



**DEFINED CONTRIBUTION ADMINISTRATION / RECORDKEEPING SERVICES
REQUESTED FOR STATE OF DELAWARE PLANS
RECOMMENDATION MEMORANDUM**

TO: Deferred Compensation Council

FROM: Selection Committee

DATE: May 2, 2016

SUBJECT: **Contract Award Recommendation for Solicitation OEO16002-DEF_COMP**

Background:

The Deferred Compensation Council (Council) and The Office of the State Treasurer (OST) started a comprehensive review of the State Deferred Compensation Programs in 2012. In August 28, 2015, at the direction of the Council and with support from Cammack Retirement Group (Cammack), OST issued an RFP seeking qualified professional administration and recordkeeping services for the State's 457(b) Deferred Compensation Plan, 401(a) Match Plan, and 403(b) Plan (collectively, the Plans).

The overarching goals of the RFP were outlined as streamlining the administration and implementing client-facing enhancements. Two scenarios were incorporated in the solicitation to evaluate the value of a single vendor (Scenario #1) solution versus a multi-vendor solution (Scenario #2).

RFP Scope of Services:

- Full administration and recordkeeping
- Communication and education
- Compliance
- Investment management using an open architecture
- Disclosure of fees and expenses

Proposals were received on October 7th, 2015. Additional details regarding received proposals are provided in Exhibit 1.

- A total of nine proposals were received with eight being from existing vendors
- An outsider and seven existing vendors proposed to consolidate as outlined in Scenario #1
- Seven existing vendors proposed to consolidate as outlined in Scenario #2
- An outsider and one existing vendor did not submit proposals considering Scenario #2

Evaluation Process:

The selection committee, with Cammack serving as a subject matter expert, reviewed all proposals and selected finalists for each scenario, conducted finalists' interviews, established that Scenario I is more advantageous than Scenario II, requested demo presentations from the second round finalists to validate the participants' experience, conducted a reference check process for business relationships and evaluated the best and final proposals. Details regarding the evaluation process timeline are presented in Exhibit 2.

Today, the committee presents a final recommendation to the Council to award the contract for this solicitation. The decision has been made acting solely in the best interest of plan participants and the plan sponsor. Every interaction with the vendors has been carefully planned and evaluated. In making the decision, the committee weighted the various components using the consolidated scoring matrix presented in Exhibit 3.

Component #1: Written Proposals (65%)

The selection committee reviewed, analyzed and evaluated the submitted written proposals using the evaluation criteria included in the scoring matrix presented in Exhibit 4. Every proposal was discussed in an independent session with each member of the committee facilitating the discussion of specific aspects of the responses. Cammack was tasked with the analysis and evaluation of the Investment Management Platform and Overall Cost Structure of each proposal. After thoughtful evaluation of the strengths and weaknesses of each proposal, the selection committee was still undecided regarding the implementation of a single vendor solution or a multiple vendor solution. The committee continued the process leaving the two options open and selected seven bidders as the finalists of the first round.

Component #2: First Round Finalists Presentations/Interviews (15%)

Key objectives for the presentations included the need to clarify the value of implementing a single vendor or a multi-vendor solution, identify a suitable partner to design and implement a retirement readiness strategy for the State and gather additional data regarding resources offered by the bidders and needed from the Plan Sponsor to potentially implement either RFP scenario. Considering the information presented regarding the participants' experience, behavioral finance research, requirements of retirement readiness implementation initiatives, anticipated changes affecting the industry and tools available to the Plan Sponsor and Plan Administrator, the committee decided that the single vendor solution will bring more value to participants. Evaluation of the presentations using scoring matrix presented in Exhibit 5 helped to facilitate the evaluation, discussion and eventually the selection of the top three finalist for the second round.

Component #3: Second Round Finalists Demonstrations (5%)

In this phase of the process, the selection committee asked the finalists to demonstrate, rather than describe, the participants' experience. Evaluation criteria included website pre-login and post-login experience, navigation and optimization, security and user help/assistance as presented in Exhibit 6.

