

Deferred Compensation Plan

BOARD REPORT 16-23

Date: July 13, 2016

To: Board of Deferred Compensation Administration

From: Staff

Subject: Request for Proposal for Third-Party-Administrator Services – Review Panel Recommendation

*Board of Deferred
Compensation Administration
John R. Mumma, Chairperson
Michael Amerian, Vice-Chairperson
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Recommendation:

That the Board of Deferred Compensation Administration (a) 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 a five-year contract term; and (b) request that the Plan consultant develop a report describing key considerations when transitioning TPA service providers.

Discussion

A. Background

Following is a review of Board of Deferred Compensation actions to date relative to the development/issuance of a procurement for Third-Party-Administrator (TPA) services for the City of Los Angeles Deferred Compensation Plan:

- **July 21, 2015** - The Board approved moving forward with developing a Request for Proposal (RFP) for TPA services and a request to City Council to provide the Board with 5-year contracting authority for the Board's TPA and other contracts for services.
- **August 18, 2015** - The Board approved a proposed communication plan relative to development of the RFP, including moving forward with drafting a participant survey.
- **September 15, 2015** - The Board reviewed and had discussion relative to a presentation from staff and the Plan's consultant with respect to design of the RFP.
- **October 20, 2015** - The Board adopted a member survey to obtain feedback and help inform development of the RFP and evaluation of responses; the survey window was open November 15-29, 2015.
- **December 22, 2015** - The Board reviewed results of the participant survey, which received 1,653 responses.

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- **January 19, 2016** – The Board approved the proposed draft TPA RFP and authorized its release.
- **February 5, 2016** – The RFP was released to the vendor community, with a response deadline of March 24, 2016.
- **March 24, 2016** – Two RFP responses were received, from Empower Retirement and Voya Institutional Plan Services, and determined to be in compliance with City of Los Angeles general contracting requirements.

This report will next address the review panel's scoring and findings.

B. RFP Summary Findings

The mission of the TPA RFP was to identify the firm which can best partner with the City in its mission to assist City employees and Plan participants in achieving retirement income security. Staff's and the Board's objective has been to frame this procurement from a "member-based" perspective focused first and foremost on addressing the features and services which Plan participants most utilize and value, and which best support their retirement readiness. That member-based perspective was informed by participant survey feedback as well as staff's assessment of participant service needs based on its day-to-day administration of the Plan.

The Board established a panel to review the proposals and develop a recommendation for selection. The Board's Review Committee consisted of Personnel Department staff members Steven Montagna and Esther Chang, and Segal Consultant Wendy Young-Carter. Each panel member independently conducted his/her review/analysis of the proposals. The summary averaged scores of the three rating panel members is provided as **Attachment A**. All panel members participated in Performance Exams held with the vendors May 23-24 on three separate topics (**Attachment B**). The performance exams were focused on three topics that represented areas of particular focus for the City's Plan: **administrative/communications flexibility and customization, distribution and loan processing, and creating participant success**.

Following their independent ratings and the performance exams, the rating panel members met to discuss and compare their scoring results. The scoring totals reflected in this report reflect the combined averaged scoring of the three panelists for all rating categories. The Review Committee believes its review and scoring process was sound, that its review was comprehensive, that it adhered strictly to the RFP rating factors, and that both respondents were fairly and objectively rated.

Based on the scoring results, the rating panel is recommending that the Board select Voya Institutional Plan Services as the Plan's TPA service provider. Overall, Voya best demonstrated an ability to partner with the City's Plan in developing and expanding success in fulfilling its core mission. Voya demonstrated significantly greater capabilities to:

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- (a) Customize its resources to the City's specific needs;
- (b) Integrate the City's core participant success methodology into its web platform;
- (c) Provide solutions to significant administrative challenges facing the City's Plan;
- (d) Provide within its cost proposal a new full-time Senior Communications Development staff resource that would exercise a leadership role in not only producing innovative, outcomes-based communications educational content, materials, and initiatives, but more broadly in assisting the City in improving key metrics such as participation, average contributions, rollover retention, and other metrics which impact participant retirement readiness;
- (e) Provide communications resources, flexibility and facility; and
- (f) Position itself to most flexibly partner with the City's Plan in its pursuit of retirement readiness for the City's workforce.

Notwithstanding the above, it is noted that the scoring differential between the two vendors was relatively narrow. The close scoring illustrates the fact that both firms are very capable providers of TPA services. Both firms demonstrated unique relative competencies and weaknesses which will be fully explored and detailed in this report. In the four primary rated broad categories, Voya received the highest overall score in three by relatively narrow margins; both vendors were virtually tied in in the fourth category.

Summary scoring by major RFP category is noted as follows. The respondent with a higher score within each category is indicated in yellow.

