



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF SEPTEMBER 4, 2014

COMMITTEE ON PENSION, HUMAN RESOURCES AND CIVIL SERVICE

Mr. David St. Pierre, Executive Director

Authorization to enter into an agreement for Contract 13-RFP-27 Deferred Compensation Plan Administrative Services with Prudential Retirement Insurance and Annuity Company (Prudential), for a five-year period, effective January 1, 2015 to December 31, 2019

Dear Sir:

Authorization is requested to enter into an agreement with Prudential Retirement Insurance and Annuity Company (Prudential) to provide deferred compensation plan administrative services for a five-year period from January 1, 2015 through December 31, 2019.

On February 19, 2014, Request for Proposal 13-RFP-27 Deferred Compensation Plan Administrative Services was advertised. Ninety-six (96) firms were notified and thirty (30) firms requested proposal documents. The District received seven (7) responsive proposals on March 21, 2014 from Great-West Life and Annuity Insurance Company, ICMA Retirement Corporation, ING Life Insurance and Annuity Company, Lincoln Financial, Massachusetts Mutual Life Insurance Company, Nationwide Retirement Solutions, Inc. and Prudential Retirement Insurance and Annuity Company. A proposal from TIAA-CREF was deemed non-responsive and rejected for failure to include an original signature on the Cost Proposal Signature Page.

The proposals were evaluated by the District's investment consultant from Segal Rogerscasey. The criteria for these evaluations were outlined in Request for Proposal 13-RFP-27 and included: quality and performance of the stable value offering; commitment to on-site support, employee communication and education and website capabilities; data management and recordkeeping services; call center services; size, resources and experience of the provider; trust and custodial services; and overall cost structure. Following the preliminary evaluation of proposals, excluding cost, five of the seven proposers were deemed to be finalists and were invited to the finalist interviews.

Finalist interviews were held on July 7, 2014 and July 8, 2014. Interviews were conducted by the District's investment consultant and the Deferred Compensation Committee. The Deferred Compensation Committee consists of Commissioner Mariyana Spyropoulos, Chairman of the Committee on Finance; Mary Ann Boyle, Treasurer; and Denise E. Korcal, Director of Human Resources. Interviews were also attended by James Fisher, Compensation and Benefits Manager, and Stanley Kawa, Senior Buyer. A solicitation was sent to each finalist on July 10, 2014 for an unqualified "best and final" offer. The "best and final" offers were returned to the Director of Procurement and Materials Management on July 17, 2014. A cost analysis based on the "best and final" offers was conducted by the District's investment consultant.

Based on the evaluation of the proposals using the criteria described above and the pricing provided in the "best and final" offers, the Deferred Compensation Committee has recommended that a contract for deferred compensation plan administrative services be awarded to Prudential. Prudential received the highest technical score and had a very competitive cost structure. It has been providing administrative services for

defined contribution plans for over 50 years with approximately \$155 billion in assets under management and 2.5 million participants enrolled. Of these assets, \$13.9 billion are held in 457 Deferred Compensation plans.

The Chicago-based client service team assigned by Prudential is very experienced with the Plan Coordinator and Client Relationship Manager each having more than 11 years of experience in their role. Prudential has also offered a fully-dedicated on-site education representative to provide assistance to participants five days each week. A custom website will be provided to the District with self-service features and retirement education tools and materials. Participants will be provided additional educational resources through Prudential's proprietary GoalMaker asset allocation tool at no additional cost to the participant.

The stable value product recommended to the District by Prudential is the Guaranteed Income Fund, a General Account fund. Prudential currently has \$120 billion in stable value assets under management including over \$18 billion in the Guaranteed Income Fund. The net rate for the fund will be 1.9% in 2015. The rate for subsequent years will be declared semiannually with a guaranteed minimum rate of 1.5%. The fund has a favorable exit provision allowing payment of funds at book value generally within 90 days. District participants currently have approximately \$71 million in assets in the stable value fund that will be transitioned to the Guaranteed Income Fund.

As under the current agreement, Prudential will be permitted to retain certain revenue generated by the mutual fund investments as a fee for these administrative services. These fees are ultimately paid by plan participants as part of the management fees on their investments. Prudential's fee for administrative services is 5 basis points. This is a decrease of 70% from the current fee of 17 basis points. Plan participants will be the beneficiaries of these lower administrative fees through a reduction in the management fees assessed on their investments.

Finally, Prudential has provided a fully-developed transition plan. The 10-week estimated time for implementation will allow for a January 1, 2015 "go live" date. The plan includes a comprehensive communication strategy that will inform participants of the transition and generate excitement around the new platform. Prudential has experience transitioning plans with the District's current provider, ICMA-RC.

The Affirmative Action Section has reviewed the agreement and has concluded that Prudential is in compliance with the District's Affirmative Action Policy.

In view of the foregoing, the Deferred Compensation Committee recommends that the District enter into an agreement with Prudential to provide deferred compensation plan administrative services for a five-year period from January 1, 2015 through December 31, 2019.

Respectfully Submitted, Mariyana Spyropoulos, Chairman Deferred Compensation Committee; Mary Ann Boyle, Treasurer; Denise E. Korcal, Director of Human Resources
Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for September 4, 2014