator, consulting and other potential future administrative services that may be entered into by the Board for administration of the Plan.

Longer-term contracting in key services can be considered a best practice if it meets the following tests and can provide the following benefits, which the Board believes are all met with the City’s Deferred Compensation Plan:

- **Pricing and Resource Investment** - Promotes more favorable pricing terms and greater willingness on the part of vendors to invest resources into the City’s Plan.
- **Member Service Continuity** – Establishes greater service provider continuity and limits disruption for Plan participants as that relates to participant services (e.g. administration, communications, local counseling, etc.).
- **Resource Efficiency** - Reduces the allocation of personnel resources to procurements, which allows those resources to be redirected to other vital areas requiring attention including participant services, compliance, payroll/administrative processes, and communications.
- **Reducing Consulting Costs** – Reduces consulting and other administrative costs required to develop procurements, evaluate proposals and assist with developing contracts.

- **Procedural Efficiency** – Eliminates the need to process contract extensions beyond three years through Council on a per-contract basis.

Notwithstanding these benefits, as is the case for City personal services contracts generally, the Board would always retain the option to procure for a shorter contract term if it so chose, and each contract as a matter of general City policy would provide the Board with the option for at-will termination in the event the Board determined a compelling reason exists for terminating a contract and/or accelerating a new search process. The Board would thus not be obligated to either negotiate or maintain a five-year contract if that was not determined to be in the best interests of the Plan and its participants.

D. FISCAL IMPACT

None. Pursuant to LAAC, Division 4, Chapter 14, all of the City's internal costs of administering the Deferred Compensation Plan are required to be paid exclusively by Plan participants.

E. CONCLUSION

The recommendations contained within this report provide opportunities for the City to continue to enhance its already considerable array of best practices in governance and administration of its Deferred Compensation Plan. The Board recommends that the City Council approve recommendations for expanding long-term authority to enter into five-year contracts to include all service provider relationships, and request the Office of the City Attorney to draft and return with the necessary ordinance to amend LAAC Division 10, Section 10.5.

REQUEST FOR INFORMATION
CITY OF LOS ANGELES PENSION SAVINGS PLAN

CITY OF LOS ANGELES PERSONNEL DEPARTMENT

Date Issued: **October 14, 2015**

TITLE: **City of Los Angeles Pension Savings Plan
Administration: Part-Time, Temporary &
Seasonal Employees Social Security Alternative
Plan**

PRE-SUBMISSION CONFERENCE/MEETING:

October 28, 2015
10:00 a.m. – 11:00 a.m.

SUBMISSION DELIVERY ADDRESS:

**Personnel Department/Employee Benefits Division
Attn: Alexandra Castillo
City Hall
200 N. Spring Street, Room 867
Los Angeles, CA 90012**

DEADLINE FOR SUBMISSION: **November 18, 2015 at 4:00 p.m. Pacific
Standard Time**

RFI ADMINISTRATOR:

**Alexandra Castillo
Phone: 213-978-1627
Email: Alexandra.Castillo@lacity.org**

SECTION 1

INTRODUCTION/BACKGROUND

1.0 INTRODUCTION

The City of Los Angeles Personnel Department is issuing this Request for Information (RFI) for the purpose of obtaining information from prospective service providers relative to administration of the City of Los Angeles Pension Savings Plan, a retirement savings plan established under Internal Revenue Code Sections 457/3121. The purpose of the RFI is to obtain information to help the City assess options for structuring an eventual Request for Proposal (RFP) for the third-party-administrative and investment management services offered under the Plan.

