



May 27, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Agreement for Deferred Compensation Services

Overview

The Orange County Transportation Authority provides all employees the opportunity to participate in a defined contribution program through a third-party deferred compensation service provider. Voluntary employee contributions are allocated to the 457(b) Deferred Compensation Plan. Additionally, employer contributions are allocated to the 401(a) Plan as employees become eligible. A 3121 Plan is also available for the Board of Directors, extra help employees, coach operator trainees, and interns who are not eligible to participate in the Orange County Employees Retirement System through the Orange County Transportation Authority. The 3121 Plan is also available to newly-hired employees over the age of 60 that waive membership into the Orange County Employees Retirement System. Approval is needed to execute a new agreement for these services.

Recommendations

- A. Approve the selection of Nationwide Retirement Solutions as the firm to provide deferred compensation services.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-0-2014 between the Orange County Transportation Authority and Nationwide Retirement Solutions, to perform a broad range of defined contribution services related to the administration of the 457(b), 401(a), and 3121 plans, for an initial term of five years with two, five-year option terms.

Discussion

The Orange County Transportation Authority (OCTA) is responsible for the establishment and administration of a Defined Contribution Plan for employees and members of the Board of Directors (Board). Utilizing the services of a plan

provider, OCTA currently provides all employees, including those covered by a collective bargaining agreement and members of the Board, the opportunity to participate in a 457(b) Deferred Compensation Plan. Company contributions for those eligible employees are allocated to the 401(a) Plan. Members of the Board, extra help employees, employees who are classified as interns and coach operator trainees are required to participate in the 3121 Plan, along with new hires over the age of 60 that waive membership in the Orange County Employees Retirement System (OCERS) pension plan.

Prior to 2004, OCTA contracted with four deferred compensation service providers to administer the defined contribution plans. In 2004, 2010 and 2015, the Board awarded the contract to a single provider, Nationwide Retirement Solutions (Nationwide). The current contract for these services is set to expire on July 31, 2020; a new contract is necessary to continue providing these services through a plan provider.

Procurement Approach

The procurement was handled in accordance with OCTA's Board-approved procedures for professional and technical services. Many factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal considering such factors as staffing and project organization, prior experience with similar projects, work plan, as well as cost and price.

On January 23, 2020, Request for Proposals (RFP) 0-2014 was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on January 21 and 28, 2020. A pre-proposal conference was held on January 29, 2020, with six attendees representing five firms. Addendum No. 1 was issued to provide a copy of the pre-proposal registration sheet, revise the term of the agreement to include option terms, as well as other administrative changes. Addendum No. 2 was issued to respond to questions related to the RFP.

On February 13, 2020, six proposals were received. An evaluation committee consisting of OCTA staff from the Contracts Administration and Materials Management Department, Treasury and Public Finance Department, Human Resources and Organizational Development Division, Finance and Administration Division, as well as an external representative from Benefit Financial Services Group, OCTA's Deferred Compensation Plan consultant, met to review all proposals received.

The evaluation process included a two-phase approach by first reviewing each proposal based on responses to questions related to minimum requirements and given a pass/fail grade. Offerors were required to pass all criteria in the first phase of the evaluation to move onto the second phase of the evaluation process. The first phase of the evaluation process identified those offerors that were best suited to meet the needs and objectives of OCTA. Minimum requirements included plan size, participant count, and availability to conduct education meetings. All offerors passed the first phase of the evaluation.

The second phase of the evaluation process was to evaluate the proposals based on the following evaluation criteria and weights:

- Recordkeeping/Administration 20 percent
- Communication/Education 40 percent
- Investments 20 percent
- Cost and Price 20 percent

Several factors were considered in developing the criteria weights. Recordkeeping/Administration was weighed at 20 percent to ensure the firm can provide the required administrative services. Communication/Education of the defined contribution program to OCTA's employees through face-to-face, one-on-one meetings, as well as call center accessibility and performance metrics were among the most important factors. Therefore, this criterion was weighted highest at 40 percent. It is imperative that each proposing firm has the ability to provide information and meet with employees at times and in ways that are most convenient to the employees with little disruption to their duties. Access to the local client representative or a customer service representative by telephone, as well as a user-friendly online system were of importance. Investments as well as cost and price were weighted equally at 20 percent to ensure the firm can provide a variety of investment options comparable to what is currently available to participants and to ensure the fees per service are competitive so that OCTA and participants receive value for the services provided.

On March 13, 2020, the evaluation committee reviewed all proposals based on the evaluation criteria and short-listed the two most qualified firms listed below in alphabetical order:

Firm and Location

ICMA Retirement Corporation (ICMA-RC)
Washington, D.C.

Nationwide Retirement Solutions (Nationwide)
Columbus, Ohio

The interviews were conducted on April 1, 2020 and consisted of a presentation to demonstrate the firms' understanding of OCTA's requirements and provided a brief overview of their recordkeeping processes and communication/education plan. The firms' project managers and key team members had an opportunity to present each team's qualifications and respond to the evaluation committee's questions. Questions were asked relative to the firms' role and responsibilities in administering the plan, the proposed project team's roles and experience on similar past projects, key personnel availability, innovative services or tools currently in development, as well as questions related to the features of the firms' participant website. Finally, each team was asked specific clarification questions related to their proposal.

The preliminary ranking was reviewed by the evaluation committee after the interviews, and no change was made.

Based on the evaluation of the written proposals, the firm's qualifications, and the information obtained from the interviews, the evaluation committee recommends Nationwide for consideration of the award. The following is a brief summary of the proposal evaluation results.