RATING CATEGORIES	% of Total	Point Scale	Empower	Voya
Organizational Strength, Recordkeeping & Plan Sponsor Services	30%	300	219	236
Participant Services	45%	450	334	349
Self-Directed, Trustee & Value-Added Services	10%	100	82	81
Financial Cost	15%	150	132	150
Total	100%	1,000	767	817

To provide Board members with ample detail regarding their proposals, in addition to the information provided in this report, **Attachment C** provides a comparative summary of much of the voluminous data submitted by the proposers. The focus in Attachment B is on those RFP questions where one vendor was determined to have submitted a stronger response than the other, because it is within these questions that the relative strengths and weaknesses for both vendors can be most clearly discerned.

Review panel member Wendy Young-Carter will not be available to attend this meeting. She will, however, attend the Board's August 16, 2016 meeting.

Following is a summary and discussion of the rating panel findings broken out by each of the topics included in the RFP. The respondent with a relatively higher score within

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each major or sub-category is indicated in yellow. Key or differentiating findings for each category are included as bullet points.

(1) ORGANIZATIONAL STRENGTH, RECORDKEEPING & PLAN SPONSOR SERVICES

ORGANIZATIONAL STRENGTH, RECORDKEEPING & PLAN SPONSOR SERVICES				
PLAN SPONSOR SERVICES	Percent	Point Scale	Empower	Voya
Organizational Background, Financial Strength, Experience	2%	20	18	11
Regulatory and Contractual Actions	1%	10	5	7
References	2%	20	20	20
Plan-level Website & Access to Plan and Participant Records	1%	10	7	7
Plan Sponsor Support Services: Legal & Special Administrative Functions	1%	10	8	5
Participant Service Issues Management	1%	10	6	9
Reserve Fund Administration: Accounting and Payment Services	1%	10	8	8
RECORDKEEPING SERVICES				
Recordkeeping Overview & Data Management Capabilities	3%	30	23	21
Contributions & Tax Vehicles	2%	20	16	17
Distributions and Tax Reporting	2%	20	17	17
Imaging and Document Storage	2%	20	13	16
Processing and Errors	2%	20	13	16
Security Protocols, Disaster Recovery & Guarantees	2%	20	15	13
Unitized Core & Profile Fund Administration	2%	20	15	15
Customization Capabilities & Resources	1%	10	8	9
Auto Enrollment Capabilities	1%	10	8	8
Performance Exam: Recordkeeping and Administrative Efficacy	4%	40	18	38
30%	30%	300	219	236

- **Organizational Background, Financial Strength & Experience** – The table below provides a side-by-side summary of assets under management, client base, and participant base for each firm. Empower has more assets under management. Voya has a substantially larger client base, although almost all that client base involves smaller plans (less than 5,000 participants). Both firms have an equivalent number of total participants in Section 457 plans. Voya has fewer larger plans.

Assets/Clients/Participants	Empower	Voya
Total DC Assets Under Management	\$410 Billion	\$289 Billion
Total Public Sector Assets Under Management	\$96 Billion	\$61 Billion
Total Section 457 Assets Under Management	\$72 Billion	\$34 Billion

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Client Retention as % of total Plans for 1/3/5 years	1 yr – 96.4% 3 yr – 96.3% 5 yr – 95.2%	1 yr – 95.4% 3 yr – 94.3% 5 yr – 92.9%
Number of 457 Plans Gained as of 1/3/5/ years	1 yr – 311 3 yr – 24 5 yr – 28	1 yr – 31 3 yr – 30 5 yr – 31
Participant Base		
Under 5,000	1,323	46,751
5,001 – 10,000	13	10
10,001 – 25,000	10	4
25,001 – 50,000	8	1
50,001+	8	0
Total	1,362	46,766
Total Participants		
Total (all plans)	7.5 million	4.5 million
Public Sector DC Plans	2.3 million	1.7 million
Section 457 Plans	1.4 million	1.3 million
Asset Base		
Less than \$100 million	1,312	46,526
\$100-\$500 million	30	176
\$500 million-\$1 billion	9	29
\$1 billion and above	11	35
Total	1,362	46,766

- **References** – The summary of contacts and references is included in Attachment B. Each vendor was asked to provide lists of terminated clients, largest clients, and most recently acquired clients. Staff was able to make contact with many but not all of the listed references. Overall, neither vendor received a relative scoring advantage/disadvantage based on those reference checks. Both firms were generally described as very capable administrators. Terminations of prior contracting relationships were generally the result of having received more competitive price proposals in a procurement process.
- **Regulatory & Contractual Actions** – Empower did not respond directly to the question as to whether it had engaged in protests or litigation against prospective clients; Voya stated they have not engaged in such actions.
- **Plan-Level Website & Access to Plan and Participant Records** – Both firms indicated their ability to meet all of the City’s baseline Plan-level website and participant record needs. Voya’s website functionality is currently in place; Empower is in a period of transition, indicating that the “NextGen” version of its website will launch in 2017. Voya was noted as having demonstrated a longer history of engaging plan sponsors in providing feedback on website development.
- **Plan Sponsor Support Services: Fiduciary, Legal & Special Administrative Functions** - Empower demonstrated deeper resources for assisting with

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regulatory and interpretive issues. Both firms can provide varying levels of beneficiary claim and Qualified Domestic Relations Order (QDRO) processing.