Component #4: Best & Final Offers and Follow-Up Questions (15%)

The selection committee requested best and final offers and clarifications regarding questions raised during the presentations. Responses provided by the second round finalists allowed an

apples-to-apples comparison in terms of cost and also the number of field representatives dedicated to the State on a full time basis. Cammack was directed to independently score this component.

Additional Due Diligence: Reference Check Process for Second Round Finalists

As part of the RFP, bidders were asked to provide in their responses three similar size, complexity and scope of service business references. The selection committee conducted a total of nine interviews to gather additional information on the finalists and their relationships with other clients. Valuable information regarding ongoing vendor evaluation (performance metrics), implementation process, administrative structures and lessons learned was obtained. Supplementing these interviews, the committee directed Cammack to conduct three interviews with terminated relationships. Plan Sponsors and administrators shared their experiences and no major concerns were raised.

Recommendation:

Currently, Plan participants, the Plan Sponsor and the Plan Administrator are challenged with complexity from all aspects of administration and operation of the Plans. Marketing and outreach campaigns have been limited, their monitoring is difficult and their effectiveness cannot be accurately quantified. Most eligible employees do not know about this statewide benefit or do not understand how to take advantage of this retirement vehicle. Furthermore, all Plans are currently underperforming and measurable outcomes reflect the need to implement changes to support the achievement of the overarching goals.

Acting in the best interest of plan participants, the selection committee recommends members of the DCC select VOYA as the sole new administrator and recordkeeper for the State's Deferred Compensation Plans. The Committee views VOYA as the strategic partner that will provide quality and competitive administrative and recordkeeping services to all Plans. The committee reached the recommendation independently at the meeting on February 1st, 2016 and confirmed its decision after discussions with Cammack on February 2nd, 2016.

After over 6 months of studying the history of the Delaware Plans, industry practices and deliberations of other Boards/Councils around the Country, the selection committee concluded that each one of the top three finalists is very capable of delivering the requested services and certainly would be a good fit for the State of Delaware Plans. While these finalists demonstrated the ability to improve plan performance and the administrative experience, VOYA was clearly superior in offering a long term retirement readiness solution for the participant. Specific highlights of a potential partnership with VOYA include:

- Retirement Company committed to retirement readiness initiatives
- Access to a strong relationship management team and corporate leadership
- Notable technology resources and capabilities easy to use and navigate
- Significant experience with governmental plans
- Better understanding of financial and retirement needs faced by public employees
- Commitment to a more suitable advisor/educational consultant's model

RESOLVED that with respect to the award of a contract pursuant to the Request for Proposal for Recordkeeping services, the selection committee recommends to the Deferred Compensation Council as follows:

- Contract award to VOYA for recordkeeping services for an initial term of three years with two one year renewal options executed in May 2016 with an effective date determined by the transition of the assets and direction of new contributions.
- Such award shall be subject to approval of the Department of Technology (DTI) terms and conditions for data security and a finalized contract which shall incorporate all negotiated performance guarantees, a designated account manager and four (4) full time onsite licensed agents/representatives whose time is 100% dedicated to support existing and prospective participants of the State of Delaware Plans.

Requirements of a successful implementation:

- Plan Sponsor required to provide clean data before transition
- Estimation of conversion cost
- Evaluation of the timing of this implementation
- Allocation of required resources
- Identify resources for the implementation phase and prepare a RACI¹ matrix
- Successful management of the blackouts periods considering high peaks in retirement season
- Finalize the investment array and mapping strategy

¹ Roles and Responsibilities Assignment Matrix

Exhibit #1: Summary of Proposals Received

Proposals Received			
Vendor	Scenario I	Scenario II: Part I <i>Single vendor for 457(b)/401(a) and one of three vendors for 403(b)</i>	Scenario II: Part II <i>One of three vendors for the 403(b)</i>
AXA Advisors*	✓	✓	✓
Fidelity**	✓	✓	✓
Horace Mann*	X	✓	✓
Lincoln Financial Group*	✓	X	X
MassMutual*	✓	✓	✓
MetLife*	✓	✓	✓
TIAA-CREF	✓	X	X
VALIC*	✓	✓	✓
Voya*	✓	✓	X

