

**Putting clients first.**

*Summary to Request for Proposal*

**Washoe County**



## Executive Summary

This report provides a preliminary review of potential service providers for the Washoe County Deferred Compensation Plans. The primary purpose of this report is to identify a record-keeper and administrator to possibly replace the current recordkeeper. This report may also be used to begin the process of trimming the field of contenders if further investigations will be conducted.

Based on the knowledge gathered from our interactions with the committee and the responses to our questions about the desires of the plan, we developed a comprehensive proposal that would best suit the plan's recordkeeping and administrative needs.

The proposal asks questions based on the key areas of the recordkeeping and administration services. We take an in-depth look at:

- Firm background and business practices
- Plan sponsor services
- Participant services and employee communications
- Investment services and fees

The purpose of the Request for Proposal was set up to determine the best fit for the Washoe County Deferred Compensation Plans. AndCo sent the RFP out to 12 different vendors that we determined would be capable providers for the Washoe County Deferred Compensation Plans. The County may choose to hold finalist meetings to gain a more in-depth understanding of the top respondents.

9 of the 12 recordkeepers responded with non-proprietary offerings. MassMutual is requiring the use of their Guaranteed Interest Account. The other three firms that did not respond were T. Rowe Price, OneAmerica, and Fidelity. Bids may be dependent on the transfer of total plan assets at the point of recordkeeping transition.



## Topics for Consideration

### **Non-Proprietary vs Proprietary:**

Most of the providers offered bids that included non-proprietary requirements and proprietary requirements. The difference between the two bids can affect pricing for the retirement plans and the length of the guaranteed rate of the pricing. In the preparation of the RFP, AndCo intentionally requested that providers offer both bidding structures for the consideration of the committee.

A non-proprietary bid is one that does not require the use of any services or investment products. This quote is commonly referred to as an “Open Architecture” bid. These bids are usually priced higher than the proprietary counterpart.

A proprietary bid is one that requires the use of a service or investment product. In the current agreement with MassMutual, the general account is a proprietary product and the current pricing structure is dependent on the use of that account. Typically, recordkeepers are able to generate additional revenue by offering a proprietary product (Stable Value, General Account, or TDFs) or a proprietary service (Managed Accounts, Advice Services, or Banking Relationships).



## Topics for Consideration

### **Guaranteed Interest Accounts and Market Value Adjustments:**

Washoe County Deferred Compensation Plans currently offers the MassMutual General Account to plan participants. General accounts typically have exit provisions that can last up to 5 years or the assets can be paid out immediately. If the County selects the option to pay out the assets immediately, they may be subject to a Market Value Adjustment. AndCo has been proactively requesting this estimate from MassMutual throughout the RFP process. The last estimate as of June 30, 2018 was 97.462%. This translates to \$73,096,500 of the total assets of the General Account would be eligible for immediate transfer to a new investment product.

The County's exit provision states that:

Under section 5.04 Lump-Sum Payment Options of the Guaranteed Interest Account Investment Agreement:

This option provides for a lump-sum cash payment. The amount of the Market Value of the General Account Assets will be paid in one sum in accordance with Section 5.06 not later than six (6) months after the Termination Date, provided that if the Market Value of the General Account Assets is larger than \$1.5 million, MassMutual may make payment in installments at four-week intervals. Each installment withdrawn is limited to the larger of \$1.5 million or ten percent (10%) of the total amount to be withdrawn and the first payment will be made not later than six (6) months after the Termination Date.

If the County selects the longer provision to release the assets, it may take up to 5 years for participants to receive their complete balance. There are some instances where those payments can be made monthly, quarterly, or annually.

Under Section 5.02A Book Value Installment Payment Options of the Guaranteed Interest Account Investment Agreement:

This option provides for payment in six (6) equal annual installments of the value of the General Account Assets. The first installment will be due and payable not later than six (6) months after the Termination Date and additional installments will be due and payable on each of the next five (5) annual anniversaries of the Termination Date. Each such installment will be reduced by the Expenses determined in Section 3.04, including any Expenses incurred for services provided while installment payments are being made. During the installment payment period commencing with the Termination Date, interest will be credited to the unpaid assets held under this Agreement at the Guaranteed Interest Rate credited to the Guaranteed Interest Account as of the Termination Date for the duration of the Rate Period in which the Termination Date occurs. At the same time that MassMutual would otherwise provide Effective Communication of the Guaranteed Interest Rate for subsequent Rate Periods, as specified in the Guaranteed Investment Account Schedule, MassMutual will also provide the installment interest rate under this option that will apply for such Rate Period. In no event will this interest rate be less than the Agreement Minimum Interest Rate. Benefit payments will not be made during the installment payment period.