- **Participant Service Issues Management** - Both vendors were asked about complaint resolution statistics. Voya's response suggested they are resolving complaints more quickly. Voya's response also suggested they approach complaint management in a more systematic manner.
- **Reserve Fund Administration** - Both firms demonstrated that they could administer the City's Reserve Fund (the repository for fee revenue and account from which Plan expenses are made) within the current framework and functions.
- **Recordkeeping Overview & Data Management Capabilities** - Overall, Voya's response indicated a more flexible recordkeeping system that would be most responsive to the City's needs for customization. However, Empower provided more complete responses to questions regarding systems capacity and describing integration between their voice response, online and recordkeeping systems.
- **Contributions & Tax Vehicles** - Both vendors indicated similar capabilities for administering the multiple contribution and tax vehicle requirements included within the City's Plan.
- **Distributions & Tax Reporting** - Both vendors indicated similar capabilities for administering the multiple distribution processes and tax reporting requirements included within the City's Plan. Empower was noted as not being able to administer the option of allowing participants to elect periodic payments with annual Cost-of-Living adjustments.
- **Imaging & Document Storage** - Both firms image and store participant documents on their systems. Empower was noted as charging \$150 per hour to export documents during a conversion. Voya's response indicated they are able to upload and retain records from a prior plan administrator to a greater degree than Empower, which discussed going back to the prior recordkeeper for records on an as-needed basis.
- **Processing & Errors** - Empower did not provide a performance guarantee for investment fund transfer settlement and processing of rollovers into plan, and has a confirmation mailing standard of 5 business days as opposed to Voya's 2 business days standard. Voya did not fully respond to several questions regarding handling errors. Empower did not fully respond to two questions regarding refunds of over-contributions to participants, in particular on the issue of whether a hold harmless agreement from the plan sponsor is required before it will execute the transaction; Voya indicated that a hold harmless is not required.
- **Security Protocols, Disaster Recovery & Guarantees** - Empower was noted as having provided fuller descriptions of their disaster recovery procedures and protocols. Voya did not indicate whether they would provide credit monitoring or identity theft insurance. Empower did not provide any details of their disaster planning/prevention plans, citing the information as proprietary and confidential. Voya provided a full response.
- **Unitized Core & Profile Fund Administration** - Both firms demonstrated the ability to administer the City Plan's unitized core funds and risk-based asset

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allocation funds. Voya provided a more detailed description of such. Empower indicated certain associated fees for changes to underlying fund managers or allocation shifts within the risk-based funds, while Voya indicated no such fees. Voya also was clearer and fully responded to the question of what would occur if there were delays in obtaining pricing from underlying fund managers. Empower was noted as administering more blended fund clients than Voya.

- **Customization Capabilities & Resources** – Empower was noted as placing a limitation on error corrections by requiring that plan sponsors or the participant must self-report the error within 90 days or they will not be made whole for the error; Voya placed no such limitation.
- **Auto Enrollment Capabilities** – Both firms demonstrated the ability to implement the City's auto enrollment administrative and recordkeeping requirements. Voya was noted as having the ability to administer Roth auto enrollment, which Empower cannot presently do but indicated could be done with the NextGen version of their website. Empower was noted as providing a better response relative to its resource commitment to auto enrollment, both administratively as well as in its support work for legislative changes in the State of California.
- **Performance Exam: Recordkeeping & Administrative Efficacy** – Two hours were set aside for this performance exam due to the breadth and significance of evaluating vendor capabilities in this broad arena, which extends to the degree to which each vendor's recordkeeping and internal administrative processes/protocols demonstrate flexibility and responsiveness to the City's vision and needs. Voya was noted as demonstrating significantly greater capabilities at customizing its recordkeeping system and web platform to adapt to the City's needs, most especially in regards to the City's vision for focusing its participants around its unique methodology for measuring retirement readiness through its custom retirement income projection calculator. Voya has already built a web platform which is organized around a different construction of measuring retirement readiness; Empower indicated it will be shortly introducing a web platform which is similarly organized around a different construction of measuring retirement readiness.

