

Deferred Compensation Plan

BOARD REPORT 16-25

Date: September 1, 2016

To: Board of Deferred Compensation Administration

From: Staff

Subject: Request for Proposal for Third-Party-Administrator Selection

*Board of Deferred
Compensation Administration
John R. Mumma, Chairperson
Michael Amerian, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Raymond Ciranna, Second Provisional Chair
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Recommendation:

That the Board of Deferred Compensation Administration consider the findings of the review panel for the Deferred Compensation Plan's Request for Proposal for Third-Party-Administrative (TPA) services, including the scoring and analysis of the responses and recommendation that Voya Institutional Plan Services be selected as the TPA service provider for up to a five-year contract term.

Discussion

At its July 18, 2016 meeting, the Board considered the findings of the review panel for the Deferred Compensation Plan's Request for Proposal for Third-Party-Administrative (TPA) services (original report enclosed with these materials). At that meeting and as part of the discussion, the Board requested that in a follow-up report staff provide:

- A. A report from the Board's consultant at Segal Consultants describing key considerations when transitioning TPA service providers;
- B. Review and correction of certain scoring discrepancies as reflected in the prior staff report;
- C. Further detail regarding imaging and document storage, security protocols, and disaster recovery/guarantees proposed by both vendors;
- D. Further detail regarding capabilities in processing special contributions;
- E. Consideration of potential recordkeeping transfer fees; and
- F. Further detail with respect to the website and participant interface functionality provided by both vendors.

Staff will address each of these report-back items as follows.

A. Transition and Implementation

Segal Consulting has prepared an overview of issues and considerations related to transitioning Third-Party-Administrator service providers. That overview is provided as **Attachment A** to this report.

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B. Scoring Revisions

At the prior Board meeting certain scoring discrepancies were noted in the original staff report. Those discrepancies resulted primarily from four subcategories where the weighting scales and point scales were not in alignment. Those subcategories included:

- "Retiree Loan Administration," previously reflected as 0.5% weighting but should have been 1.0%.
- "Advice and Managed Account Services," previously reflected as 1.0% but should have been 0.5%.
- "Pre-Tax vs Roth Recordkeeping," previously reflected as 0.5% weighting but should have been 1.0%.
- "Call Center Support", previously reflected as 1.0% but should have been 0.5%.

One of the rating panel members also had additional sub-categories (Enrollment Guide, News/Messaging, Electronic Records and Storage, and Account Contribution History) where the points assigned were not consistent with the scale, requiring additional point adjustments. The corrections changed the total number of points for each vendor but not the point differential:

	Empower	Voya	Difference
Total Points (previous)	767	817	50
Total Points (revised)	757	807	50

A corrected scoring summary is provided as **Attachment B** to this report.

C. Imaging & Document Storage, Security Protocols, and Disaster Recovery

Segal Consulting has prepared additional details regarding the imaging, security protocols and disaster recovery materials submitted by the vendors in their responses. That information is provided as **Attachment C** to this report.

D. Special Contribution Processing

A request was made by the Board to obtain further information with respect to Voya's future capabilities to provide programming allowing participants to make one-time deferral changes before reverting to their ongoing deferral elections, a capability that is presently available via the incumbent provider. Voya had indicated in its RFP response that it did not have this capability. The City Attorney advised staff that presenting updated information could represent enhancement of the vendor's proposal and therefore a response to this informational request is not being provided.

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E. Transition Costs

A request was made by the Board to obtain further information regarding fees or charges from Empower with respect to transitioning from them as a service provider, in that the original Board report had indicated they would apply hourly charges towards the cost of duplicating records. Empower was asked to provide a response to this question but has not provided a response as of the date of writing this report. However, in reviewing the City's contract with Empower, staff was unable to identify a provision indicating authority for Empower to charge a fee to export documents during a conversion. Language addressing termination of services states in part:

"Upon relinquishing responsibilities at the termination of the Agreement, GWL&A shall cooperate with the Board to the end stated effective date of the termination in an orderly transfer of administrative responsibilities and records to the Board or its representatives and will fully cooperate with the Board and the New TPA in making the transition."

Empower indicates they are reviewing this matter with their legal staff. Should it become available, any additional information regarding this topic will be shared with the Board at the meeting.

F. Website & Communications

Websites - A request was made by the Board to obtain further information with respect to the website services and functionality available from the proposers. Both vendors are proposing website platforms that, absent customization, would differ significantly from the platform that presently exists for the City's Plan. Because of this, a critical focus of the review panel was evaluating vendor responses relative to the question of customization and any gaps between existing functionality and functionality of their proposed platforms.

The RFP specifically asked vendors to, *"Describe how your participant web-interface differs from the City's current design and where you see gaps (both positive and negative)."*

Empower replied that, *"In 2017, we will introduce the New Participant Experience... Empower Retirement's participant experience will be an innovative approach to retirement planning that engages participants and gets them to take action by showing them the important connection between saving and investing habits and expected retirement income. The core of our Participant Website uses employees' total plan balance and other factors to provide an estimated monthly retirement income goal."* Empower's response went on to list a range of goals associated with the new website but did not address or identify any gaps that may exist between existing functionality and their new platform.

