

POINT PAPER



September 23, 2019
County Administrator's Office

SUBJ: LAKE COUNTY 457(B) BACKGROUND AND RECOMMENDATION FOR THE LAKE COUNTY BOARD

Summary: The current contract for the administration of the County's deferred compensation plan (457(b) Plan) expired on August 31, 2019. After formal review and a competitive search in accordance with County policies, County Administration recommends approving a contract with ICMA-RC to administer the employer sponsored 457(b) deferred compensation plan.

457(b) Plan - Summary

Benefits of offering a 457(b) Plan:

- Only employees of an eligible government entity may defer into a 457(b) plan.
- It allows employees to benefit from supplemental tax deferred savings and investment earnings allowing for compounding of returns.
- Deferral limits under IRC are \$19,000 for 2019 with special catchup rules for underutilized deferrals from prior years and/or age 59 ½ catchup contribution of an additional \$6,000.
- It is a benefit offered at no cost to the County and helps the County remain competitive with other public entities and their employee benefits.
- It provides resources to assist employees with financial well-being.
- The size and scale of the Lake County deferred compensation plan gives the County the ability to offer a very low-cost competitive plan that would be difficult to replicate with individual investments.

Further advantages specific to governmental 457(b) plans:

- No early withdrawal penalty prior to age 59 ½.
- Special rules to benefit law enforcement and firefighters.
- Nondiscrimination and reporting and disclosure requirements more lenient than private sector plans.

Lake County 457(b) - Overview

The County is defined as the sponsor and is responsible for acting on behalf of the best interests of employees.

- The County has established a "457(b) Plan Committee" of County employees that is tasked with overseeing the plan and monitoring the performance of the investments offered in the plan.
- The 457(b) Plan Committee has the responsibility and authority to manage the program and its administration per bylaws passed by the County Board in June of 2018.
- Lake County has 1,208 current employees actively deferring funds in the 457(b) plan.
- All costs related to the 457(b) plan are funded by participants.
- Nationwide is the County's current vendor that manages the recordkeeping, trust, and administrative services for County employees' deferred compensation 457(b) plan.

2019 Request for Proposal (RFP) – Background

- The County had contracted with Nationwide for these services through the cooperative contract provided by NACo. Nationwide has been the County's vendor for 39 years.
- Due to the size of employee assets in Lake County's plan, Nationwide informed the County in 2016 that they were no longer able to remain part of the NACo contract.
- Nationwide approached the 457(b) Plan Committee in 2018 regarding significant change to the Nationwide Fixed Asset account and the associated pricing options. The Committee had multiple meetings to review the

options as well as the price proposals for each option. In order to analyze the options, it was necessary to go to market for an accurate comparison.

- Because the contract with Nationwide was expiring on August 31, 2019, a request for proposal (RFP) for record keeping services for Lake County's 457(b) plan was issued.
- Standard practice for HR-benefit vendor selection is to issue an RFP to test the market and determine that the County is receiving the best services for employees.
- The RFP was extended to 26 potential vendors with 9 responses. 3 vendors were "short-listed"/ interviewed.

2019 Request for Proposal (RFP) – Results

- Following standard procurement procedures, the RFP Committee chose ICMA-RC as the recommended vendor. County Administration supports the recommendation.
- Pursuant to the contract terms, a 120-day notice was provided to the current provider (Nationwide) to provide for the necessary transition on or before January 10, 2020.
- The following items from the review and comparison process support the recommendation:
 - The participant account fees are lower with ICMA-RC on a like-to-like basis, which provides the end user a larger return on investment.
 - ICMA-RC presents solutions to address the fixed income restrictions.
 - ICMA-RC will be offering participants the opportunity to work with a certified financial planner.
 - The website available for users is robust, allowing users to review their investments, add outside investments, and use pension calculators. It also assists with identifying where changes may be needed to reach the employee's retirement goals.
 - The mobile app offers enrollment, transaction and texting capabilities for those preferring this form of communication.
- County Board Members have received a comparison prepared by Gallagher Benefit Services of Nationwide's current investment line up with a proposed ICMA-RC investment line up for costs on a like-to-like basis.

Impact on Employees if Transition to ICMA-RC is Approved

- For County employees to participate in the Lake County sponsored 457(b) plan, they will need to use the contracted record keeper.
- All current employees who wish to continue participation in the County's 457(b) plan will have account balances and future contributions converted to an account at newly contracted vendor (ICMA-RC).
- ICMA-RC will work with Lake County and Gallagher Benefit Services on a full transition plan to minimize impact to employees. Strategies include a customized transition website for plan participants, developing and mailing of communication notices, group and individual meetings prior to and following conversion.
- Lake County retired employees may:
 - Choose to keep their money with the County's program and convert it to ICMA-RC
 - Choose to convert their account into an Individual Retirement Account with any broker
 - Choose to convert their account into an Individual Retirement Account at Nationwide, but it would be an individual account, as the County will no longer have a program with them
- County Board Members have received a sample of documents provided by ICMA-RC from recent transitions with other public entities, including DuPage County. These will be customized to meet Lake County's needs.

Options for Decision (F & A Committee / County Board):

- **Approve the contract** with ICMA-RC. Current employees will automatically be converted to ICMA-RC from Nationwide (following robust communications with employees). Retirees and former employees will have the option to remain with Nationwide should they wish to roll their balance out. **CAO recommends approval.**
- **Not approve the contract** with ICMA-RC. The County "457(b) Plan Committee" will meet to determine the next course of action to include ceasing offering an organization sponsored 457(b) plan or determining if the entire RFP process can be redone in line with Illinois Purchasing Law.