



T R E A S U R E R - T A X C O L L E C T O R

DONALD R. WHITE  
TREASURER - TAX COLLECTOR

May 22, 2012

Honorable Board of Members  
Alameda County  
1221 Oak Street, 5<sup>th</sup> Floor  
Oakland, CA 94612

Dear Board Members:

**SUBJECT:       REQUEST TO APPROVE THE RECOMMENDATION TO APPOINT PRUDENTIAL  
RETIREMENT SERVICES AS THE THIRD PARTY ADMINISTRATOR (TPA) TO THE  
ALAMEDA COUNTY 457(b) DEFERRED COMPENSATION AND THE 401(a)  
EMPLOYEE RETIREMENT PLANS**

**RECOMMENDATION:**

The Alameda County Treasurer requests that your Board:

1. Approve the selection of Prudential Retirement Services as the Plans' third party administrator (TPA) for a contract period of 5 years, covering July 1, 2012 to June 30, 2017. Prudential Retirement Services is headquartered in Hartford, Connecticut. The Plans will be serviced by Mr. Robert Belanger, Vice President, Client Management, from Prudential's regional offices at 3333 Michelson Drive, Suite 1000, Irvine, CA 92612; and
2. Authorize the Alameda County Treasurer, in his capacity as the Deferred Compensation Plan Officer, to negotiate the service agreement contract #TTAXCFY11/12 with Prudential. The contract's annual cost is 11 basis points of the Plan's asset value which is approximately \$412,500 annually or \$2,062,500 for the 5-year contract term. The President of the Board of Supervisors will sign the negotiated contract.

**DISCUSSION:**

At the Board meeting on April 4, 2009, your Board directed the Treasurer to retain a consultant for the purpose of re-bidding the Third Party Administration contract for the 457(b) and 401(a) Plans. On June 7, 2011, your Board selected Retirement Plan Advisors. RPA is an independent registered investment advisory firm specializing in public sector retirement plans, to provide plan consulting, investment advisory and co-fiduciary services to the Plans, and to conduct the request for proposal (RFP) and provide expert advice in making the recommendation for a new TPA for the Plans.

The RFP process commenced in February 2012, and resulted in the recommendation of Prudential Retirement Services to continue providing its third party plan administration under new contract terms.

**SELECTION AND CRITERIA PROCESS:**

*The Recordkeeping and Administration Request For Proposal (RFP NO. TTAXCFY11/12) was issued on February 27, 2012. The RFP process included:*

- 1. Publication on the Alameda County Current Contracting Opportunities Website for 30 days and advertisement in local and ethnic newspapers; and*
- 2. Two network bidders' conferences held 14 days following the RFP release and attended by representatives of approximately 10 firms.*

*A total of 5 RFP responses from the County's vendor list were received on April 6, 2012. RPA analyzed and scored the respondents' proposals. The three bidders with the highest scores were invited for an oral presentation before the Deferred Compensation Plan Ad Hoc Committee as the panel for evaluation and recommendation of the winning bid. The scoring provided a maximum of 110 evaluation points which included 10 preference points: 5% preference for local vendors and 5% preference for certified small local or emerging local business. For your reference, the scores for the 5 vendors that responded were as follows:*

<i>Evaluation Summary</i>		
<i>Rank</i>	<i>Provider</i>	<i>Score</i>
<i>1</i>	<i>Prudential</i>	<i>109</i>
<i>2</i>	<i>Great-West Life</i>	<i>103</i>
<i>3</i>	<i>Hartford</i>	<i>89</i>
<i>4</i>	<i>MetLife</i>	<i>73</i>
<i>5</i>	<i>VALIC</i>	<i>64</i>
<i>Maximum Score</i>		<i>110</i>

*Based on the initial scoring and the finals presentation, Prudential retained the highest score. The Prudential offering provided the County with several employee service options to choose from, including participant investment advisory services. RPA recommended to the Ad Hoc Committee against the advice component due to fiduciary and cost considerations. The Ad Hoc Committee decided to continue with the financial guidance and education to participants and not to include an advice component, a service that had not been previously offered. Further, participants are not asking for it and offering it would involve additional cost. This was also a more comfortable position for the County as Plan Sponsor from a fiduciary standpoint.*

*Prudential proposed two (TPA) options involving financial guidance:*

- *first, offering its SLEB partner, Emerge Financial Group to provide the service together with a Prudential staff component for a total service package of 11 basis points; or*
- *second, offering Emerge Financial Group (the SLEB) and Wells Fargo Advisors to provide the service for a total service package of 14.5 basis points.*

*The cost differential between the 2 options is approximately \$150,000 annually. Based on cost considerations and the presumption that the financial guidance and educational services that the Plans require will remain of the highest quality that is presently available to the participants, the panel chose to recommend the Prudential service option that includes Emerge Financial Group and Prudential staff combination at 11 basis points.*

*Prudential's SLEB contract with Emerge, represented by Mr. Gene Hilliard, is 31% of the contract, which covers its services for financial guidance and education to participants. Emerge Financial Group is a County-certified SLEB.*

The following provides a summary of the costs of the contract:

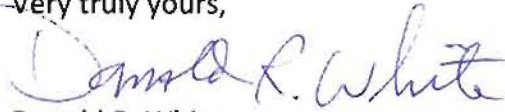
Alameda County Deferred Compensation Plans – Recordkeeping and Administration Request For Proposal RFP NO. TTAXC FY 11/12 July 1, 2012 – June 30, 2017				
Vendor	Location	Estimated Value of Contract Award	Local Participation	SLEB Participation
The Prudential Robert Belanger VP Client Mgnt	751 Broad Street Newark, NJ 07102	11 bps (0.11%) (\$412,500) 100%	3.5 bps (0.035%) (\$131,250) 31%	3.5 bps (0.035%) (\$131,250) 31%
Certified SLEB Subcontractor Breakdown				
Emerge Financial Group Gene Hilliard, Principal	7677 Oakport St, Suite1060 Oakland, CA 94621	31% (3.5bps or 0.035%) (\$131,250)	31% (3.5bps or 0.035%) (\$131,250)	31% (3.5bps or 0.035%) (\$131,250)

All figures based on asset base of \$375,000,000 in the 457(b) & 401(a) Plans

**FINANCIAL IMPACT:**

The Deferred Compensation Plans support the cost of its administration and operations from revenue rebates from the third party administrator. There will also be a reduction in costs from the current contract of \$168,700 per year or \$843,500 over the 5-year contract term resulting in savings to County employees who participate in the deferred compensation program. There is no impact on the County's budget.

Very truly yours,



Donald R. White

Treasurer-Tax Collector and DCP Officer

cc: County Administrator  
County Counsel  
Auditor-Controller  
DCP Ad Hoc Committee  
DCP Administration File