1.1 BACKGROUND

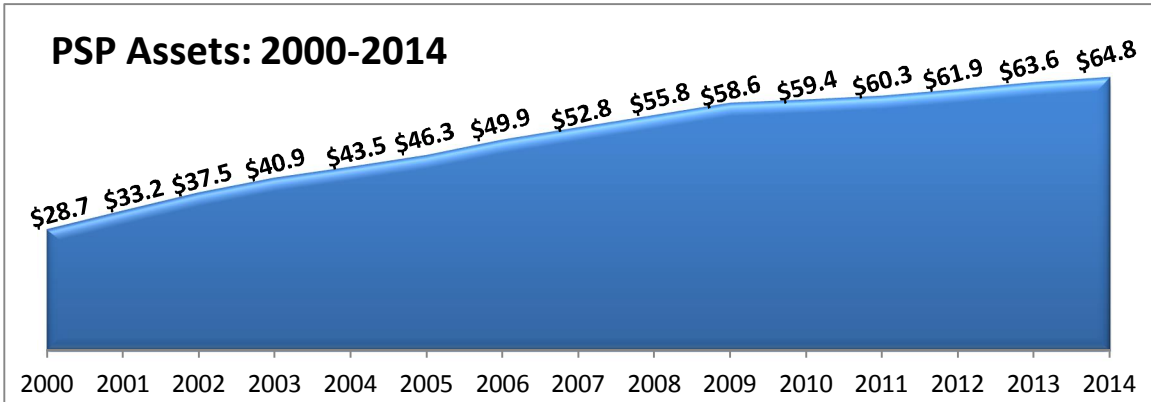
The Pension Savings Plan (PSP) is a non-qualified deferred compensation plan established under Internal Revenue Code Section 457 and City of Los Angeles Administrative Code Division 4, Chapter 16. The Plan was established in December 1993 to provide a retirement-savings alternative to Social Security for certain City employees not eligible to participate in one of the City's three primary defined benefit retirement/pension plans. Participation in the PSP is mandatory for those employees who are not eligible to participate in one of the City's other retirement programs. Each employee contributes 4.5% of gross salary and the City makes a matching contribution of 3.0%.

City employees may have a balance in the Plan if they are part-time, temporary or seasonal employees; or if they formerly worked within one of those categories and have since transitioned to full-time status. Participants who have account balances in the PSP and become full-time employees may elect to, if they become participants in the Section 457 supplemental defined contribution plan (the Deferred Compensation Plan, or ~~DCP~~), roll-over Pension Savings Plan accounts to the DCP. Participants who have account balances in the PSP but have terminated City employment have the option but are not required to take distribution of their account at any time.

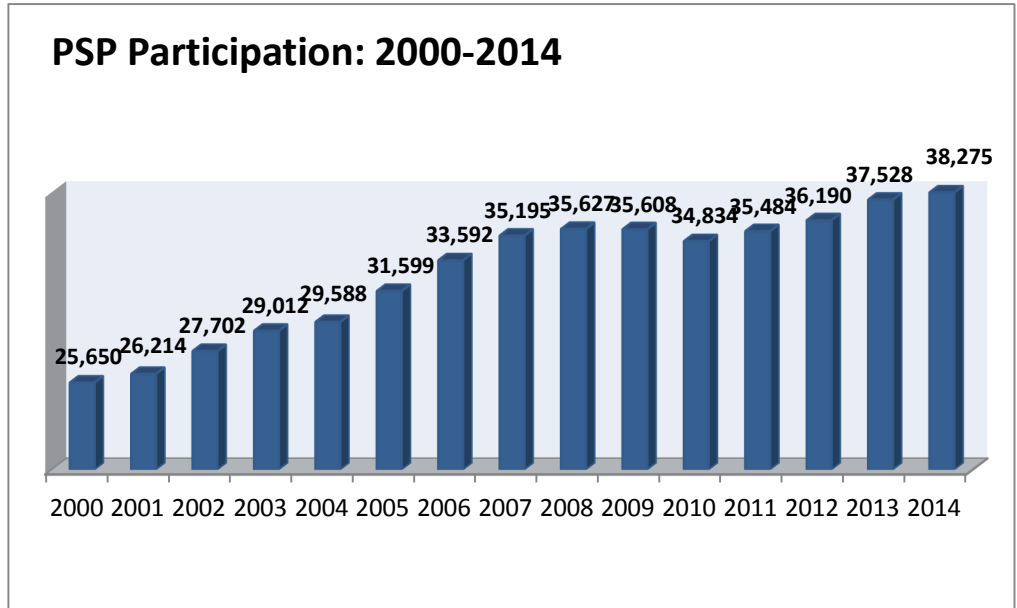
Although the City has the authority to disburse participant accounts upon separation from service, in practice it has not done so. The City is reviewing options for addressing inactive accounts.

The City presently has a contract with Empower Retirement to provide both third-party-administrative as well as stable value fund investment management services. The term of this contract runs from January 1, 2012 through December 31, 2016.