What distinguished the vendors was their relative ability to adapt or not adapt their web platforms to the City's vision and methodology. Voya indicated that, notwithstanding that they have built a different tool, their recordkeeping system was designed to accommodate high degrees of customization which would allow the City to integrate its retirement income methodology and vision into, and in lieu of, Voya's construction. Empower, by contrast, made clear that it was highly unlikely that it would have this flexibility, and in fact left as an open question whether it would even be possible for the City to opt out of its "NextGen" web platform if it wanted to. This presents a significant risk that the City's Plan might be forced to abandon its unique retirement income vision and rather be swept into Empower's general platform. Empower's proposed solution to use the City's Retirement Income Projection calculator as an "add-on" function was deemed to

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be a non-solution, because that would lead to participant confusion in being given two competing and inconsistent methodologies for determining retirement readiness.

PARTICIPANT SERVICES

PARTICIPANT SERVICES				
COMMUNICATIONS	Percent	Point Scale	Empower	Voya
Communications Philosophy and Resources	1%	10	5	9
Enrollment Guide	0.5%	5	5	6
Marketing & Educational Materials	1%	10	7	9
Distribution Guide	1%	10	8	6
Quarterly Statements & Newsletters	1%	10	8	7
Forms for Participant Transactions	1%	10	6	7
Customization Capabilities & Resources	1%	10	7	10
Compliance & Review: Timing, Process and Requirements	1%	10	7	8
Performance Exam: Success Metrics	2%	20	14	17
LOCAL STAFFING	Percent	Point Scale	Empower	Voya
Local Service Center Resources	3%	30	19	19
PARTICIPANT WEBSITE & OTHER TECHNOLOGY/MEDIA	Percent	Point Scale	Empower	Voya
Core Template Structure & Functions	3%	30	22	24
News/Messaging/Interactive Capabilities	1%	10	11	11
Electronic Records & Storage	1%	10	9	11
Customization Capabilities & Resources	1%	10	6	8
Planned Enhancements	1%	10	7	8
Media Technology: Video, Mobile Apps, etc.	1%	10	8	7
RETIREMENT READINESS & INCOME REPLACEMENT	Percent	Point Scale	Empower	Voya
Retirement Readiness Strategy/Philosophy	1%	10	5	8
Compatibility w/City Retirement Income Projection Tool	1%	10	7	7
Combined DB/DC Projections	1%	10	8	9
PARTICIPANT CALL CENTER (REPRESENTATIVES)	Percent	Point Scale	Empower	Voya
Training, Staffing, Hours, Languages	1%	10	9	7
Metrics & Standards	1%	10	8	7
Call Monitoring & Reporting Capabilities	1%	10	8	6
Customization Capabilities & Resources	1%	10	9	9
PARTICIPANT CALL CENTER (AUTOMATED)	Percent	Point Scale	Empower	Voya
Structure, Script, Time, Languages	1%	10	9	7
ENROLLMENT	Percent	Point Scale	Empower	Voya
Strategies, Metrics & Participation Results	1%	10	7	8
CONTRIBUTION PROCESSING	Percent	Point Scale	Empower	Voya
Deferral Limit Contribution Type Administration & Participant Interfaces	1%	10	9	6
Escalation, Special Contribution, and Miscellaneous Features	1%	10	9	6
Rollover/Transfer Interfaces	1%	10	8	7

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Catch-Up Reporting & Administration	1%	10	8	8
Account Contribution History	0.5%	5	6	3
DISTRIBUTION & ASSET RETENTION	Percent	Point Scale	Empower	Voya
Distribution Administration & Participant Interfaces	1%	10	7	8
Asset Retention Strategies & Results	1%	10	7	6
Beneficiary Designation, Alternate Payee & Benefit Claim Process	1%	10	6	8
RMD Notification and Automation	1%	10	8	6
LOAN PROGRAM ADMINISTRATION	Percent	Point Scale	Empower	Voya
Processing Requirements, Administration & Participant Interface	1%	10	8	9
Loan Communications (modeling, notifications, late loan, default, etc.)	1%	10	7	7
Retiree Loan Administration	0.5%	5	6	7
Corrections and Default Administration	1%	10	7	7
Advice and Managed Account Services	1%	10	6	4
Deemed IRA, Annuity Services and Other Services	0.5%	5	4	4
Performance Exam: Distributions, Rollovers & Loans	2%	20	10	18
45%	45%	450	334	349

- **Communications Philosophy & Resources** – The RFP asked whether vendors would be willing to establish a Senior Communications Development staff resource that would be available to work closely with the City and exercise a leadership role in producing innovative, outcomes-based communications educational content, materials, and initiatives, and coordinate the execution of local and headquartered communication functions. Empower indicated it did not have this resource available but would be willing to discuss this with the City at an additional cost. Voya offered to fund a full-time position based in the Los Angeles area to provide this resource, and indicated the cost of this was already included in its price proposal. Voya also provided much stronger responses on most of the communications-related questions by articulating a strategy of applying data analytics to meet key success metrics. Empower's response suggested that their approach to communications as a tool for improving participant outcomes is less mature.
- **Enrollment Guide** – Empower was noted as not having committed to generating a custom enrollment guide for participants who are auto-enrolled, whereas Voya did commit. For its sample communication materials for auto enrollees, Voya's enrollment guide was clearer and more directive to the prospective participant by giving clear steps to complete the process.
- **Marketing & Educational Materials** – The vendors were asked for samples of what they regarded to be their best marketing/educational materials. Both samples demonstrated proficiency – Voya's was found to demonstrate a somewhat more innovative and creative approach.
- **Distribution Guide** – The vendors were asked for samples of what they regarded to be their best distribution guide materials. Empower's layout was effectively framed around distribution options, while Voya's sample was simpler and did not provide as much information.