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Voya's response stated that, "Heuristic principles are 'rules of thumb' for Voya and collectively drive our User-Centered Design (UCD) process and testing criteria for end-user testing events. Our internal design experts apply all of these principles during the initial design process for digital product development. Once a digital product is built, we then employ a combination of testing events depending on the solution and impact on end user audiences, including quantitative surveys for large sample sizes, qualitative laboratory testing with smaller "hands on" sample sizes, and, of course, special user panels like a City of Los Angeles Voice of the Customer group. It would appear that a positive distinction between our site and your current site are "mega menus". These Top navigation options are grouped to eliminate scrolling and use typography, icons, and tooltips to explain users' choices. Transaction pages include the ability to review the transaction and a confirmation option before submission with easy ability to navigate away from the initial selection. From a gap perspective, there is some defined benefit functionality in your custom income calculator that we don't currently have but as part of our offer will build for the City."

As indicated in the original staff report summarizing the review panel's findings, during the performance exams the topic of these new platforms and the need for customization was explored at length with both providers. Both Empower's and Voya's responses in their exams indicated that their retirement readiness platforms incorporate methodologies reflecting different underlying concepts and assumptions than that which form the basis of the City's retirement income security methodology and calculations.

Empower indicated that while the City's Retirement Income Projection Calculator (which forms the heart of the theory and methodology of the City's approach to retirement readiness) could still be maintained on the new Empower platform, the Empower retirement readiness platform could not be "turned off" and would thus represent a communications dilemma in presenting and requiring that participants sort through two different ways of thinking about and assessing their individual retirement readiness.

Voya indicated that the City's Retirement Income Projection Calculator could be incorporated into their platform with Voya's alternate methodology "turned off" such that participants would not have to navigate through conflicting concepts/methodologies. In addition, Voya utilizes a branding for its platform called "My Orange Money." In the performance exams they were questioned as to the concept behind this branding and asked if that branding could be removed in favor of unique branding developed by the City for its population. Voya indicated that they could remove the "My Orange Money" branding in favor of whatever branding the City wished to create.

Staff also asked Voya in the performance exams whether it would be possible to, in lieu of the Voya standard platform, re-create the City's present participant website interface if the City so chose. Voya indicated that this could be done. For a similar question posed to Empower, Empower indicated that the City would not have the option of "opting out" and retaining its current participant website interface.

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Sample screen shots and access to demo sites provided by both firms are provided in **Attachment D** to this report.

Mobile Applications – The RFP asked respondents to describe their mobile application or mobile optimized website capabilities.

Voya's response indicated that, *"Voya has a true mobile application, not just a mobile optimized website. We did not want to tie our development or limit our customers to one mobile provider. As such, the VoyaRetire application is available for owners of iPhone®, iPads, iPod Touch®, and Android™ devices. Our app offers both inquiry and transaction capabilities. This industry leading mobile application, which includes Voya's innovative myOrangeMoney, allows your participants to check current balances, review history, personal rate of return, change contribution rates, transfer between investment options and much more. This provides participants more freedom and flexibility to keep up to speed on their retirement plan account. One of our goals with our mobile app is to maintain consistency in both appearance/graphics, as well as capabilities with our traditional participant website. The primary distinction between the app and the full participant website is loans or distributions cannot be initiated via the app which was at the request of our plan sponsor client base. The application is available in the App StoreSM and the Google Play Store (formerly Android Market)*. To learn more about the app, visit Voya's mobile app website, mobile.voyaplans.com. Or take a minute to see its key features by visiting this link: <https://demos.voyacdn.com/pwebmobileparticipant>."*

Empower indicated, *"For the City's current website, we developed the participant website with an architectural framework that functions within mobile devices. Our mobile site allows for easy maneuverability with a focus on finger-oriented and gesture-oriented interactivity. On the mobile site, participants can:*

- *View projected retirement income*
- *Check account balance and history*
- *View paycheck contribution amount*
- *See their rate of return*
- *Review the investment options in their portfolio*

"Every page of the mobile site has a link to the full version of the participant website so that participants can move to the full site in one tap to complete transactions, and access eLearning services. For a demonstration, please access www.empowerdemo.com/mobile using a mobile device. With the introduction of our New Participant Experience in 2017, our experience will not require a mobile app. Our experience is optimized for screen size and our strategy is mobile friendly and Web delivered. Participants can access our critically acclaimed experience via tablet and Smartphone today. Through responsive design, participants can view and change account information including deferral amounts and investment allocations, access education and planning features, plan information and forms, right from their mobile

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device. Participants can access the experience via any device with Internet access, including Apple, Windows, or Android formats.”

Board members can review mobile site demos by referring to the access instructions noted in the preceding responses.

Conclusion and Vendor Presentations

At the prior Board meeting there was discussion related to contract terminations involving the two firms. As a result of that, staff made additional outreach to current and former clients of both firms. Of those that indicated they switched between Voya and Empower, or did not continue services, plan sponsor feedback indicated that this was due to their regular procurement process and not due to early termination of the contract. The findings from this additional outreach were consistent with the findings of the prior outreach as noted in the original staff report.

Staff has provided the report-back informational items as requested by the Board at its July 19, 2016 meeting. The providers will be present at the meeting to be interviewed by the Board regarding their capabilities. Each vendor has been advised that they may not present information which would represent enhancement of their proposals as included within their written responses or information presented as part of the performance exams. Each vendor will be allotted 45 minutes, with approximately 25 minutes for presentation and 20 minutes to reply to questions from Board members.

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