



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Human Resources



Date: October 8, 2015
Board Meeting Date: November 17, 2015
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Donna Vaillancourt, Human Resources Director

Subject: Agreement with MassMutual for Deferred Compensation Services

RECOMMENDATION:

Adopt a resolution:

- A) Accepting the Deferred Compensation Committee's unanimous recommendation to select MassMutual (formerly Hartford) as the County's deferred compensation, Retiree Health Savings Account (RHSA) and extra-help plans provider; and
- B) Authorizing the Human Resources Director to execute an agreement with MassMutual to administer the County's deferred compensation and Retiree Health Savings Account plans for County employees and retirees and to administer the County's retirement plan for extra help employees for the period from March 15, 2016 to March 1, 2021.

BACKGROUND:

The County's current provider for its deferred compensation plans is MassMutual, (formerly known as The Hartford). The current agreement with MassMutual resulted from the last request for proposals (RFP) process in 2009, and it expires on April 1, 2016. Pursuant to its fiduciary duty on behalf of the County, the Deferred Compensation Committee initiated an RFP in May 2015 to ensure that the County is receiving the best plan benefits currently available in the marketplace.

DISCUSSION:

The Deferred Compensation Committee solicited proposals from 35 providers. The County received and evaluated six proposals and elected to interview three RFP finalists (Empower, MassMutual and Nationwide). Each finalist was ranked on the following RFP criteria: total services and administrative expenses, fund expenses, stable value proposals and expenses, recordkeeping services and security, employee education,

reporting, customer service, transition services, compliance with forty performance standards with financial guarantees and references. Based on these criteria, the Committee unanimously agreed that MassMutual's proposal was the strongest and is recommending that it be selected as the ongoing provider for the County.

MassMutual reduced their current administrative expenses by more than half (from 8 basis points (0.080%) to 3.5 basis points (0.0035%)), saving participants an estimated \$157,500 per year. Their proposed cost was less than any of the other finalists. MassMutual also offered the highest crediting rate to the stable value plan of 3.2% and the highest interest crediting rate for the RHPA of 2.5%.

In addition to offering significant reductions in expenses, a new contract with MassMutual will provide the following:

- Introduction of a new record-keeping platform that will substantially improve reporting and communication capabilities
- More significant website capability that will allow participants to obtain a gap analysis to determine whether they are on track to obtain desired retirement income
- A \$10,000 commitment to increase both participation and contributions to offset lower expected County retirement benefits as a result of the State's passage in 2013 of the Public Employee Pension Retirement Act (PEPRA).

Upon approval by the Board of Supervisors, the transition to MassMutual's new record-keeping and fund line-up is expected to be complete by mid-March, 2016.

The resolution contains the County's standard provisions allowing amendments of the County's fiscal obligations by a maximum of \$25,000 (in aggregate).

The resolution and agreement have been reviewed and approved by County Counsel as to form.

Approval of this agreement contributes to Shared Vision 2025 of a Collaborative Community by providing a cost-effective deferred compensation program to County employees and retirees in order to enhance retirement income.

PERFORMANCE MEASURE(S):

Measure	FY 2015-16 Actual	FY 2016-17 Projected
Deferred compensation plan participants*	5,470*	5,570*
Number of employees actively contributing	3,100	3,200
% Participation of eligible employees	57%	58%
Average annual contribution per actively contributing employee	\$6,600	\$6,750

*Includes active employees and retirees

FISCAL IMPACT:

There is no net County cost associated with this agreement. Program costs are covered through fees paid by employees participating in the deferred compensation program.

Exhibit A
Request for Proposal Matrix

1.	General Description of RFP	To administer the County's deferred compensation, RHSA and extra help employee plans
2.	List key evaluation criteria	Fund and stable value expenses, record-keeping services, employee education, reporting, customer services, transition services, compliance with performance standards
3.	Where advertised	The RFP was distributed to 35 firms that specialize in these services
4.	In addition to any advertisement, list others to whom RFP was sent	N/A
5.	Total number of RFP's sent to prospective proposers	35
6.	Number of proposals received	6
7.	Who evaluated the proposals	Deferred Compensation Committee: Michael Wentworth, Public Works Lilibeth Dames, SamCERA Steve Perry, Retiree Bridget Love, Probation Glenn Kulm, Health Systems David Whisman, Public Safety Comm. Joe Demee, Treasurer's Office John Kovach, Sheriff's Office Donna Vaillancourt, Human Resources
8.	In alphabetical order, names of proposers (or finalists, if applicable) and location	Empower (formerly Great West) Lincoln MassMutual Nationwide VALIC VOYA (formerly ING)