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- **Quarterly Statements & Newsletters** – Empower’s newsletters were noted to have more real estate available to plan sponsors for custom messaging, and the samples submitted were somewhat more “newsy;” Empower allows participants to access old newsletters for three (3) years, Voya for two (2) years.
- **Forms for Participant Transactions** – Both providers appear similarly capable of generating and administering necessary participant transaction forms; Empower was noted as having a stricter policy regarding not honoring older versions of forms 90 days past their expiration date; and for requiring that a participant record their Social Security number (SSN) on every page of a form, while Voya does not require this.
- **Customization Capabilities & Resources** – Voya was noted as having indicated in its response the ability to generate communications content in English, Spanish and other languages using the assistance of a language translation firm; Empower only offered English and Spanish.
- **Compliance & Review: Timing, Process & Requirements** – Voya was noted as having speedier compliance review (10 days versus 12 days) or not having a review required for certain material.
- **Performance Exam: Success Metrics** – Both vendors expressed support for the City’s initiatives around measuring success and improving participant outcomes. Both received similar scoring, although Voya was noted as demonstrating to a greater degree how organizationally it has been considering metrics and outcomes for some time, while Empower appeared to be in the process of a more recent attention to these issues. Voya also discussed at length the opportunities for driving improvement in the City’s participant outcomes through the use of its proposed Senior Communications Development staff person. It was noted that Voya viewed this position, although titled “Communications Development,” to have the potential to be much broader in its reach and more focused on achieving improvements in key metrics such as participation, average contributions, rollover retention, and other key metrics which impact each participant’s retirement readiness.
- **Local Service Center Resources** – Empower was noted as conveying a much greater degree of training requirements and had longer tenures for their local staff. Voya's response indicated they will provide for a 5.6% increase in local contacts versus 15% for Empower without a change to their cost proposal; Voya also had stronger responses regarding the incentive structure for local representatives and how they would administer efficiencies in the interactions of their onsite local staff with City staff during the normal course of the workday.
- **Participant Website Core Template Structure & Functions** – Both vendors indicated their ability to provide all of the essential features of the Plan website identified in the RFP; Voya was noted to have indicated a more technologically sophisticated administration of participant authentication.
- **News/Messaging/Interactive Capabilities** – Neither vendor provided compelling examples in this category.
- **Electronic Records & Storage** – Empower was noted to allow participant access to documents for three (3) years versus two (2) years for Voya.

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- **Customization Capabilities & Resources** – Voya had a lengthy response which had a substantial list of features that were customizable; Empower's response was only a few brief sentences.
- **Planned Enhancements** – Voya's response demonstrated a higher degree of more meaningful and appropriate enhancements, such as quick enrollment, personalized videos, etc.
- **Media Technology: Video, Mobile Apps, etc.** – Voya's mobile app demo was engaging, interactive, and clearly built to be its own experience. Empower's mobile app came across as less appealing and less developed.
- **Retirement Readiness Strategy/Philosophy** – Voya was very precise about having an organizational methodology for retirement readiness, although that methodology differs from the City. They indicate their philosophy is to use an average monthly income replacement rate of 70% of pre-retirement income in retirement from all sources (defined contribution, pension and social security as applicable, as well as outside income such as personal savings, prior employer plans, rental income, etc.). By contrast, Empower's brief response on this question provided no details or discussion. Voya acknowledged the City's philosophy and methodology regarding the City's retirement security objective and stated a wish to dialogue about it and support the City in its objective. Empower did not reference the City's approach/methodology and their response did not clearly relate to the City's objective.
- **Compatibility with City Retirement Income Projection Tool** – It is clear from both providers that the approaches they are taking with respect to retirement readiness deviate significantly from the approach and methodology developed by the City. As noted earlier, this is a problem only to the extent that a vendor can or cannot allow the City to customize the vendor's website in order to communicate the City's unique vision, philosophy, and methodology.
- **Combined DB/DC Projections** – Both vendors demonstrated a similar ability to accept and display defined benefit plan information provided they receive the appropriate file feed from the City.
- **Participant Call Center: Training/Staffing/Hours/Languages** – Empower was noted to have greater training and licensing requirements than Voya for its call center representatives, and better staffing ratios of representatives to covered participants.
- **Metrics & Standards** – Both vendors had either consistent standards or a roughly equal greater number of items in which it had higher standards than its competitor.
- **Call Monitoring Reporting Capabilities** – Empower was noted to have provided greater detail as to its managerial review of participant complaints regarding call center service.
- **Customization Capabilities & Resources** – Both vendors described equal capabilities relative to how their call centers control the accuracy of, and accountability around, communicating Plan-specific information to the Plan's participants.