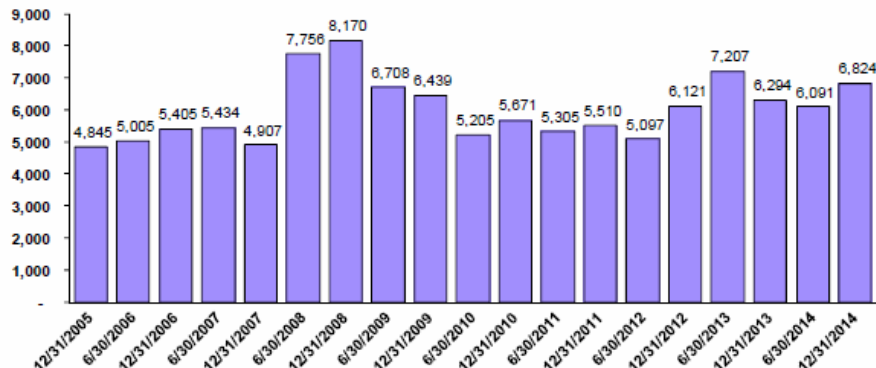
Plan Assets - Pension Savings Plan assets as of December 2014 were \$64.8 million versus \$63.6 million in December 2013, a 1.9% year-over-year increase. All assets are invested in the Plan's Stable Value Fund. The graph below charts the growth in assets from 2000 through 2014.



Participation . The total number of PSP participants (both active and separated from service) as of December 31, 2014, was 38,275, a 1.4% year-over-year increase. The graph right provides the growth in PSP participation from 2000 through 2014; the graph below shows the number of contributing participants as of 12/31/14.

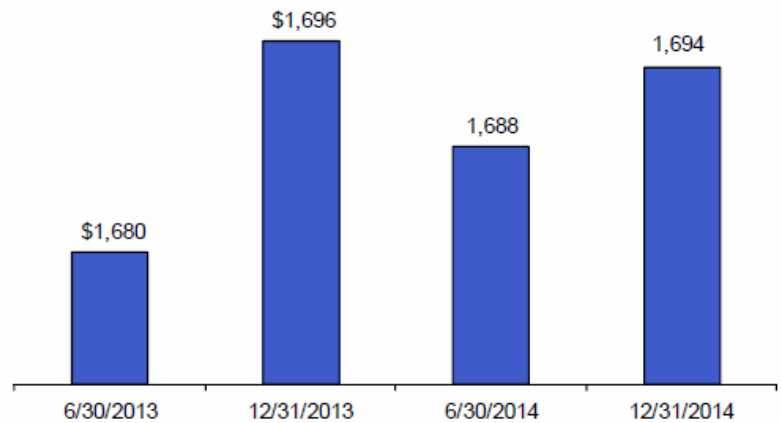


Contributing Participants

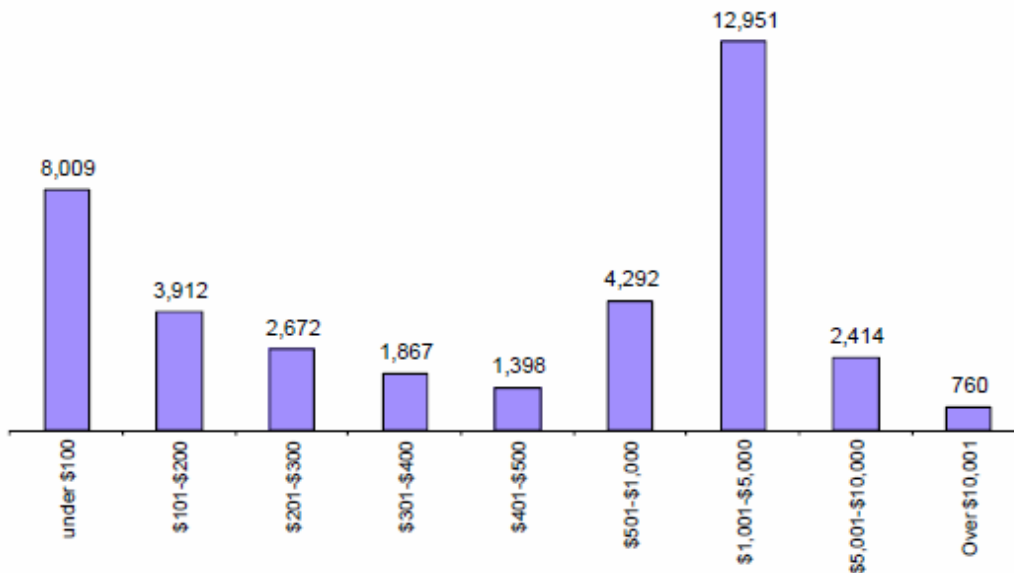


Average Account Balance

Account Balances . The following tables provides information regarding average account balance and the number of participants within various asset band levels.

