Date: December 8, 2011
To: Board of Deferred Compensation Administration
From: Staff
Subject: Great-West Retirement Services Contract Amendment

Recommendation:
That the Board of Deferred Compensation Administration (a) approve the draft amendment to the contract with Great-West Retirement Services for Plan administration services to extend the term to December 31, 2016, reduce the annual compensation paid thereunder to a maximum of $36.97 per participant, and implement various other changes to the services provided; and (b) authorize the Board Chairperson to execute the contract amendment upon final approval as to form by Board Counsel.

Background:
The City has a contract with Great-West Retirement Services to provide third-party-administrative services for the Deferred Compensation Plan. The current contract term is from January 1, 2007, through December 31, 2011.

At the December 21, 2010 meeting of the Board of Deferred Compensation Administration, the Board adopted a motion to accept proposed terms for a five-year extension of the contract with Great-West. On May 19, 2011, the City Council authorized the Board to extend the contract with Great-West for a five-year period, through December 31, 2016.

Staff has worked with Great-West to develop the attached proposed contract amendment (Attachment A). In addition to extending the term, this amendment addresses the extension contingencies previously adopted by the Board, and further incorporates technical corrections and other modifications which will be to the benefit of the Plan and its participants.

The numbers in the following discussion correspond to the numbers used in the draft contract amendment:

(1) Profile Funds (Article 1.0, Subsection 1.B.1)
Technical Correction - This modification clarifies that the City is solely responsible for the composition instructions of the Plan’s asset allocation, or “Profile” funds. Great-West indicated that it is now including this as standard language in all its contracts with plans offering similar products. This is as a result of a situation involving another plan in which erroneous instructions were provided to Great-West, and the plan (through its consultant) requested a retroactive adjustment to participant accounts at Great-West’s
expense. Staff has no objection to the proposed new language, as the City is solely responsible for designing the Profile Funds and for ensuring that the instructions for the underlying allocations are accurately communicated.

(2) Services/Contributions (Article 1.0, Subsection I.D.1)
Technical Correction - This modification would replace an existing paragraph within the contract describing contributions processing to more simply represent the current practice. The prior language is outdated and describes a complexity that does not exist in the City’s Plan. In the City’s case, payroll contributions are invested on the same business day that Great-West is in receipt of complete and accurate records reflecting how the contributions should be allocated to individual participant accounts.

(3) Paper VRU Transactions (Article 1.0, Subsection I.E)
Service Enhancement/Efficiency - The final sentence is added to clarify that participants will receive written confirmations for transactions conducted via the automated voice response unit (VRU) – this is no different than the current practice, but given that certain other transactions (see next sections) will no longer generate written confirmations, it would be valuable to document in the contract those situations where written confirmations will still be provided.

(4) On-Line Enrollment (Article 1.0, Subsection 1.F)
Service Enhancement/Efficiency - This modification provides for online enrollment in the City’s Plan, one of the provisions adopted by the Board as part of the contact extension. Henceforth, City employees will be able to complete and submit enrollment information online using a group personal identification number. The City will then verify eligibility as a condition of accepting the employee’s contribution to the Plan. This modification further provides that all participant transactions conducted over the website will be defaulted to paperless confirmations, one of the provisions adopted by the Board as part of the contact extension.1

(5) Paper CSR Transactions (Article 1.0, Subsection 1.G)
Service Enhancement/Efficiency - This modification is related to the changes establishing paperless confirmations by making clear that participant transactions conducted with the help of a customer service representative (CSR) will generate paper confirmations (a continuation of current practice).

(6) Services: On-Line Distribution Requests (Article 1.0, Subsection I.L)
Service Enhancement/Efficiency - This modification authorizes a process whereby participants may submit their full and partial distribution requests electronically, rather than having to complete a paper form, as has been the case under the current contract. This one of the “paperless” provisions adopted by the Board as part of the contact extension.

(7) Services: Communications (Article 1.0, Subsection I.L)
Service Enhancement/Efficiency - This modification would replace in its entirety a section of the existing contract concerning Communications responsibilities. Although most of the existing contractual language is retained, the amendment is recommending that the language be moved to a new exhibit so that the contract amendment would not be overly complex in incorporating an assortment of language modifications. The intent of these changes was to make certain improvements in this

1 Note that participants will retain the ability to print such confirmations for their records and retrieve historical transaction information on the website or through their statements, and that transactions conducted via the phone system or customer service representatives will continue to automatically generate written confirmations.
area given the evolving focus on communications issues by the City’s Plan. The most significant areas addressed in this section include the following:

(a) Additional clarity regarding the fact that the Plan has ownership of all communication materials developed by Great-West for the Plan.
(b) Development of an annual communications plan to be prepared jointly by staff and Great-West.
(c) Additional clarity that the City and Great-West will jointly develop communication materials, which is a reflection of current practice.
(d) Development of an annual communications budget which will provide the City’s Plan with broader discretion over how to use its communications resources with Great-West (contrasted with the approach utilized in existing contract language, which focused on specific communications processes such as special mailings and payroll inserts).
(e) Elimination of annuity distribution illustrations because the Plan no longer provides “annuity distributions,” a decision made by the Board in 2009.

(8) Performance Guarantees – *(Article 1.0, Subsection II.L, Performance Guarantees Exhibit)*

This exhibit has been modified to tighten up some of the performance guarantee language from the prior contract. Language regarding corrections of errors for a certain type of contribution processing was eliminated because the City does not utilize that type of contribution processing, and is redundant in any event. The client service responsiveness standard was raised. The participant survey standard was eliminated because an analysis regarding the most appropriate way to assess participant satisfaction has not yet been made by the Plan.

(9) Term of Agreement – *(Article 5.0, Subsection A)*

Term Extension - This section establishes the new contract term to expire December 31, 2016. Additional language regarding contingencies for services continuing past this date is duplicative of language in the existing agreement.

(10) Per Participant Fees – *(Article 6.0, Subsection A)*

Fee Reduction - This section incorporates the new fee schedule approved by the Board as part of negotiating the contract extension. The per-participant recordkeeping fee is reduced from $39.75 to $36.97 per participant annually. The language also provides that additional reductions in this fee may apply if the City meets a target of 75% participation in on-line delivery of quarterly statements. Because the entire section is being replaced, language from the existing contract regarding fees for establishing Plan-sponsored IRAs, the Self-Directed Brokerage Option (SDBO), administering rollover accounts, loans, and hardship processing is duplicated from the existing contract. Fees for the new custodial arrangement with Wells Fargo are included, as well as fees for the new multi-manager blended funds that are part of the investment menu redesign.

The draft amendment is currently under review as to form by the Board’s legal counsel and the Personnel Department’s Administrative Services Division. Staff recommends that the Board (a) approve the amendment conditioned upon final approval as to form by Board counsel and (b) authorize the Board Chairperson to execute it.
Submitted by: ___________________________

Steven Montagna

Approved by: ___________________________

Alejandrina Basquez