

WASHOE COUNTY DEFERRED COMPENSATION COMMITTEE MEETING MINUTES

Monday, June 8, 2015

Committee Members Present

Darrell Craig, Chairman
Stephanie Shuman, Vice-Chair
Scott Thomas, WCSDA
Scottie Wallace, WCEA
Joey Orduna Hastings, Interim Secretary/Treasurer

Also Present

Sue Sabourin, Human Resources
Karen Jeffers, Human Resources
Michael Large, Legal Counsel
Stephan Hollandsworth, Legal Counsel
Mr. Fleiner, Bidart & Ross
Robert Trenerry, MassMutual

1. Call to order and roll call

Meeting was called to order at 2:00 p.m. and a quorum was confirmed. Michael Large introduced our new legal counsel, Stephan Hollandsworth, who will be replacing Mr. Large after this meeting. Mr. Large indicated he would be available to Mr. Hollandsworth at any time, and that it had been his pleasure to serve this committee.

2. Public comment

None

3. Review and possible action regarding RFP results and vendor selection for Record-Keeping and Administrative Services of Retirement Savings Plan

Mr. Fleiner handed out the results of the RFP for Retirement Plan Services and briefly went through the Executive Summary. He stated the number of qualified administrators for this type of plan is shrinking. The County's Deferred Compensation Plan had been with The Hartford for many years, which was purchased by MassMutual in January 2013. Although MassMutual is a different company, everything has pretty much remained the same.

Of the eight firms that were invited to participate in the RFP process, five chose to participate: MassMutual, Nationwide, Prudential, Valic and Voya. All of those firms are very strong in the governmental space and Mr. Fleiner presented the RFP report which summarized all the vendor responses. A simplistic scoring process was used (1, 3 or 5; 5 being the best) and the vendors were compared side-by-side using four primary areas of focus: participant services and employee communications; plan sponsor services; clients and business models; and fees. Mr. Fleiner, another Bidart & Ross Analyst, and Chairman Craig all scored the RFP separately and then brought the results together; everyone agreed on the top two firms.

Participant Services: All firms offer online services and there was a similar feel from provider to provider. Neither Prudential nor Voya offer the ability to make transactions using paper forms, which could be a concern considering some employees or retirees may not have access to a computer at home. This would impact changes such as percentage contributions, asset allocation, and beneficiary and address changes, all of which would have to be done online through Prudential and Voya.

All firms offer participant web planning tools, which allow for retirement planning modeling. MassMutual does not allow hardship withdrawals, benefit distributions or in-service non-hardship withdrawals via the website. This is nothing new for us so shouldn't be a problem, but Mr. Fleiner wanted the Committee to know that some other firms to offer these online services.

Prudential requires additional fees for customized group meetings. Prudential came in with the lowest bid from a fee standpoint, but they also had the highest costs for individual and group meetings. Chairman Craig added that he thinks it's an important advantage for participants to have to meet with a representative before requesting a hardship withdrawal so they can receive advice and tax information.

Employee Communications: This is an important area for the County. All but Prudential offer the most comprehensive employee communication programs (meaning the largest commitment to employee education). The standard at the County has been a combination of group and individual meetings throughout the year. MassMutual has the only local office, and the other firms probably wouldn't commit to opening a local office unless they had other business here. All firms will provide the client with a communications budget and customized communications/solutions for participants; all things we have come to expect in the past. Prudential does charge extra for some of these services, which impacted their score. MassMutual will provide an unlimited number of meetings as long as there is an average of at least ten people in attendance. Prudential employs the most people for employee communications and Nationwide employs the least. Prudential and Valic offer the least amount of meeting days.

Plan Sponsor Services: All firms offer comprehensive plan sponsor services programs and have dedicated conversion teams to help transition to a new vendor. MassMutual, Nationwide, Valic and Voya will provide service guarantees for the transition process. MassMutual, Nationwide and Valic provide the most comprehensive plan sponsor websites. All firms provide an administrative guide that is customized to meet the plan sponsor's needs. All firms have an ERISA attorney on staff, but recommend that we have our own counsel.

Clients and Business Models: Nationwide administers the greatest number of governmental plans (over 7,750) and Prudential the least (213). Nationwide administers the greatest amount of governmental assets (\$95.8 billion) and Valic the least (\$6.37 billion). MassMutual reported gaining and losing the highest number of governmental plans in the last two years. Valic may market plan participants regarding non-plan related materials.