## Empower

### Strengths:

- Empower does not use any third parties or alliance firms for their core recordkeeping services. (Book 1 - Page 26)
- They have the most clients in the \$100M to \$250M range (236) of all of the recordkeepers. (Book 1 - Page 29)
- They have completed 467 transitions from MassMutual over the past three years. (Book 2 - Page 65)

### Weaknesses:

- The number of clients they have lost has increased significantly (75%) over the last 5 years. (Book 1 - Page 29)
- They do not offer any written service or fee guarantees. (Book 1 - Page 47)
- The Great-West Guaranteed Interest Account's crediting rate for 2017 was 1.35%. (Book 3 - Page 16)

### Fee Summary:

- The fee quoted in the RFP was 0.1325% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.0125% higher than the lowest non-proprietary bid on the Plan. The fee ranked 3<sup>rd</sup> out of the 9 recordkeepers. (Book 3 - Page 1)
- The proprietary fee quoted in the RFP was 0.0650% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.03% higher than the incumbent bid on the Plan. The fee ranked tied 7<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 16)

### Summary:

- Empower has significant experience in the governmental defined contribution industry particularly in the larger end of the market.



## ICMA-RC

### Strengths:

- 457(b)/401(a) Plans make up over 98% of their client base. (Book 1 - page 26)
- They have gained (615) three times as many clients as they have lost (182) over the last 5 years. (Book 1 - Page 29)
- The relationship manager has the lowest client work load of 5 clients (Book 1 - Page 38)

### Weaknesses:

- They have the least clients in the 1,000 to 4,999 range (115) of all of the recordkeepers. (Book 1 - Page 26)
- They have the least amount of employees for overall client service. (Book 1 - Page 32)

### Fee Summary:

- The fee quoted in the RFP was 0.1225% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.02% higher than the lowest non-proprietary bid on the Plan. The fee ranked 2<sup>nd</sup> out of the 9 recordkeepers. (Book 3 - Page 1)
  - If the County chooses a 5 year payout of the Guaranteed Interest Account, the required revenue is 0.1650% on total plan assets.
- The proprietary fee quoted in the RFP was 0.0640% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.029% higher than the incumbent bid on the Plan. The fee ranked 6<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 16)
  - If the County chooses a 5 year payout of the Guaranteed Interest Account, the required revenue is 0.1100% on total plan assets.

### Summary:

- ICMA-RC has significant experience in the governmental defined contribution industry. They have been able to increase the size of their overall client base without any acquisitions.



## Lincoln

### Strengths:

- Lincoln's Plan Sponsor website allows the user to perform the most functions through the site. (Book 1 - Page 53)

### Weaknesses:

- The amount of revenue generated by recordkeeping is 10% of overall revenue. (Book 1 - Page 23)
- The majority of their clients are 403(b) (50.9%) and their 457(b)/401(a) clients make up roughly 12.4% of their total client base. (Book 1 - Page 26)
- They limit the number of times (2) that the plan sponsor can change funds without incurring a charge. (Book 1 - Page 55)
- They currently lease their recordkeeping platform from DST. (Book 2 - Page 44)
- They are not able to credit revenue sharing back to participants if the revenue sharing is higher than the current fee structure. (Book 2 - Page 44)
- Lincoln's platform is not able to waive fees for participants with small balances or cap fees for participants with high balances. (Book 3 - Page 7)

### Fee Summary:

- The fee quoted in the RFP was 0.1400% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.02% higher than the lowest non-proprietary bid on the Plan. The fee ranked tied for 4<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 1)
- The proprietary fee quoted in the RFP was 0.055% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.02% higher than the incumbent bid on the Plan. The fee ranked tied for 5<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 16)

### Summary:

- Lincoln has a concentration in the 403(b) market. They do not own and operate their recordkeeping platform and this might limit some of the functions and services they can offer their clients.



