



Chief Executive Office.

COUNTY OF LOS ANGELES

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ACTING CHIEF EXECUTIVE OFFICER

Joseph M. Nicchitta

December 15, 2025

To: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell, Chair Pro Tem
Supervisor Lindsey P. Horvath
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Joseph M. Nicchitta 
[Joseph M. Nicchitta \(Dec 12, 2025 21:32:57 PST\)](#)
Acting Chief Executive Officer

ADVANCED NOTIFICATION OF INTENT TO ENTER INTO A SOLE SOURCE CONTRACT EXTENSION WITH EMPOWER TO PROVIDE UNINTERRUPTED THIRD PARTY ADMINISTRATIVE, COMMUNICATIONS, AND DIRECTED TRUSTEE SERVICES FOR THE DEFINED CONTRIBUTION PROGRAM

This is to advise your Board of Supervisors (Board) that the Chief Executive Office (CEO) intends to enter into a sole source contract extension, without engaging in a competitive solicitation process, with Empower to provide uninterrupted Third Party Administrative, Communications and Directed Trustee Services (collectively "TPA Services"), for Los Angeles County's (County) Defined Contribution Program (DC Program). The contract is currently in the final option period through June 30, 2026.

Extending Empower's current contract, through June 30, 2028, allows time to complete a competitive solicitation for TPA Services, with the option to extend through June 30, 2029, if a transition from Empower to a new TPA is necessary.

This extension will ensure operational stability for the DC Program and the County's payroll system during the Los Angeles County Enterprise System (LACES) upgrade activities slated for 2026 and 2027, and help safeguard the integrity of the TPA Services, which is dependent on complex payroll system programming and the exchange of daily demographic and semi-monthly payroll interface files.



BACKGROUND

Empower provides TPA Services for the County's \$27 billion DC Program, which comprises the 457(b) Horizons, 401(k) Savings, and Pension Savings Plans.

In December 2018, your Board approved a five-year contract with Empower, commencing on July 1, 2019, with the option to extend for up to two years, to provide TPA Services for the DC Program through a competitive solicitation process. The contract is currently in its final option period, extending through June 30, 2026. Empower was the recommended contractor in the prior three competitive solicitations in 1997, 2008, and 2013.

FISCAL IMPACT/FINANCING

The recommended sole source extension is for a two-year initial term (through June 30, 2028), with an optional one-year extension which would be exercised if necessary to complete a seamless transition and handover between Empower and a new TPA, in the event a new TPA is awarded the contract, for a total contract term of up to three (3) years.

The cost of the extension will continue to be primarily funded by administrative fees deducted from DC plan participants' 457(b) and 401(k) accounts. Negligible costs for the Pension Savings Plan will continue to be charged to departments that employ part-time, temporary, and seasonal employees.

SOLE SOURCE JUSTIFICATION

During the competitive solicitation timeline development, the following factors were identified that will introduce instability and risk to the County's \$27 billion DC Program during a major payroll system transition:

1) Resources from Auditor-Controller's Systems, Payroll, and Accounting Divisions are committed to LACES testing in anticipation of the October 2026 financial upgrade and the April 1, 2027, HR/payroll upgrade. The LACES upgrade will enhance the County's Enterprise Financial and Human Resources applications, including payroll management.

2) A crucial component of Empower's TPA Services includes complex payroll system programming that currently involves over 140 DC Program-specific deduction codes to support multiple regulatory rules and plan design policies (this number will grow to approximately 200 deduction codes starting in

2026 to support recently negotiated 401(k) eligibility rules). In addition, the DC Program process includes an exchange of mission-critical daily and semi-monthly payroll interface files that contain employee demographic information as well as program eligibility and out-of-service dates, new enrollments, payroll transactions such as loan payments and pay-offs, contributions, and the County match.

3) Maintaining system stability and the expertise of the County's current TPA, leading up to and through the LACES upgrades, is essential to help mitigate payroll system and employee paycheck errors and disruptions. Coordinating two vendors (payroll and TPA) adds logistical complexity and risk. Conflicting project timelines can cause delays and misalignment, which could compromise critical systems and support resources.

4) If a competitive solicitation for TPA Services is completed before the LACES upgrade goes live and a new TPA is selected, there are several transition steps outlined in the Statement of Work that are required to ensure the accurate transfer of critical accounting and payroll data. These include, but are not limited to:

- Maintaining administrative, banking, ledger, and recordkeeping systems in parallel with the former TPA;
- Conducting testing of the payroll interface, demographic, and loan payoff file feed transmissions;
- Performing a comprehensive review of all transition journal rules to ensure full financial reconciliation of the DC Program administrative account ledgers pre-and post-transition.

5) The same internal teams, Payroll and Accounting, are required to simultaneously support two major transitions (the LACES upgrade and possible implementation of a new TPA). This overlap, combined with the complexity of the DC Program's payroll programming and the need to train and support a potentially new TPA who is unfamiliar with the County's unique systems, significantly increases the risk of processing errors and post-implementation disruptions.

6) Dual transitions increase the risk of data mismatches and processing errors. Implementing a new TPA and ensuring compliance with DC Program and payroll system design specifications is a complex undertaking. Successful implementation cannot be guaranteed with current resources, creating significant risks for both processes (LACES and the DC Program).

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7) The Auditor-Controller and Chief Information Officer concur with the recommendation to extend the current TPA contract with Empower to accommodate the implementation of the LACES Financial and Accounting upgrades and maintain system stability and technical expertise with the current TPA.

CONCLUSION

Pursuant to Board Policy No. 5.100, CEO will initiate a sole source contract extension with Empower in four weeks, unless otherwise instructed by your Board. We will return to your Board for approval of the final sole source contract extension.

Should you have any questions concerning this matter, please contact Susan Moomjean, Manager, CEO Labor and Compensation Services Branch at SMoomjean@ceo.lacounty.gov.

JMN:JG:KLW
SRM:KBG:MR:rfm

c: Executive Office, Board of Supervisors
 County Counsel
 Auditor-Controller