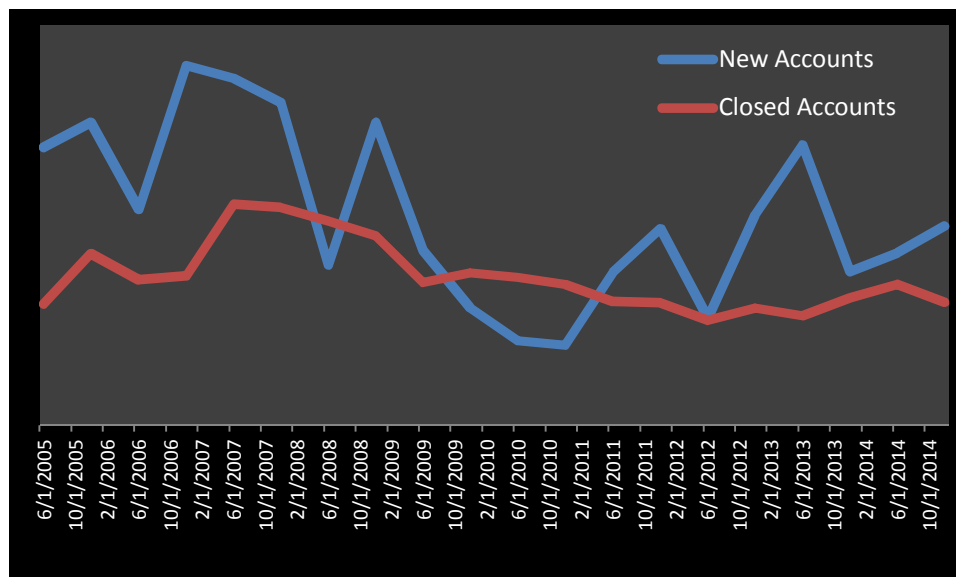


Participants at Balance Levels



Account Attrition . Due to the nature of employment positions comprising PSP membership, the PSP has a high volume of new vs. closed accounts. The following table and chart provide account attrition information from 2005 through 2014:

Reporting Period	New Accounts	Closed Accounts	Net Change
6/30/2005	1,735	756	979
12/31/2005	1,892	1,071	821
6/30/2006	1,350	907	443
12/31/2006	2,248	934	1,314
6/30/2007	2,169	1,380	789
12/31/2007	2,017	1,361	656
6/30/2008	1,000	1,275	-275
12/31/2008	1,893	1,185	708
6/30/2009	1,093	892	201
12/31/2009	732	952	-220
6/30/2010	526	923	-397
12/31/2010	501	878	-377
6/30/2011	955	772	183
12/31/2011	1,229	762	467
6/30/2012	668	657	11
12/31/2012	1,317	733	584
6/30/2013	1,753	682	1,071
12/31/2013	961	794	167
6/30/2014	1,077	881	196
12/31/2014	1,243	769	474



Investment Vehicle . The PSP provides its participants with a single investment option, a Stable Value Fund administered by Empower Retirement. All participant fees are deducted from the rate of return credited to PSP participants. The following tables provide historical return information and the number of statements issued for the period 2003 through 2014.