## MassMutual

### Strengths:

- They employ the most compliance specialists (180) on their staff of the respondents. (Book 1 - Page 42)

### Weaknesses:

- They are offering a three-year fee guarantee. (Book 1 - Page 24)
- They currently have the lowest annual client retention rate over the last five years. (Book 1 - Page 30)
- They have the highest annual call abandonment rate and the highest quarterly call abandonment rate over the last 3 years. (Book 2 - Page 14)
- They are not able to share the digital recordings of the call center with the Plan Sponsor. (Book 2 - Page 14)
- MassMutual's platform is not able to waive fees for participants with small balances or cap fees for participants with high balances. (Book 3 - Page 8)

### Fee Summary:

- MassMutual did not provide a non-proprietary bid in the RFP process (Book 3 - Page 2)
- The proprietary fee quoted in the RFP was 0.035% in required revenue to perform the requested administrative and recordkeeping services. The fee ranked tied for 3<sup>rd</sup> out of the 9 recordkeepers. (Book 3 - Page 17)

### Summary:

The increases in abandon call rates and lack of communication of personnel changes have created several challenges for the County. The crediting rate that is being offered on the Guaranteed Interest Account is high, but they are currently holding the lowest annual client retention rate over the last 5 years of all of the respondents.



## Nationwide

### Strengths:

- They recordkeep the most 457 (b) defined contribution plans (7,319) of all the respondents. (Book 1 - Page 27)

### Weaknesses:

- They do not disclose their annual client retention rate. (Book 1- Page 30)
- The relationship manager has 15 other clients, which is the highest of all the recordkeepers in the RFP. (Book 1 - Page 39)
- They limit the number of services that the participants would be able to process through the web portal. (Book 2 - Page 17)
  - Selecting specific dates for contribution changes, taking in-service withdrawals, and creating customized distribution schedules.
- They are not able to handle automatic enrollment and automatic escalation for specific participant classifications. (Book 2 - Page 48)
  - AndCo recognizes this as a core service and would end consideration of Nationwide based on the service element.

### Fee Summary:

- The fee quoted in the RFP was 0.21500% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.02% higher than the lowest non-proprietary bid on the Plan. The fee ranked 8<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 2)
- The Proprietary fee quoted in the RFP was 0.05% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.015% higher than the incumbent bid on the Plan. The fee ranked tied for 4<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 17)

### Summary:

- Nationwide is a very capable recordkeeper. The main concern with them in this RFP is that they are not able to provide automatic enrollment and automatic escalation for specific participant classifications. That function is necessary for the Washoe County Plans.



## Prudential

### Strengths:

- Prudential has the highest client retention rate (99%) for government plans of all of the recordkeepers. (Book 1 - Page 33)

### Weaknesses:

- The amount of revenue generated by recordkeeping is 16% of overall revenue. (Book 1 - Page 24)
- They have 308 457(b) Plans on their recordkeeping platform. (Book 1 - Page 27)
- They are offering a two-year fee guarantee. (Book 1 - Page 24)

### Fee Summary:

- The fee quoted in the RFP was 0.1200% in required revenue to perform the requested administrative and recordkeeping services. This fee is the lowest non-proprietary bid on the Plan. The fee ranked 1<sup>st</sup> out of the 9 recordkeepers. (Book 3 - Page 2)
- The Proprietary fee quoted in the RFP was 0.065% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.03% higher than the incumbent bid on the Plan. The fee ranked tied for 7<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 17)

### Summary:

Prudential has a very “limited” 457(b) governmental client book. The proprietary fund bid for recordkeeping is higher than most providers.



## TIAA

### Strengths:

- TIAA has the lowest loan fees (\$75 for 5 years) of all of the recordkeepers. (Book 2 - Page 28)
- The TIAA Retirement Choice Fund's crediting rate for 2017 was 4.06%. (Book 3 - Page 18)

### Weaknesses:

- They do not allow the Plan Sponsor to generate reports through the plan sponsor website. (Book 1 - Page 55)
- They are not able to provide an education specialist (5%) that would work with the county 70% of their time. (Book 2 - Page 6)

### Fee Summary:

- The fee quoted in the RFP was 0.200% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.08% higher than the lowest non-proprietary bid on the Plan. The fee ranked 7<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 3)
- The Proprietary fee quoted in the RFP was 0.125% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.09% higher than the incumbent bid on the Plan. The fee ranked 9<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 18)

### Summary:

- TIAA is a capable and well known recordkeeper. Their recordkeeping platform has a reputation for being constrictive and usually more expensive than other providers. While they are providing a comparable crediting rate to the one currently enjoyed by the County today, their fee is four times higher than some of the other providers.



