County of Los Angeles
CHIEF EXECUTIVE OFFICE
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Chief Executive Officer

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August 14, 2012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

11 August 14, 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT NUMBER SIX TO CONTRACT NO. 76808
WITH GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
TO EXTEND THE CONTRACT FOR
DEFINED CONTRIBUTION PLAN THIRD PARTY ADMINISTRATIVE SERVICES
(ALL DISTRICTS - 3 VOTES)**

SUBJECT

This is a proposed amendment to the contract with Great-West Life & Annuity Insurance Company (Great-West) to authorize an additional one-year term, effective July 1, 2013 for third party administrative (TPA) and trustee services for Los Angeles County's (County) defined contribution plans.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the attached Amendment Number Six to extend the contract term with Great-West as the TPA and Wells Fargo Bank, N.A. (Wells Fargo) as trustee for the Deferred Compensation and Thrift (Horizons) Plan, Savings Plan, Pension Savings Plan, and Termination Pay Pick-Up Plan for an additional one-year term commencing July 1, 2013.

2. Instruct the Chair to sign an amendment to the contract with Great-West Life & Annuity Insurance Company, Contract No. 76808.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Great-West has been providing TPA services to the County since 1997 for the Horizons, Savings, and Termination Pay Pick-up Plans and since 2008 for the Pension Savings

Plan. Great-West is responsible for maintaining the participants' accounts and for processing all daily financial transactions which include investment trading transactions initiated by participants, changes in deferral amounts, and hardship withdrawals. Great-West also administers loans from the participants' accounts.

The current contract with Great-West, which commenced July 1, 2008, expires on June 30, 2013 and contains a provision to extend the contract term for up to two one-year periods. Under the terms of the contract, any request to exercise the extension provision must be presented to the Board of Supervisors (Board) for review and approval. Other than extending the contract term, we are recommending no other changes at this time.

Recent Contract History

In November 2007, a Request for Proposal (RFP) was issued to TPAs which serviced government Defined Contribution Plans with assets in excess of $1 billion. Qualified proposals were received from CitiStreet, Great-West, and Nationwide. The evaluation committee unanimously recommended Great-West and its attendant trustee bank, Wells Fargo.

Rationale for Contract Extension

Due to time and human resources constraints, we are recommending a contract extension at this time instead of an RFP for a new TPA. The time required to conduct a full-scale RFP process (conducting a defined contribution plan survey, drafting the RFP, reviewing submissions, meeting with potential contractors, and testing sample data sets) would likely exceed one year. Without exercising the extension provision, the contract would then expire and leave the County without a TPA to administer its defined contribution plans. An extension would be in the best interest of the Plan participants since it would minimize the potential for disruption of the current TPA services.

Secondly, for any new vendor selected through an RFP process, eHR project staff would be required to conduct extensive systems testing to ensure that the transactions are accurately captured and processed. Furthermore, this group would also be responsible for training the new vendor regarding the usage of the eHR system for data entry and transfer. However, as their first priority, these same individuals are currently working to develop and test other eHR functionality and software upgrades slated for a July 2013 rollout. Since this is the same time as the contract expiration, a contract extension would provide that staff the time needed to complete these existing projects before focusing their efforts on a potential new vendor.

Although the current contract allows for two one-year extensions, it is our intent to exercise only this single one-year extension. We plan to utilize this time to initiate an RFP process with the goal of having a new contract in place effective July 1, 2014.

Current Plan Assets

As of May 31, 2012, aggregate plan assets totaled over $7.9 billion. Individual plan statistics are as follows:

Plan	Plan Assets	Number of Participants
457 Horizons Plan	$6.2 billion	85,218
401(k) Savings Plan	$1.6 billion	13,299
Pension Savings Plan	$137 million	25,520
Termination Pay Pick-Up Plan	$3.7 million	114

The Plan assets are held in separate trust fund accounts at Wells Fargo. The current banking structure involves an account used for Plan distributions, loans, and payment of Plan expenses. The account also collects custodial fees, and transfers from the depository account and trading account.

Implementation of Strategic Plan Goals

The recommended contract extension supports the Countywide Strategic Plan Goal, Organizational Effectiveness, by providing uninterrupted, effective, and efficient services to Plan participants.