Exhibit #2: Evaluation Process Timeline

Objective/Scope of Work	Responsible Party	Timeline
Release RFP to service providers via the OST website	OST	August 28, 2015
Work with OST to review bidder questions and draft and post responses	CRG/OST	September 23, 2015
Receive proposal responses	CRG/OST	October 7, 2015
Review and analyze bidder proposals	CRG/Evaluation Committee	October 7 - November 23, 2015
Meet with Evaluation Committee to review evaluation matrix	CRG/Evaluation Committee	October 9, 2015
Meet with Evaluation Committee to review cost and investment analysis	CRG/Evaluation Committee	October 23, 2015
Continue evaluation of the RFP proposals	CRG/Evaluation Committee	October 28, 2015
Continue evaluation of the RFP proposals	Evaluation Committee	November 3, 2015
Continue evaluation of the RFP proposals	Evaluation Committee	November 4, 2015

Objective/Scope of Work	Responsible Party	Timeline
Discussion of education opportunity	Evaluation Committee	November 3, 2015
Continue evaluation of the RFP proposals	Evaluation Committee	November 4, 2015
Continue evaluation of the RFP proposals	Evaluation Committee	November 6, 2015
Continue evaluation of the RFP proposals	Evaluation Committee	November 10, 2015
Continue evaluation of the RFP proposals	Evaluation Committee	November 12, 2015
Meet with DCC to review RFP feedback from NTSA/DSEA	CRG/DCC/OST	November 13, 2015
Meet with the Evaluation Committee to discuss evaluations/select finalists	CRG/Evaluation Committee	November 23, 2015
Meet with DCC to provide update on process and agreement on finalists	CRG/DCC/OST	December 18, 2015
Provide finalists with notification and expected presentation meeting dates	OST	December 21, 2015

Objective/Scope of Work	Responsible Party	Timeline
Prepare finalists for interviews	CRG/Vendors	Week of January 4, 2016
Finalist presentations (2 days)	CRG/DCC	Week of January 11, 2016
DCC Meeting: Present recommendation to DCC and determine if onsite visits are required (additional BAFO negotiation will follow)	DCC/OST/CRG	Week of January 19, 2016

Objective/Scope of Work	Responsible Party	Timeline
Legal Review and Negotiation	DAG/OST/CRG	Mid February – Early May
Develop/Finalize Investment Review	CRG/DCC/OST	Early January – Early May
Contract Execution	DAG/DCC/OST	Early May
Implementation/ Communication Phase	Vendor/DCC/OST/PHRST/DTI	Early May – Early August
Potential transition to a new vendor	Vendor/OST/PHRST/DTI	Mid August

Exhibit #3: Consolidated Scoring Matrix

Evaluation Component	Total Points
Written Proposal	65
Presentation/Interview	15
Demo Presentation	5
Best & Final - Follow Up Questions	15
Total	100

Exhibit #4: Scoring Matrix for Proposal Evaluation

Criteria	Point Value
Vendor History and Depth of Public Defined Contribution Plan Experience	10
Scope of Vendor Operations and Ability to Meet Full Range of Requested Services	20
Plan Sponsor Experience: Website Access & Quality, Administrative and Compliance Support, Relationship Management, Performance Reporting and Industry/Trend Evaluation and Communication	10
Participant Communication: Custom Website, Voice Response System and Participant Call Center; Commitment to Customer Service/Issue Resolution	20
Participant Education: Custom Communication and Education Capabilities, Branding, Onsite Representatives and Guidance / Advice Tools	15
Investment Management Platform and Overall Cost Structure	25
TOTAL POINTS	100

Exhibit #5: Scoring Matrix for Presentation Evaluation

Evaluation Criteria	Total Points
Introduction and Experience	5
Implementation Strategy	35
Proposed Solution (Single, Vendor, Both)	20
Plan Sponsor and Participant Web Tool Demonstration	10
Retirement Readiness and Communication Campaigns	30
Total	100

Exhibit #6: Scoring Matrix for DEMO Evaluation

Evaluation Criteria	Total Points
Web Site/App Content	35
Navigation	20
Overall Style/Design	15
User Help/Assistance	10
Compatibility/Security	20
Total	100