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- **Automated Call Center: Structure/Script/Time/Languages** – Empower's automated line was noted to provide a faster opt-out to a customer service representative, and real-time updates to its recordkeeping system versus Voya's batch cycle.
- **Enrollment Strategies/Metrics/Results** – The RFP asked the vendors to describe how they would approach establishing goals/metrics around increasing enrollment. Voya's detailed response demonstrated discipline and multi-engagement tools that create accountability; Empower's response was brief and lacking a well-considered strategy. However, in response to a second question asking for a sample enrollment campaign, Empower provided a credible example while Voya did not.
- **Deferral Limit Contribution Type Administration & Participant Interfaces** – The RFP requested samples of participant interfaces with respect to the election of pre-tax and after-tax (Roth) contributions; neither vendor really addressed the question, but Empower was somewhat more responsive.
- **Escalation, Special Contribution, and Miscellaneous Features** – Voya indicated it is not able to accommodate a one-time change to a deferral amount which then automatically reverts back to the prior contribution amount; Empower indicated it has accommodated and can continue to accommodate this.
- **Rollover/Transfer Interfaces** – Both vendors indicated similar capabilities of processing incoming/outgoing rollovers.
- **Catch-Up Reporting & Administration** – Both vendors indicated similar capabilities of processing catch-up contributions.
- **Account Contribution History** – Voya's responses were lacking detail, while Empower provided data history items.
- **Distribution Administration & Participant Interfaces** – Voya processes distributions same day versus two (2) days for Empower; in response to a problem resolution essay question regarding where their ability and deficiencies lie in terms of creating distribution materials that are clear and user-friendly to the participant, Empower did not really address the question while Voya stated a philosophy of user-friendliness.
- **Asset Retention Strategies & Results** – Neither vendor provided compelling examples of goals, strategies or examples of successful asset retention campaigns.
- **Beneficiary Designation, Alternate Payee & Benefit Claim Process** – Voya demonstrated stronger abilities in this area by allowing for the recording of a beneficiary's phone number in their system; allowing alternate payees to take out loans; and by providing a much warmer sample communication to a beneficiary than Empower's.
- **RMD Notification and Automation** – Empower's response to describing their Required Minimum Distribution (RMD) process was much more detailed than Voya's. Voya indicated they have an RMD force-out provision to ensure that participants don't violate the rule.
- **Loan Processing Requirements, Administration & Participant Interface** – Responses indicated that both vendors have similar capabilities for loan

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administration; Voya was noted to presently have the ability to permit general purpose loan initiations through the call center, which Empower indicated in its response it does not. Voya can also allow participants to make advance ongoing loan repayments through payroll deduction, which Empower indicated it cannot.

- **Loan Communications** – Voya’s sample loan communications were poorer than Empower’s, although neither was deemed very effective; neither vendor provides modeling to show the impact on an account from taking a loan, although Voya offers a calculator.
- **Retiree Loan Administration** – Both vendors displayed similar capabilities for administering retiree loans.
- **Corrections & Default Administration** – Both vendors displayed similar capabilities for corrections and loan default administration.
- **Advice and Managed Account Services** – Empower was noted to have less expensive managed account services and more clients utilizing this service.
- **Deemed IRA, Annuity Services and Other Services** – Both vendors indicated similar capabilities in their ability to offer these services.
- **Performance Exam: Distributions, Rollovers & Loans** – This one-hour performance exam focused on internal processes and recordkeeping for distribution and loan processing. Voya was significantly stronger in this performance exam than Empower by demonstrating a number of practical solutions to challenges that the City’s plan currently has with respect to distribution processing and loan communications. Empower’s responses suggested a much lesser level of flexibility within their system to either adapt its processing across its entire client base or to come up with customized solutions to the City’s challenges.