FISCAL IMPACT/FINANCING

Since we are recommending only an extension to the term of the existing contract, there is no net County cost. The TPA costs for the Horizons, Savings, and Termination Pay Plans will continue to be paid by administrative fees charged to the participant accounts. Likewise, TPA costs for the Pension Savings Plan will continue to be paid by the County.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Horizons, Savings, Pension Savings, and Termination Pay Pick-Up Plans were established as tax-favored defined contribution plans that must comply with existing tax law and regulatory requirements. County Code Sections 5.18, 5.19, 5.25, and 5.26 serve as the federally required plan document for the Plans.

County Counsel has approved the proposed Amendment as to form.

CONTRACTING PROCESS

The Board approved the contract with Great-West for third party administrative services on June 17, 2008. The proposed Amendment will require Board approval to extend the term of the existing contract by an additional year to June 30, 2014.

IMPACT ON CURRENT SERVICES

The proposed Amendment will allow the Plan to continue to provide effective services in the best interest of the Plan participants and their beneficiaries.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:BC:JA:MTK
SM:VMH:mst

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Treasurer and Tax Collector
Human Resources
Horizons Plan Administrative Committee
Savings Plan Administrative Committee
Termination Pay Pick-Up Plan Administrative Committee
Pension Savings Plan Administrative Committee
SEIU Local 721
Coalition of County Unions

N:\BENEFITS & COMP POLICY\BOARD LETTERS & ORDINANCES\2012\CHRON\08-14-12 AMENDMENT 6 TO GWRS CONTRACT - BOARD LETTER.DOCX

CONTRACT BETWEEN
COUNTY OF LOS ANGELES
AND
GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
FOR
THIRD PARTY ADMINISTRATIVE SERVICES
(Contract No. 76808)

AMENDMENT NO. 6

WHEREAS, on November 20, 2008, the County of Los Angeles, hereinafter referred to as the "COUNTY," entered into a contract with Great-West Life & Annuity Insurance Company, hereinafter referred to as the "CONTRACTOR," for defined contribution plan services; and

WHEREAS, on March 30, 2010, the COUNTY and CONTRACTOR entered into Amendment No. 1 to the Contract; and

WHEREAS, on December 7, 2010, the COUNTY and CONTRACTOR entered into Amendment No. 2 to the Contract; and

WHEREAS, on March 29, 2011, the COUNTY and CONTRACTOR entered into Amendment No. 3 to the Contract; and

WHEREAS, on August 30, 2011, the COUNTY and CONTRACTOR entered into Amendment No. 4 to the Contract; and

WHEREAS, on March 6, 2012, the COUNTY and CONTRACTOR entered into Amendment No. 5 to the Contract; and

WHEREAS, Section 4.3, "Term of Contract" of the aforementioned contract, gives the COUNTY the option to extend this Contract term for up to two (2) additional one-year periods beyond June 30, 2013, the expiration date of the initial term, at the sole discretion of the COUNTY Board of Supervisors;

NOW, THEREFORE, it is agreed between the parties that the Contract shall be amended as follows:

1. **This Amendment No. 6 shall commence and be effective on July 1, 2013.**

2. **SECTION 4.0 TERM OF CONTRACT, shall be amended to replace existing subsection 4.3 as follows:**

   4.3 The County shall have the sole option to extend this Contract term beyond June 30, 2013 for up to two (2) additional one-year periods. Each such option and extension shall be exercised at the sole discretion of the Board of Supervisors.

   The County exercises its first option to extend the term of this Contract for one additional year, commencing on July 1, 2013 and continuing to and including June 30, 2014.

3. **Except as modified by this Amendment No. 6, all terms and conditions of the contract shall remain in full force and effect.**

IN WITNESS WHEREOF the County of Los Angeles and Great-West Life & Annuity Insurance Company have each caused this Amendment No. 6 to be executed by its duly authorized officer as of the date first above written.

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

By _____
Gregory E. Seller
Senior Vice President, Government Markets

ATTEST:

SACHI HAMAI
Executive Officer
Board of Supervisors

By Lachelle Smitherman
Deputy AUG 14 2012

APPROVED AS TO FORM:

JOHN F. KRATTLI
County Counsel

By _____
RICHARD D. BLOOM
Principal Deputy County Counsel

COUNTY OF LOS ANGELES

By Zev Yaroslavsky
Chair, Board of Supervisors

COUNTY OF LOS ANGELES CALIFORNIA

I hereby certify that pursuant to Section 25103 of the Government Code, delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By Lachelle Smitherman
Deputy AUG 14 2012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

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Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Supplement No. 6 76808