Recordkeeping/Administration

Both firms demonstrated relevant experience and qualifications for administering and recordkeeping similar-sized plans.

Nationwide has specialized in providing retirement plan services to the government sector for over 46 years. The firm manages \$143 billion defined contribution retirement plan assets and provides plan administration, investment, communications and education services to 6,911 section 457 deferred compensation plans across the United States. Nationwide is currently the incumbent firm providing defined contribution services to OCTA employees and has a proven track record of effectively managing all aspects of the defined contribution program including working with staff to comply with reporting requirements.

Nationwide has a local dedicated day-to-day contact and relationship manager and has the shortest average response time for their toll-free customer service number of the short-listed firms. The firm's call center hours are the longest and open for operation on Saturdays. Due to the schedules of a large number of OCTA employees, this level of accessibility meets the requirements of the scope

of work. Lastly, the participant asset allocation system Nationwide uses allows for an unlimited number of portfolio models. Nationwide's experience and qualifications in providing defined contribution services as required were clearly demonstrated through their proposal and interview.

ICMA-RC is established and experienced with a distinguished reputation in the industry. The firm has provided retirement plan services to the government sector for over 47 years. The firm provides plan administration, investment, communications and education services to 4,693 section 457 deferred compensation plans across the United States. The firm's call center is not open on Saturdays. Lastly, the participant asset allocation system can accommodate three-to-five risk-based portfolios or seven-to-ten target-date portfolio models.

Communication/Education

Both short-listed firms demonstrated their commitment to plan participants in education and communication of retirement solutions.

Nationwide is experienced in providing retirement services with a demonstrated commitment to employee education. The communication and education plan proposed by Nationwide included the most thorough and comprehensive of the short-listed firms. Nationwide has proposed tool enhancements including phone cue reservation for longer than normal hold times and a multi-touch point strategy that complements the individual and group meetings conducted by the local dedicated retirement specialist. The dedicated retirement specialist will be available for face-to-face meetings during the various employee work shifts at all OCTA work locations. Nationwide proposed the highest number of annual ongoing meeting days for one-on-one meetings with employees at no additional cost to the employee. Also, the firm proposed all interested employees to receive comprehensive financial plans and goal-specific financial plans for any employee at no additional cost.

Nationwide has the ability for employees to contribute simultaneously to model type portfolio funds and core funds allowing employees greater investment options with the ability to have both at the same time.

ICMA-RC proposed a new mobile tool to allow employees to send a text message for account information and schedule meetings with a financial advisor. ICMA-RC proposed the second highest number of annual ongoing meeting days for one-on-one meetings with employees. However, ICMA-RC proposed to charge additional fees for participant education days that exceeded the original number of proposed days. Also, the firm proposed a goal-specific plan for participants who choose to aim for a specific amount in their profile by a specified

age. A comprehensive financial plan is also available to identify what stage an employee is in and create a unique guide and allow the employee to manage and track the details of their retirement plan. However, the employee would need to pay a fee for the financial plan if the employees' portfolio did not meet or exceed a minimum balance.

Investments

Nationwide proposed to continue offering the fixed account, with a starting guarantee of a 3.5 percent return on investment (ROI) for those plan participants who have elected this investment option. The 3.5 percent ROI is subject to a gradual decrease with a crediting rate floor of .50 percent in 2024. The reduction is based on market conditions and investment performance. The proposed ROI guarantee of .50 percent by Nationwide is the highest proposed fixed-account guarantee. In addition, Nationwide has no account restrictions, allowing the employee to invest in an unlimited number of models in an individual's portfolio.

ICMA-RC proposed the second highest fixed-account guarantee offering 2.41 percent ROI. However, the crediting rate for the fixed-account fund is not guaranteed to remain at 2.41 percent as it is recalculated on a daily basis. In addition, ICMA-RC proposed no credit rating floor, which may lead the ROI for the fixed-account fund to offer no interest. Lastly, ICMA-RC has a limit to how many models are accepted in an employee's portfolio.

Cost and Price

Scores for cost and price were based on proposed plan expense ratios expressed in basis points (bps), which is defined as .01 percent. Scores for plan expenses were based on a formula, which assigned the highest score of five to the lowest plan expense and scored the remaining plan expenses based on the relation to the lowest plan expense. ICMA-RC's total expense was the highest ranked and Nationwide's total expense ranking was second highest overall.

Procurement Summary

Based on the evaluation of written proposals, the firms' qualifications and the information obtained from the interviews, the evaluation committee recommends the selection of Nationwide as the top-ranked firm to provide defined contribution services. Nationwide delivered a proposal and interview that was responsive to all requirements of the RFP.

Fiscal Impact

The cost for administration of the defined contribution plans is paid by employees who participate in the deferred compensation benefit. There is no administration cost to OCTA.

Summary

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Agreement No. C-0-2014 between the Orange County Transportation Authority and Nationwide Retirement Solutions for a five-year initial term with two, five-year option terms to perform a broad range of defined contribution services related to the administration of the 457(b), 401(a), and 3121 plans at no cost to OCTA.

Attachments

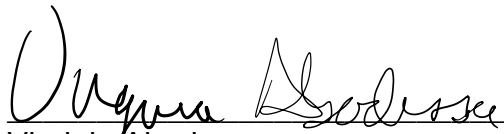
- A. Review of Proposals, RFP 0-2014 Deferred Compensation Services
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms), RFP 0-2014 Deferred Compensation Services
- C. Contract History for the Past Two Years, RFP 0-2014 Deferred Compensation Services

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