Period	# of Statements
07/01/03 - 12/31/03	30,160
01/01/04 - 06/30/04	29,633
07/01/04 - 12/31/04	30,585
01/01/05 - 06/30/05	31,502
07/01/05 - 12/31/05	32,670
01/01/06 - 06/30/06	33,002
07/01/06 - 12/31/06	34,504
01/01/07 - 06/30/07	35,915
07/01/07 - 12/31/07	36,556
01/01/08 - 06/30/08	36,220
07/01/08 - 12/31/08	36,894
01/01/09 - 06/30/09	36,794
07/01/09 - 12/31/09	36,631
01/01/10 - 06/30/10	36,165
07/01/10 - 12/31/10	35,782
01/01/11 - 06/30/11	35,842
07/01/11 - 12/31/11	36,283
01/01/12 - 06/30/12	36,185
07/01/12 - 12/31/12	36,923
01/01/13 - 06/30/13	38,012
07/01/13 - 12/31/13	38,322
01/01/14 - 06/30/14	38,643
07/01/14 - 12/31/14	39,049

Period	Interest Rate
07/01/03 - 12/31/03	3.15%
01/01/04 - 06/30/04	3.10%
07/01/04 - 12/31/04	3.00%
01/01/05 - 06/30/05	3.00%
07/01/05 - 12/31/05	3.00%
01/01/06 - 06/30/06	3.15%
07/01/06 - 12/31/06	3.30%
01/01/07 - 06/30/07	3.30%
07/01/07 - 12/31/07	3.37%
01/01/08 - 06/30/08	3.47%
07/01/08 - 12/31/08	3.30%
01/01/09 - 06/30/09	3.10%
07/01/09 - 12/31/09	2.65%
01/01/10 - 06/30/10	2.65%
07/01/10 - 12/31/10	2.60%
01/01/11 - 06/30/11	2.35%
07/01/11 - 12/31/11	2.20%
01/01/12 - 06/30/12	1.80%
07/01/12 - 12/31/12	1.30%
01/01/13 - 06/30/13	1.20%
07/01/13 - 12/31/13	0.90%
01/01/14 - 06/30/14	0.65%
07/01/14 - 12/31/14	0.60%

1.2 THIRD-PARTY-ADMINISTRATION AND INVESTMENT MANAGEMENT SERVICES

The purpose of the RFI is to obtain information to help the City assess options for structuring an eventual Request for Proposal (RFP) for the third-party-administrative and investment management services offered under the Plan. In prior procurements, the searches for PSP services have been combined with searches for the full-time employee supplemental DCP. The contracting cycles for both programs are the same. This combined search has been done for two primary reasons:

- Certain administrative efficiencies and participant conveniences may apply to utilizing a common provider for both programs; and
- In prior searches, there has been little interest on the part of TPA providers to administer the PSP on a stand-alone basis without pairing it with DCP administration.

Prior PSP contracts have also combined the administrative/recordkeeping responsibilities with investment management. In part this has been done to encourage vendor interest in competing for the program.

Notwithstanding this, in preparation for the upcoming TPA search for a new contract term beginning January 1, 2017, the Personnel Department is interested in assessing TPA interest in the following:

- (a) Administering the PSP on a stand-alone basis relative to DCP administration; as well as
- (b) Separately administering the third-party-administration of the PSP from the PSP investment management services.

1.3 DEFINITIONS OF TERMS

The following terms used in the RFI document shall be defined as follows:

“**The City**” means the City of Los Angeles.

“**DCP**” means the City of Los Angeles Deferred Compensation Plan, established pursuant to Section 457 of the Internal Revenue Code (%RC+).

“**Proposer**” means a respondent to this RFI.

“**PSP**” means the City of Los Angeles Pension Savings Plan, established pursuant to Section 457/3121 of the Internal Revenue Code (%RC+).

“**RFI**” means this Request for Information.

“**RFI Administrator**” means the Personnel Department administrator serving as the primary point of contact for this RFI as identified on page 1 of this RFI.

1.4 CONTRACTING OPPORTUNITY & TERM

The Personnel Department does not intend to award a contract pursuant to this RFI. The purpose of the RFI is to obtain information to help the City assess options for structuring an eventual Request for Proposal (RFP) for the third-party-administrative and investment management services offered under the Plan.

1.5 RFI CONTACT INFORMATION

The Personnel Department is committed to ensuring that all of its business transactions, including its search and procurement processes, are based strictly on integrity, competence, merit and benefit to its PSP participants. Personnel Department executives and staff will not separately communicate with current or prospective vendors or their representatives, or any other person or organization, for the purpose or intent of having a particular vendor secure or maintain a contract or business with the City.

