

**401(K)/457 & 401(A)
ADVISORY COMMITTEES**

**SPECIAL MEETING
ADMINISTRATION BUILDING
CONFERENCE ROOM 3 A/B**

**THURSDAY
JULY 11, 2019
1:00 P.M.**

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: July 11, 2019
MEMO TO: 401(k)/457 Advisory Committee & 401(a) Advisory Committee
FROM: Lisa Sorani, Manager of Employee Services *LS*
SUBJECT: Agenda for the July 11, 2019 Special Advisory Committee Meetings

The next EBMUD 401(k)/457 and 401(a) Advisory Committee Meetings are on Thursday, July 11, 2019 at 1:00 p.m. in Conference Room 3 A/B of the Administration Building.

Attached is the Agenda for the meetings. As required by the Brown Act, the Agenda has been posted at least 72 hours prior to the meeting. Interested members of the public may attend the meetings.

If you have any questions, please contact me at (510) 287-0713.

LS/dd

Attachments

**AGENDA
SPECIAL MEETING**

**EBMUD 401(k)/457 & 401(A) ADVISORY COMMITTEES
ADMINISTRATION BUILDING
CONFERENCE ROOM 3 A/B
JULY 11, 2019 at 1:00 PM**

ROLL CALL:

PUBLIC COMMENT:

The 401(k)/457 and 401(a) Advisory Committees are limited by State Law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

CONSENT CALENDAR:

NONE

ACTION:

1. Accept DC Recordkeeper RFP Sub-Committee's recommendation to confirm Fidelity Investments as EBMUD's Deferred Compensation Recordkeeper effective 1/1/2020.

DISCUSSION:

NONE

ITEMS TO BE CALENDARED:

- Brown Act & Roberts Rules Training

MEETING ADJOURNMENT:

The next regular meeting of the 401(k)/457 and 401(a) Advisory Committees will be held at 9:00 a.m. on August 20, 2019.



East Bay Municipal Utility District RFP for Third Party Administrator for Defined Contribution Plans

Summary: The RFP Process

East Bay MUD has conducted a Request for Proposal (RFP) process for the selection of a Third Party Administrator for East Bay MUD's 401(k), 457, and 401(a) Defined Contribution plans in 2019. East Bay MUD retained a consultant, the Hyas Group, to assist in this process. A Sub-Committee comprised of Robert Hannay, Ken Minn, Sophia Skoda, and David Beyer was created and provided with training by the Hyas Group. The Sub-Committee then worked with the consultant to determine what features, services, and capabilities were desired for the Plans. The Hyas Group then developed a draft RFP document. The RFP draft was reviewed and edited with the Sub-Committee and staff and released for response on February 15, 2019. Seven responses were received from the following firms:

- Empower
- Fidelity (incumbent provider)
- ICMA-RC
- Lincoln
- Nationwide
- Prudential
- Voya

The proposal from Lincoln was judged to be non-responsive, as the firm clearly did not meet the minimum qualifications set forth in the RFP document. The Hyas Group reviewed and analyzed the other six RFP responses, sought answers from responding firms when questions arose, and provided the Sub-Committee with a side-by-side presentation of the responding firms' answers to RFP questions, as well as a "Strengths and Weaknesses" analysis of the RFP responses. The Hyas Group met with the Sub-Committee on April 25, 2019 in order to review the responses. The two highest-scored firms from this review were selected to interview with the Sub-Committee: ICMA-RC and the incumbent, Fidelity Investments.

On May 17, 2019 the Sub-Committee and staff interviewed the two finalist firms. Each interview was set for 60 minutes, with written questions presented in advance, demonstrations of participant websites, reviews of on-site participant counseling services, and ad-hoc questions and answers. Entering the interviews, the firms had demonstrated various sets of strengths and weaknesses as outlined in the following charts.

ICMA-RC:

Pros	A leading provider of 457 and 401 plan services; dedicated to serving governmental plans
	Proposed two experienced counselors to serve the Plans and an on-site CFP
	Proposed a very good proprietary stable value investment option
	Demonstrated experience and resources to provide in-depth pre-retirement counseling
	Willing to provide Managed Account service for retired/separated participants only
	Proposed the lowest fees of any responding firm

Cons	Recent successful fraud attempt at a large client raises questions about security
	Representatives are incentivized to promote Managed Accounts when offered
	Will not provide a fully customized website
	Firm is smaller than larger peers in this industry

Fidelity Investments:

Pros	One of the world’s largest record-keepers of defined contribution plans
	Allows up to six months for participants to request error-correction (highest proposed)
	Strongest technology in participant services, communications
	One of three firms allowing use of Investment Advice service without requiring Managed Accounts to also be offered to all participants
	Fee proposal reduces fee from current level and was the second-lowest received

Cons	Relatively small player in the governmental DC plan marketplace
	Slower than most firms at processing distributions (5-day vs. 2-day turnaround)
	Did not propose a retiree-specific Managed Account service
	History of significant proportion of Plan assets being rolled over into Fidelity IRA products

About the Sub-Committee’s Recommendation of Fidelity Investments:

Each of the finalists are accomplished firms that demonstrated they were capable of doing a good job of providing services to the East Bay MUD Plans. ICMA-RC demonstrated a great deal of experience in providing counseling to near-retirees and the resources with their staff of CFPs to provide a high level of service in this area. However, further review of ICMA-RC’s proposal by technical experts at East Bay MUD revealed that ICMA-RC had provided outdated and inaccurate responses to questions about their cybersecurity resources and processes. Further inquiry to ICMA-RC about this topic did not improve the Sub-Committee’s confidence in ICMA-RC’s capabilities in this vital area. On the other hand, Fidelity demonstrated that they are meeting the highest standards in cybersecurity and that they are applying industry-leading amounts of resources to this area.

Fidelity also addressed the following concerns:

1. **Managed Account Service for Retired/Separated Participants Only:** In the interview with Fidelity, their personnel stated that they could probably provide their Managed Account service in a way that restricted it to retired and separated participants only. They confirmed that this would be possible via email in the days following the interview.
2. **Retirement and Distribution Planning:** Fidelity committed to providing a dedicated CFP to assist East Bay MUD participants with pre-retirement counseling and planning assistance, in addition to our current representative who will also likely be CFP credentialed by year-end.

The Sub-Committee remained concerned about the large proportion of Plan assets that roll out to Fidelity's IRA products each year. For this reason, a letter was sent to Fidelity asking that they agree to a three-year contract with their proposed, lower fee for a five-year contract. It was understood that the contract may be extended if things are going well and that another RFP would likely be issued in three years if sufficient progress is not made in pre-retiree counseling and general participant service delivery. Fidelity agreed to negotiate in good faith a contract that includes these terms. And, Fidelity has just informed East Bay MUD staff that they will make the new fee schedule effective July 1 of this year (retro-active).

Given the strength of Fidelity's original proposal, the improvements they made to their proposal in the Finalist Interviews, their proposed low fees, and the strength they demonstrated in cybersecurity, the Sub-Committee recommends that the Advisory Committees proceed with negotiating with Fidelity a new three-year contract with two one-year extensions effective January 1, 2020.

This summary has been prepared by:



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