(2) SELF-DIRECTED & TRUSTEE SERVICES

SELF-DIRECTED, TRUSTEE, & VALUE-ADDED RESOURCES				
SELF DIRECTED BROKERAGE OPTION	Percent	Point Scale	Empower	Voya
SDBO Organizational Background, Financial Strength, Experience	1%	10	8	8
Website Facility and Content	1%	10	8	8
Investment Menu, Trading Options & Fee Schedule	1%	10	8	8
Recordkeeper Interface & Participant Reporting	1%	10	8	8
Pre-Tax vs. Roth Recordkeeping	0.5%	5	7	7
Call Center Support	1%	10	6	6
Advice Services	0.5%	5	5	5
Transition	1%	10	8	8
	Percent	Point Scale	Empower	Voya
TRUSTEE SERVICES	3%	30	23	23
10%	10%	100	82	81

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- **Self-Directed Brokerage Option** – Both vendors utilize Charles Schwab as their brokerage window provider. As a result, after a full comparative review of their written responses, both vendors were scored on an equivalent basis for this option.
- **Trustee Services** – Voya’s response was more detailed than Empower’s. Voya uses Voya Institutional Trust Company, which provides trust and custody services to over 3,000 retirement plans representing over \$48 billion and custody services, and over 98,000 IRA accounts representing over \$7 billion as of December 31, 2015. Empower offers Wells Fargo’s Institutional Retirement and Trust division, which serves more than 3,000 trust and custody clients with assets totaling more than \$570 billion. This includes approximately \$22 billion for public retirement fund clients. When asked whether the trustee/custodial firm, or any affiliates, had been a party to any litigation, investigations, or settlements during the last three years, Voya responded in full, while Empower did not respond as requested.

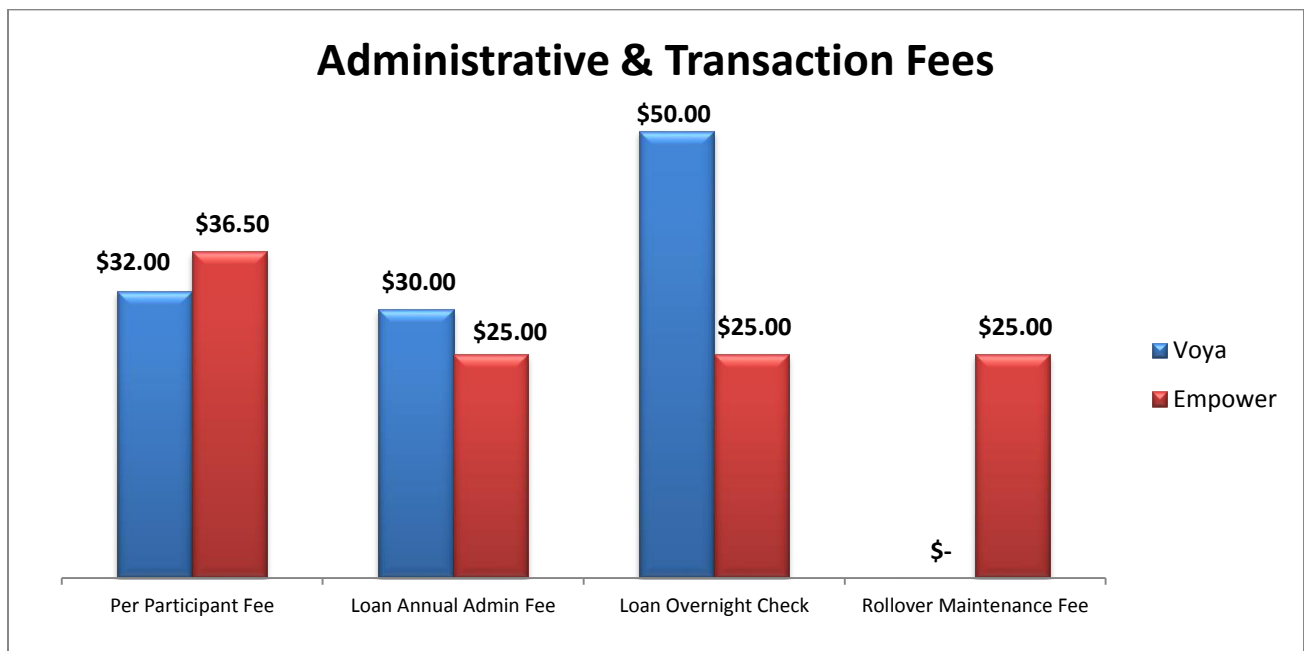
(3) FINANCIAL COST

FINANCIAL COST				
	Percent	Point Scale	Empower	Voya
Participant Fees	14%	140	129	140
Performance Guarantees	1%	10	3	10
15%	15%	150	132	150

- **Fees** – The RFP requested that proposers disclose their per-participant fees as well as all other charges and fees that provide revenue streams. Voya’s proposed annual per participant fee is \$32.00; Empower’s is \$36.50, or 14% higher than Voya’s. However, there are a variety of other participant administrative fees and charges that can produce significant streams of revenue for the providers. As a result, the rating panel’s analysis focused on the fee differential on a total vendor revenue basis over a five-year period using current statistics for participant utilization of certain transactions subject to fees and charges.

The first chart below compares administrative and transaction fees for both providers as individual transaction costs:

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Although Voya's per participant charge is lower than Empower's, Voya has higher annual loan administrative fees and overnight check fees than Empower. However, Voya does not have a rollover account maintenance fee, which Empower does.

