



Finance and Administration Committee Agenda Item 6b

May 15, 2018

Item Name: Extension of the Third-Party Administrator (TPA) Contract for the Supplemental Income Plan (SIP) Programs

Program: Supplemental Income Plan

Item Type: Action

Recommendation

Approve an 18 month contract term extension through December 31, 2019 with Voya Financial, LLC (Voya) to allow sufficient time to conduct a formal Request for Proposal (RFP) process for the Third-Party Administrator (TPA) of the California Public Employees' Retirement System (CalPERS) Supplemental Income Plan (Plan).

Executive Summary

To improve operating efficiency and enhance negotiating capabilities, the Financial Office recommends the Finance and Administration Committee (FAC) approve an 18 month extension with Voya.

Strategic Plan

This agenda item supports CalPERS Strategic Plan Goal to strengthen the long-term sustainability of the pension fund and cultivate a high-performing, risk-intelligent and innovative organization. Approval of the extension of the Voya contract supports CalPERS mitigation of operational risks by ensuring the continuation of services. The 18 month extension of the Voya contract supports CalPERS Strategic Plan and is aligned with:

- Goal A: Strengthen the long-term sustainability of the pension fund
- Goal B: Cultivate a high-performing, risk-intelligent and innovative organization

Background

The CalPERS SIP offers the 457 Plan and Supplemental Contributions Plan (SCP) Plans consisting of 791 contracting agencies providing services to more than 36,000 participants representing \$1.662 billion in assets under management for the period ending December 31, 2017. As the TPA, Voya provides full recordkeeping, plan administration services, and new business development in support of the 457 Plan. Voya's recordkeeping system is integrated within the myCalPERS system.

In 2006, CalPERS released a competitive negotiation solicitation; however, only one vendor responded. In January 2007, a five-year contract was executed with the one respondent, Citistreet, LLC, subsequently changing their name to ING in 2009.

In 2011, CalPERS entered into a new five-year contract with ING, which was approved and processed as an exemption from competitive bidding due to the associated risks involved with bringing on a new vendor during the my|CalPERS implementation. In 2016, after an

organizational realignment within the TPA program, team member requested a two-year extension through July 31, 2018 with ING, who then changed their name to Voya. This extension was reported and approved by the Committee in April 2016, providing program time to conduct research on next steps.

In 2017, team member contracted with an independent consultant to conduct a Request for Information (RFI) to survey the recordkeeper/plan administration marketplace and ensure CalPERS is receiving quality service at a reasonable price. After inquiring with six (6) prominent recordkeepers, the independent research identified (2) two responding providers willing and capable to deliver services specific to the SIP program's identified criteria. Voya was one of the qualified vendors. The Financial Office has determined that it would be in CalPERS best interest to move forward with requesting the Board to approve an 18 month extension through December 31, 2019, to allow time for a RFP to ensure competitive services and fees are offered to the program participants.

Analysis

CalPERS contracts for goods and services are limited to a duration of five (5) years unless approved by the Board pursuant to Resolution No. 92-04B-4 (Attachment 1). With the authority to extend the contract duration residing with the Board, the Financial Office requests the FAC approval to extend Voya's contract duration for an additional 18 months to enable team members to move forward with the RFP process under authority of the Contract Activity Reporting Policy (Attachment 2). CalPERS team members will be responsible for the selection of the TPA and believes the process allows CalPERS the ability to better negotiate fees and services for SIP. It is worth noting that for years 2016 and 2017 the Financial Office negotiated a reduction of fees and additional services with Voya.

Budget and Fiscal Impacts

The potential budget and fiscal impacts of not approving the duration extension will delay the timely execution TPA services and nullify the existing contract.

Benefits and Risks

The benefits of this process include:

- Provides transparency and ensures Board awareness of significant contracts; and
- Informs the Board regarding staff's contract decisions thereby satisfying their monitoring responsibilities.

The benefits of approving the recommendation include:

- Allow time to conduct an effective and thorough RFP process.
- Comprehensive market analysis and competitive associated fees

The risks of not approving staff's recommendation include:

- Interruption of critical services provided by Voya as CalPERS' TPA; and
- Potential impact on the ability of the Board and staff to fulfill its fiduciary obligations to CalPERS members and beneficiaries.



Attachments

Attachment 1 – Resolution No. 92-04B-4

Attachment 2 – Contract Activity Reporting Policy

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