In support of this, and to ensure the transparency and objectivity of this procurement process, all communications and questions regarding or related to the services included in this RFI should be directed **exclusively in writing** as follows:

- *Alexandra Castillo, Pension Savings Plan Manager*
City Hall, 200 N. Spring Street Room 867
Los Angeles, CA 90012
Alexandra.Castillo@lacity.org

1.6 GENERAL INFORMATION AND PRE-SUBMISSION CONFERENCE
1.6.1 Response Timeline

The following is the current timeline for the RFI process. The City reserves the right to adjust this schedule. Changes to the timeline, if any, will be posted online as an RFI Addendum.

Target Dates	Event
October 14, 2015	Request for Information Released
October 26, 2015	Deadline for receiving written questions for the Pre-Submission Conference is 4:00 p.m. PST
October 26, 2015	Deadline to register to participate in Pre-Proposal Conference by telephone is 4:00 p.m. PST
October 28, 2015	Pre-Submission Conference at 10:00 a.m. PST
November 18, 2015	RFI responses due by 4:00 p.m. PST

1.6.2 Pre-Submission Conference

A Pre-Submission Conference will be held to provide information regarding the RFI requirements and answer questions from prospective proposers. The conference has been scheduled for **October 28, 2015, at 10:00 a.m. PST**. Potential proposers may participate by telephone. If you intend to participate, please pre-register by contacting Alexandra Castillo at (213) 978-1627 or via email at alexandra.castillo@lacity.org no later than **October 26, 2015**, at 4:00 p.m. Pacific Standard Time. A call-in number will be provided at that time.

1.6.3 Questions Regarding the RFI

To maximize the effectiveness of the conference, to the extent possible, proposers should provide questions in writing prior to the conference. The deadline to provide questions for responses at the Pre-Submission Conference is **October 26, 2015** at 4:00 p.m. Pacific Standard Time. This will enable the RFI Administrator to prepare responses in advance.

Specific questions concerning the RFI should be submitted in writing via e-mail to Alexandra Castillo at alexandra.castillo@lacity.org. All questions should identify the RFI section and page number for each question submitted. Additional questions may be accepted and addressed at the

conference. However, responses may be deferred and posted online as addenda to the RFI at a later date. To ensure the fair and consistent distribution of information, all questions will be answered in writing and distributed at the Pre-Submission Conference and available online.

Subsequent questions regarding the RFI should be in writing and sent via e-mail to the RFI Administrator. The Personnel Department will make every effort to respond to all written questions as soon as practical. Responses to questions, or any other changes to or interpretation of the RFI, will be shared with all proposers.

1.7 SUBMISSION DEADLINE

Response to this RFI must be submitted on paper and must be received by the RFI Administrator no later than **4:00 p.m. Pacific Standard Time on November 18, 2015**. The Personnel Department reserves the right to extend the Submission Deadline. Responses beyond the final submission deadline will not be considered.

SECTION 2

SCOPE OF SERVICES

Administration of the Pension Savings Plan includes the following services:

1. Implementation Services - The Administrator would be required to provide transition services prior to the service implementation date. The Administrator would provide all requested advice and counsel to the City during the period before the service implementation date. The Administrator would also prepare a detailed implementation plan outlining all the steps necessary to set up data records, create interfaces with the City payroll and establish enrollment and reconciliation procedures for participant records and trust/custody/investment accounts. The Administrator would review this plan with City staff regularly during the transition and report on the progress.
2. Print Communication Materials - The Administrator would design all required Plan print/electronic communication materials, and would further be responsible for printing and, where necessary, mailing these materials to Plan participants. Included in these communication materials are quarterly or semi-annual participant statements. The Administrator would prepare and print all necessary brochures, publications and forms for participants, and revise when necessary due to changes in Plan rules/procedures, legislative or other changes, further providing access to bilingual and visually-impaired participants.
3. Customer Service Activities - The Administrator would provide a toll-free customer service line staffed by customer service representatives able to respond to participant questions regarding Plan features, services, rules, account balance information, and benefit payments, further providing access to bilingual and hearing-impaired participants. Customer service representatives should be available to answer participant questions minimally between the hours of 7:00 a.m. and 5:00 p.m. Pacific Time each business day. The Administrator should also provide telephone assistance/counseling to participants who are taking a distribution under the Plan.