The next point of fee comparison is on a total revenue basis. The tables that follow apply the per participant or transaction fees against the applicable current volume statistics; those volume numbers are then inflated by an assumed 2% annually. The columns under the names of each proposer indicate the total amount of projected revenue for each proposal. The difference column indicates how much greater or lesser revenue would be collected by Empower as compared to Voya.

FEE ANALYSIS				
PER PARTICIPANT FEE	Participants	Empower	Voya	Difference
Fee-->		\$36.50	\$32.00	\$4.5
Year 1	42,071	\$1,535,592	\$1,346,272	\$189,320
Year 2	42,912	\$1,566,303	\$1,373,197	\$193,106
Year 3	43,771	\$1,597,629	\$1,400,661	\$196,968
Year 4	44,646	\$1,629,582	\$1,428,675	\$200,907
Year 5	45,539	\$1,662,174	\$1,457,248	\$204,926
		\$7,991,280	\$7,006,054	\$985,226

LOAN ANNUAL ADMIN FEE	Participants	Empower	Voya	Difference
Fee-->		\$25.00	\$30.00	\$(5.0)
Year 1	19,550	\$488,750	\$586,500	\$(97,750)

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Year 2	19,746	\$493,638	\$592,365	\$(98,728)
Year 3	19,943	\$498,574	\$598,289	\$(99,715)
Year 4	20,142	\$503,560	\$604,272	\$(100,712)
Year 5	20,344	\$508,595	\$610,314	\$(101,719)
		\$2,493,116	\$2,991,739	\$(498,623)

LOAN OVERNIGHT CHECK	Participants	Empower	Voya	Difference
Fee-->		\$25.00	\$50.00	\$(25.0)
Year 1	511	\$12,775	\$25,550	\$(12,775)
Year 2	516	\$12,903	\$25,806	\$(12,903)
Year 3	521	\$13,032	\$26,064	\$(13,032)
Year 4	526	\$13,162	\$26,324	\$(13,162)
Year 5	532	\$13,294	\$26,587	\$(13,294)
		\$65,165	\$130,331	\$(65,165)

ROLLOVER MAINT. FEE	Rollover Accts	Empower	Voya	Difference
Fee-->		\$25.00	\$-	\$25.0
Year 1	2,970	\$74,250	\$-	\$74,250
Year 2	3,000	\$74,993	\$-	\$74,993
Year 3	3,030	\$75,742	\$-	\$75,742
Year 4	3,060	\$76,500	\$-	\$76,500
Year 5	3,091	\$77,265	\$-	\$77,265
		\$378,750	\$-	\$378,750

\$10,928,311	\$10,128,124	\$800,187
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On a total revenue basis for the fees detailed above, Empower would collect **8%** more revenue than Voya.

There are two additional cost items which should be noted. The RFP asked the vendors to indicate what portion, if any, of their per-participant fee represents implementation costs that may be amortized over the contract term. Voya indicated that their implementation cost is \$4.61 per participant, or approximately \$214,000 annually that would in theory be eliminated after an initial five-year contract term and (all other things being equal) reduce their per participant fee from \$32.00 to \$27.39.

In addition, it should be noted that included within Voya's administrative fee is the cost of a Senior Communications Development staff person, which has some unknown additional dollar value to the City's plan (because the compensation costs for this position are unknown). Empower did not propose this position, and securing an equivalent resource from them would represent an additional cost to the City's Plan which would likely be reflected in a higher per participant fee.

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Otherwise both vendors are proposing the same number of local staff as set forth in the RFP.

- **Performance Guarantees** – Voya is willing to negotiate with the City to define the guarantees and is putting a substantial amount of their annual compensation at risk. Voya states that it is willing to place up to \$200,000 at risk for not meeting the service standards agreed upon during the implementation process, and that the penalties may be broken out by the metrics that are most important to the City. Empower has performance guarantees for a variety of processing standards (e.g. related to processing of distributions, contributions, mailings, etc.) with much more modest non-compliance penalties (e.g. \$500 in a quarter or \$1,000 annually where a standard is not met).

C. Proposed Next Steps

Due to the significance of this decision, staff has anticipated that the Board may not be prepared to take immediate action and may request that certain additional information be provided. In addition, because review panel member Wendy Young-Carter was not available to participate in this meeting, staff has further anticipated that the Board would wish to have an opportunity to include her in its deliberations prior to rendering a decision. As a result, staff's recommendation for the July meeting is to consider the findings of the review panel and the information included within this report and defer a final decision until its August meeting.

In addition, the Board may wish to include as part of its overall consideration greater details as to what is involved in a transition of a plan with the size and complexity of the City's Plan. The last time that the City's Plan underwent a transition was in 1999. As a result, staff recommends that the Board request that its consultant develop a report describing key considerations when transitioning TPA service providers for consideration at its next meeting.

Submitted by:

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