

# Deferred Compensation Plan

## BOARD REPORT 16-27

Date: October 11, 2016

To: Board of Deferred Compensation Administration

From: Staff

Subject: Third Party Administration Transition Update/  
Proposed Implementation Date/ Empower  
Contract Extension

*Board of Deferred  
Compensation Administration  
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### **Recommendation:**

That the Board of Deferred Compensation Administration (a) receive and file this update regarding the Deferred Compensation Plan's Third Party Administrator (TPA) transition; (b) approve a tentative transition target date to take place within the third quarter of 2017; and (c) approve the attached report from the Board to City Council requesting an extension of the contract with the incumbent provider, Empower Retirement.

### **Background**

At the Board's special meeting of September 6, 2016, the Board approved the selection of Voya Institutional Plan Services as the Third Party Administrator (TPA) for the City's Deferred Compensation Plan. This report provides an update with respect to development of the transition plan for changing providers, a tentative transition target date, and a recommended report to City Council requesting authority to extend the contract.

### **A. Transition Planning**

Staff held a preliminary transition planning meeting with Voya representatives on September 15, 2016. At this meeting Voya provided an overview of major administrative function transition categories, which it refers to as "swim lanes" (see **Attachment A**). These categories include the following:

- Administration
- Communication
- Interfaces
- Plan Setup
- Data Conversion
- Asset Integration
- Custom Functions

The transition development process for each of these administrative functions involves essentially the same steps:

1. The City and Voya will begin with a thorough evaluation of current services, processes and documents (“present state” assessment);
2. The City and Voya will identify goals for plan design upon implementation, which will include both current service needs as well as goals for service enhancements (“future state” objectives);
3. The City and Voya will produce a gap analysis in order to identify the systems, process and other resource needs required to move from present to future state;
4. The City and Voya will build the systems and processes to meet the future state objectives, then test and refine them before implementation;
5. Once the City and Voya are confident that the systems and processes have met the objectives, the recordkeeping/administrative infrastructure will be established, still within a test environment, and then validated through further testing;
6. At the designated “go live” date, the transition of services, administrative processes and records will occur over a 3-4 day period of time.

The initial transition planning meeting will take place over the course of an in-person, two-day, meeting that is tentatively scheduled for October 25-26. As part of that meeting, a distinct “vision” meeting will take place which will involve a collaborative dialogue over broader goals and service enhancements that might be addressed as part of evolving the Plan and enhancing customer service. This discussion will include but not be limited to:

- Discussion of incorporation of the City’s retirement income methodology into the participant website user interface;
- Creating a recordkeeping and communications framework that will support moving the City’s Plan more substantively into results-oriented, outcomes-based goals and metrics;
- Considering the Plan’s resources and benefits as part of the broader retirement readiness framework, in order to help advance consideration of other initiatives which may or may not be part of the TPA’s services but which are nevertheless inter-related.

Although this is expected to evolve, staff’s tentative objectives for service enhancements include the following:

- Ensure that automatic enrollment functionality (along with its related payroll enhancement which would allow City employees to opt to contribute to the Plan both as a percent of their pay along with a flat dollar amount) are implemented concurrent with Voya’s administration of the Plan.
- Enhancing the website to incorporate the City’s retirement income theory and methodology
- Expanding the demographic data provided by the City’s payroll systems to the TPA
- Improving loan processes and communications as part of reducing incidences of late loan payments and defaults
- Enhancing local representative resources and communications to ensure that communications strategies and execution are consistent and in alignment with core Plan metrics

- Reducing TPA/payroll processing errors
- Improving participant and plan-level reporting
- Improving hardship withdrawal processing
- Developing strategies for long-term participant records management
- Developing a comprehensive cyber-security support structure and plan

## **B. Target Implementation Date/Council Authority for Contract Extension**

Based on initial discussion, staff is tentatively targeting an implementation effective date to take place within the third quarter of 2017 (i.e. no later than September 30, 2017). Staff's initial assessment is that this length of time (up to eleven months) will be necessary to ensure that the administrative systems and processes are fully developed, including required payroll functionality as well as any service and administrative enhancements which will be identified as part of implementation planning.

The contract with the incumbent provider, Empower, expires December 31, 2016. As a result, staff has drafted a report/recommendation to City Council that requests authority to extend the contract through September 30, 2017 (**Attachment B**). Staff recommends that the Board approve the draft report.

## **C. Ongoing Reporting**

Moving forward, staff will present monthly TPA transition reports and any related recommendations for action so that the Board is fully informed of ongoing developments. In addition, Board members are welcome to attend transition meetings but should contact staff prior to attending to ensure that any gatherings of Board members are compliance with requirements under the Ralph M. Brown Act.

Submitted by:

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Steven Montagna