4. Recordkeeping - The Administrator would maintain records providing daily information associated with an individual's account, including, but not limited to: investment balances, contributions (tracking both employer and employee contributions), distributions, rollovers, earnings, administrative fees, address, and any other information necessary for the proper administration of a participant's account.
5. Contribution Processing - Enrollment in the PSP is automatic upon part-time, seasonal and/or temporary employment. It does not require the submission of a form or document. As such, the Administrator would create participant accounts upon receipt of salary deferrals. The PSP uses only one investment option so no fund split is necessary. The Administrator would invest contributions immediately upon receipt. The City requires that the Administrator be able to receive data via electronic data transmission, and process the participant contribution detail provided, including negative contributions and adjustments.
6. Plan Reporting - The Administrator would submit quarterly or semi-annual reports on all activities in the Plan. Reports may be provided via paper or electronic access to an online recordkeeping system. The Administrator would notify the PSP of any amendments to the Plan which may be required by changing conditions or federal tax laws or regulations. The Administrator would work with City legal counsel to evaluate and implement any amendments to the Plan.
7. Participant Statements of Account - The Administrator would issue no less than a semi-annual statement to PSP participants. Information displayed on the statement would include, but is not limited to, beginning and ending balances, employer vs. employee contributions, activity during the period, net gain (loss), and total and year-to-date contributions. Any applicable mailing and postage costs would be the responsibility of the Administrator. The Administrator must be able to customize the statement for the Plan and to provide a field for short messages. All information would be provided in both dollars and NAV/unit value. Statements would be mailed to be received by participants no later than the end of the month following period end.
8. Distributions - The Administrator would provide assistance to participants who are taking a distribution or effecting a rollover under the Plan, including claims by both participants and beneficiaries. The Administrator must be able to administer the necessary forms and provide disbursement of funds via check or electronic fund transfer. The Administrator must provide written confirmation to the participant for payments made by electronic fund transfer. The Administrator would provide participant federal and state income tax withholding and reporting for each benefit payment from the Plan. The Administrator would be solely responsible for any tax penalties and/or interest that may arise due to errors it made in tax reporting or forwarding of funds to

the appropriate government authorities. The Administrator would ensure that each participant's account complies with the applicable regulations including, but not limited to, IRC 401(a)(9) minimum distribution requirements and annual maximum deferrals.

9. Qualified Domestic Relations Orders - The Administrator would provide support services for account separations due to divorce. The Administrator would be responsible for calculating amounts to be transferred to Alternate Payee accounts pursuant to court-approved Qualified Domestic Relations Orders (QDROs) and for review of proposed QDRO language.
10. Locating Missing Participants/Account Reduction . The Administrator would provide services to help locate participants who have terminated employment and for whom checks have been unredeemed. The Administrator would have address search capabilities for participants who have changed addresses but not notified the City or the Plan. The Administrator should further be prepared to work with the City in efforts to reduce the number of inactive participant accounts, including steps such as periodic special mailings as well as more comprehensive solutions (e.g. escheatment of participant accounts to the State of California's Unclaimed Property division).
11. Trustee/Custodial Services – If providing investment management services, the Administrator would provide trustee/custodial services for the Plan or arrange for trustee/custodial services with an outside party.
12. Transition Responsibilities upon Termination - Upon termination of its contract, the Administrator would cooperate with the City in an orderly transfer of administrative responsibilities and records to the new Administrator. In the event that the City elects not to renew its contract at the end of its term, or otherwise terminates the contract, the Administrator must agree to fully cooperate in the transition to the new Administrator, providing all necessary documents and computer files. Per standard industry practice, certain historical data/records that cannot be transferred to a new Administrator must be made available for future inquiries regarding qualified domestic relations orders, beneficiary claims, etc.
13. Fixed Account – The City will consider submissions for combining the PSP fixed account investment vehicle with Plan administration as well as obtaining the fixed account through a separate procurement process. The Fixed Account must provide for book value payments for participant benefit payments. At termination by the City, the contract must provide for either a payment at book value, a transfer of the actual market value of the assets (not based on a market value formula) or a transfer of actual securities. The City must either own title to the securities or a pro-rata share of securities for commingled or pooled funds. If Guaranteed Investment Contracts (GICs) or similar insurance contracts are among the underlying investments they must

be adequately diversified, limit credit risk/exposure, and provide competitive returns. Federally insured products are acceptable.

