



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
September 19, 2023

TOPIC: 457 Deferred Compensation Plan

AGENDA TITLE

Approve an Agreement with Empower Annuity Insurance Company for Administrative, Recordkeeping, and Communication Services Pertaining to the 457 Deferred Compensation Plan

RECOMMENDED ACTION

Authorize the City Manager to execute a Restated Master Services Agreement with Empower Annuity Insurance Company for the administrative, recordkeeping, and communication services ("services") pertaining to the 457 Deferred Compensation Plan for a three-year term beginning October 1, 2023 through September 30, 2026, with a provision for a single two-year extension, subject to non-substantive changes approved by the City Manager and the City Attorney.

DISCUSSION

The City of Santa Ana offers full-time employees a 457 Deferred Compensation Plan ("plan" or "457 plan"), which was established in 1973, with the adoption of City Resolution 7-21, along with a corresponding US Internal Revenue Service approval. The 457 Deferred Compensation Plan is a voluntary supplemental retirement savings program that allows employees to make contributions on a pre-tax basis. Each calendar year, employees can choose to contribute to the Plan up to an amount established by the Internal Revenue Service. Other than the amounts pursuant to Council-appointee contracts, the City does not contribute any funds to the plan.

Currently, the 457 Deferred Compensation Plan is administered through the Finance & Management Services Agency with advisory contributions from Human Resources. Management of the plan includes quarterly performance review of investments, analyzing the Plan's fund options, maintaining and revising the Plan's Investment Policy Statement as necessary, and ensuring the Plan's cost effectiveness.

The City utilizes an independent fiduciary firm, Benefits Financial Services Group ("BFSG") to assist in reviewing investments, compliance, and fund selection. BFSG assisted the City in the development of the Request for Proposal (RFP) and evaluation of the pricing structure of proposals.

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Currently, Empower handles the administrative, recordkeeping, and communication services for the City's 457 plan. In October 2018, the City executed a five year agreement with Prudential Retirement Insurance and Annuity Company ("Prudential"). Effective April 1, 2022, Empower officially acquired the full service retirement business of Prudential. As of September 30, 2022, the Plan holds \$121.2 million in Plan Assets for 1,331 participants.

On November 1, 2022, the Finance & Management Services Agency released RFP 22-136 for the administrative, recordkeeping, and communication services, such as providing the investment platform, ensuring Plan compliance with federal regulations, and offering various other participant services (i.e., educational seminars, financial planning, on-site consultation, and website services).

Five proposals were received by the RFP deadline on January 5, 2023, opened, and deemed to be responsive. The selection committee with experience in the related program services evaluated proposals. Based on criteria outlined in the RFP, the following summarizes the responding firms and their rankings:

Firm	City	Rank
Empower	Greenwood Village, CO	1
Nationwide Retirement Solutions, Inc.	Columbus, OH	2
Voya Financial	Windsor, CT	3
Variable Annuity Life Insurance Co.	Houston, TX	4
MissionSquare Retirement	Washington, DC	5

Staff recommends awarding an agreement to the highest-ranked vendor, Empower Annuity Insurance Company. Their proposal demonstrated the vendor has the necessary resources and expertise to complete the required services as specified in the RFP.

The fee structure presented by Empower offers a cost-effective platform for all participants. Empower will continue to provide an enhanced participant experience through its emphasis on participant education and financial planning and through its comprehensive and flexible investment options.

Additionally, Empower will continue to support the Plan's open architecture investment platform and will provide 28 on-site educational days along with 10 financial planning days per year. Empower will also provide participants with an asset allocation model ("Goalmaker") at no cost and an on-site financial planner, which will assist participants in determining investment options.

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FISCAL IMPACT

There is no fiscal impact associated with this action. All administrative fees pertaining to the services will be paid by the plan and/or participants. Internal Revenue Code permits administrative reimbursement from plan assets, which will be utilized to offset fiduciary advisory services and participant education.

EXHIBIT(S)

1. Agreement

Submitted By: Kathryn Downs, FMSA Executive Director

Approved By: Kristine Ridge, City Manager