Fees: Our current contract with MassMutual is 18 basis points on the assets invested in the mutual funds annually. The fees reflected in the RFP are now on *all* assets, and we're going from 18 basis points to somewhere between 7 and 12 basis points for administrative and record keeping fees. We did not build in a revenue sharing requirement as we had done in the past. Mike thought our current contract allows for approximately \$35,000 - \$40,000 a year to come back to the plan to offset our fees for ongoing education, etc. The methodology we need to use going forward is being driven off best practices in which we know exactly what we're paying for record keeping and administrative services, and we bring all of our investments down to the lowest share class so there will be no revenue sharing; we just tack on what we need for administrative costs (i.e. 3 basis points) and manage that from year to year. Prudential came in with the lowest fees, but that is offset by the extra charges for other services.

The big differential is our Guaranteed Account which is currently at \$55M with a 4.00% annual return per year. The commitment from MassMutual is to leave the floor crediting rates at 4.00% for 2016, 3.75% for 2017, 3.25% for 2018, 3.00% for 2019 and 2.75% for 2020. Mr. Fleiner believes that once interest rates begin to return to a more normal level, floor rates will be irrelevant. Voya was the most competitive at the initial floor rate of 3.25% for the first year, but with 75 basis points of interest on \$55M (about \$412,000 per year).

In summary, MassMutual and Nationwide were the two strongest firms. We knew MassMutual was a strong contender going into this, and when you compare them against the market, the question becomes "Is there anything compelling to drive us to another vendor?" If we had not been happy with MassMutual, there may have been, but they've done a good job for us over the years, we know them, we're comfortable with them, and many of the same people who serviced us as The Hartford are still there. We could interview the top two candidates, but Mr. Fleiner didn't feel there would necessarily be anything to gain from that.

Questions from the Committee:

- Mr. Large asked what the savings to the County would be in going from 18 basis points to 7. Mr. Fleiner clarified this would be a savings to the participant, not the County. He did a quick calculation on the total plan assets at 6 basis points which would be a savings of about \$82,000 (under \$50 per participant).
- Mr. Thomas asked why MassMutual lost 200 members in the last two years. Mr. Fleiner said when they took over all of The Hartford plans, it was a good opportunity for some entities to go in another direction, so he feels that number was primarily a fallout from the acquisition, rather than anything MassMutual did. Also, many of those entities offered more than one deferred compensation plan so when the purchase occurred; they simply elected to reduce their number of options.
- Ms. Wallace asked if MassMutual has committed to keeping a local representative here. Mr. Fleiner confirmed their commitment to maintain the local office and that 70% of our local representative's time will be dedicated to the County. Nationwide's closest office is in Sacramento; Voya's is in Auburn.
- Mr. Large asked if Nationwide's sheer size would benefit us. Mr. Fleiner said they have a much bigger presence in the Midwest and the East, and have been around a long time which is why they're so large, but didn't see anything that was considerably better than anything MassMutual offers.

If we decide to stay with MassMutual, we now go to a negotiating phase. Mr. Fleiner would like to include in the new contract the opportunity to renegotiate if the plan assets grow by 5 or 10%, and thinks MassMutual would be amicable to doing something like that. Mr. Fleiner indicated we could have a contract ready for review by August. Ms. Sabourin asked how the new MassMutual recordkeeping would affect us (payroll) and Mr. Fleiner didn't think it would affect us at all; it would be a seamless transition. He did add that the new platform would enable them to add a component to the age-based models that would allow for an automatic glide path to the next level when participants age out of their current models.

Chairman Craig asked for a motion to retain MassMutual as our record keeper, authorize Mr. Fleiner to begin negotiations on the agreement incorporating the issues he brought to light, have that draft come back to the Committee, staff and legal counsel for review in time to make a motion at the August meeting to go forward to Board of County Commissioners.

Ms. Wallace made the motion as outlined above. Motion was seconded and passed unanimously.

Chairman Craig asked about the negotiations and Mr. Fleiner indicated they will probably be done through Mr. Trenerry, and that he would come back to the Committee if any concerns or issues arose during the negotiation process.

*4. Public comment

Ms. Hastings asked if the Committee was aware of the new SB70 reporting requirements (publication requirements for posting public agendas). Mr. Large indicated he had already forwarded those new requirements to Human Resources staff and will send to all Committee members as well.

Chairman Craig commented that Bidart & Ross did a lot of work on this RFP at no extra cost; this type of project would normally range \$50,000 - \$80,000. The State paid \$80,000 for their last RFP. Mr. Fleiner explained theirs was a different model which is more about being a partner, having a retainer relationship, and keeping the Committee and the Plan moving forward. They consider this to be a part of that process.

*5. Adjournment

Meeting adjourned at 1:55 p.m.