SECTION 3

RESPONSE QUESTIONNAIRE

A. Organizational Background		
1.	Provide a cover letter limited to no more than two pages. The cover letter should include the contact name of person authorized to represent vendor and contact information, location of business, type of legal entity (corporation, limited liability company, joint venture, partnership, etc.), and a short description of the organization including: how long it has been in business, tenure of senior management, and the businesses and services in which it engages.	
2.	Provide an overview of the services your firm is willing to provide relative to the questions posed in this RFI. This information may be of any length chosen by your firm and may include responses to questions that are posed later in this questionnaire. If this overview does include responses to questions posed later in the questionnaire, please make sure that when providing responses to those questions you either repeat the response information or make reference to where in the overview the information was provided.	
B. Part-Time/Temporary/Seasonal Defined Contribution Plan Third-Party-Administration		
3.	Please briefly describe your experience with 3121/FICA alternative plans similar to the PSP, such as the number of years you have worked with similar plans, and the number of 3121 plan participants on your recordkeeping system.	
4.	Identify the number of clients to whom you provide 3121/FICA alternative plans third-party-administrative services similar in design or scope to the services required in this RFI. Provide examples of work your firm has done that are similar to the project for which the City is soliciting, and approximate compensation or annual contract amount for at least your top three such clients (the identity of those clients is not required).	
5.	Regarding the experience statistics provided above, describe what you consider to be your core (i.e. your primary client base) service market. As a potential client, describe how the City's requested services for administration of its 3121/FICA alternative plan do or do not fit within your core market segment.	
6.	Indicate whether you would or would not be interested in submitting a proposal for administering the City's PSP on a stand-alone basis (i.e. without those services being conditioned upon being awarded an administrative services contract for the City's Deferred Compensation Plan). If your answer is that you would not be interested, please explain the reasons for such.	
7.	Indicate whether you would or would not be interested in submitting a proposal for administering the City's PSP for third-party-administration (including recordkeeping, trustee, communications, and all other services referenced in this RFI) excluding managing the Plan's fixed account investment option for	

	Plan participants. If your answer is that you would not be interested, please explain the reasons for such.	
8.	If any proposal you submitted would require or have the option of including investment management services, please indicate the type of investment vehicle you would propose and its features.	
9.	Describe what efforts you would make in the area of account management relative to tracking participants over time (e.g. as they stop contributing to the Plan, change addresses, etc.).	
10.	For the core services identified in the Scope of Services, identify any exceptions, deviations, or alternations you would propose relative to any specific service category in administering the City's Plan.	
11.	Please provide any service change recommendations you would propose in order for the Plan to help manage its costs.	
12.	For the individuals assigned to this project, please indicate: <ul style="list-style-type: none"> ➤ Work experience/qualifications ➤ Tenure with firm ➤ If there is more than one individual, indicate who will be the primary liaison and describe their roles and areas of expertise ➤ Where the individual(s) is/are located ➤ Describe caseload for your primary liaison by listing other clients handled by that individual 	
C. FEES		
13.	You are not obliged to submit an actual fee proposal as part of responding to this RFI. However, please indicate how you would propose structuring your fees for these services, to address any of the following potential fees, fee structures, and estimated costs related to this project: <ul style="list-style-type: none"> ➤ Dollar or percentage based participant fee ➤ Cost-of-living fee adjustments, if any ➤ Purchase of software or materials ➤ Fees to generate reports ➤ Travel or mileage fees for in-person meetings ➤ Printing and copying fees 	
14.	Explain if your pricing is contingent upon the number of participant accounts. For example, if the City elected to escheat a larger number of its inactive accounts to the State, what impact if any would that have on your fee structure?	
15.	The PSP requires that all participant fees be paid for by Plan participants. Discuss and provide illustrations of how your proposed fee structure would impact small or inactive accounts.	
D. Additional Services & Information		
16.	Describe any additional services you would propose or alternatives to the administrative services options outlined in this RFI.	
17.	Provide any additional information that you believe would be beneficial to the City in assessing this request.	

SECTION 4

REVIEW OF RESPONSES

4.0 Review Process

The City's Personnel Department will review the responses to this RFI for the purpose of developing its RFP. The Personnel Department review process will include the following:

1. **Written Responses** . All written responses to the RFI questionnaire will be reviewed.
2. **Written Follow-Up Questions** . The City reserves the right to pose additional questions in writing in order to clarify any information provided in response to this RFI.