## VALIC

### Strengths:

- VALIC is willing to provide dedicated education specialist with up 75% of their time. (Book 2 - Page 6)

### Weaknesses:

- VALIC has only completed two transitions from MassMutual in the past 3 years. (Book 2 - Page 67)
- VALIC's platform is not able to cap fees for participants with high balances. (Book 3 - Page 9)
- The VALIC Fixed Interest Option's crediting rate for 2017 was 1.55%. (Book 3 - Page 19)
- The call center abandonment rate for 2017 was 9.81%. (Book 2 - Page 15)

### Fee Summary:

- The fee quoted in the RFP was 0.1400% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.02% higher than the lowest non-proprietary bid on the Plan. The fee ranked 4<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 3)
- The Proprietary fee quoted in the RFP was 0.0275% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.0075% lower than the incumbent bid on the Plan. The fee ranked 1<sup>st</sup> out of the 9 recordkeepers. (Book 3 - Page 18)

### Summary:

VALIC uses their financial advisory division of their firm to provide advice to the participants. They are also not willing to sign a non-solicitation agreement with clients to deter these advisors from cross selling participants. VALIC has very limited experience with transitioning plans from MassMutual. The proprietary fee that they are offering is ranked 1<sup>st</sup> out of all the providers, their crediting rate on their Stable Value Fund is 1.55%.



## Voya

### Strengths:

- The county would be serviced out of the Carson City offices. (Book 1 - Page 22)
- The relationship manager has the lowest client work load of 5 clients (Book 1 - Page 40)
- Voya has the second lowest loan fees (\$100 for 5 years) of all the recordkeepers. (Book 2 - Page 28)
- They have completed 320 transitions from MassMutual over the past three years. (Book 2 - Page 67)

### Weaknesses:

- They do not currently have any experience with the current version of SAP that the county utilizes. (Book 1 - Page 52)

### Fee Summary:

- The fee quoted in the RFP was 0.1600% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.04% higher than the lowest non-proprietary bid on the Plan. The fee ranked 6<sup>th</sup> out of the 9 recordkeepers. (Book 3 - Page 3)
- The Proprietary fee quoted in the RFP was 0.03% in required revenue to perform the requested administrative and recordkeeping services. This fee is 0.005% lower than the incumbent bid on the Plan. The fee ranked 2<sup>nd</sup> out of the 9 recordkeepers. (Book 3 - Page 18)

### Summary:

- Voya is offering the County a very aggressive fee proposal and crediting rate on their Guaranteed Interest Account. The County would have a local service team based out of Carson City and the relationship manager would have capacity to work with the County.



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**Washoe County Deferred Compensation Plans - Request for Proposal  
Fee Summary**  
July 19, 2018

**Fee Summary**

	<b>Empower</b>	<b>ICMA-RC*</b>	<b>Lincoln</b>	<b>MassMutual</b>	<b>Nationwide</b>	<b>Prudential</b>	<b>TIAA</b>	<b>VALIC</b>	<b>Voya</b>
<b>Non-proprietary Recordkeeping and Administrative Bids</b>									
Basis Points (%)									
Proposed Fee	0.1325%	0.1225%	0.1400%	N/A	0.2150%	0.1200%	0.2000%	0.1400%	0.1600%
Total \$	\$226,578	\$209,478	\$239,403		\$367,655	\$205,203	\$342,005	\$239,403	\$273,604
Per Participant (\$)									
Proposed Fee	\$79	\$91	\$72	N/A	\$102	\$80	\$110	\$95	\$100
Total \$	\$212,194	\$244,426	\$193,392		\$273,972	\$214,880	\$295,460	\$255,170	\$268,600

**Proprietary Recordkeeping and Administrative Bids**

Basis Points (%)									
Proposed Fee	0.0650%	0.0640%	0.0550%	0.0350%	0.0500%	0.0650%	0.1250%	0.0275%	0.0300%
Total \$	\$111,151	\$109,441	\$94,051	\$59,851	\$85,501	\$111,151	\$213,753	\$47,026	\$51,301
Per Participant (\$)									
Proposed Fee	\$39	\$41	\$29	\$25	\$24	\$42	\$69	\$18	\$20
Total \$	\$104,754	\$110,126	\$77,894	\$65,807	\$64,464	\$112,812	\$185,334	\$48,348	\$53,720

**12/31/2017 Crediting Rate:**

	<b>SV</b>	<b>GIA</b>	<b>SV</b>	<b>GIA</b>	<b>GIA</b>	<b>SV</b>	<b>GIA</b>	<b>SV</b>	<b>GIA</b>
1.35%		2.12%	2.00%	3.75%	2.15%	2.20%	4.06%	1.55%	2.25%

**Assumptions**

Total 457(b) Assets:	\$159,698,386	Total 457(b) Participants:	2,525
Total 401(a) Assets:	\$11,303,890	Total 401(a) Participants:	161
<b>Total Plan Assets:</b>	<b>\$171,002,276</b>	<b>Total Plan Participants:</b>	<b>2,686</b>

\*Requires lump sum transfer of General Account Assets

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