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COUNTY OF LOS ANGELES

Kenneth Hahn Hall of Administration
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INTERIM CHIEF EXECUTIVE OFFICER

Joseph M. Nicchitta

"To Enrich Lives Through Effective and Caring Service"

May 12, 2026

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

Dear Supervisors:

**SOLE SOURCE EXTENSION TO CONTRACT FOR
THIRD PARTY ADMINISTRATIVE AND COMMUNICATIONS SERVICES
FOR THE DEFINED CONTRIBUTION PROGRAM
(ALL DISTRICTS) (3-VOTES)**

SUBJECT

This letter requests delegation of authority to the Interim Chief Executive Officer, or his designee, to execute a sole-source amendment extending the contract with Empower Annuity Insurance Company of America (Empower) for Third Party Administrative (TPA) and Communications Services, which is set to expire on June 30, 2026. The recommended action authorizes a two-year extension, with an option to extend for an additional one year through June 30, 2029, if necessary. This request is driven by the Los Angeles County's (County) planned 2026–2027 payroll system upgrade as part of the Los Angeles County Enterprise System (LACES) implementation, which is critical to administering the County's \$29 billion Defined Contribution Program (DC Program). The extension will ensure continuity of services during the system transition and allow the County to conduct a competitive solicitation and, if appropriate, transition to a new recordkeeper after implementation.

IT IS RECOMMENDED THAT THE BOARD:

Delegate authority to the Interim Chief Executive Officer, or his designee, to execute a two-year sole source contract extension through June 30, 2028, and, if necessary, an additional one-year sole source contract extension through June 30, 2029.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

In 2019, the County entered into a contract with Empower to provide TPA Services for the DC Program. Through exercised extensions, the contract currently runs through June 30, 2026. The Chief Executive Office (CEO) was prepared to initiate a competitive solicitation for these services; however, it is in the County’s best interest to delay the solicitation due to the planned 2026–2027 upgrade to LACES, including the payroll system administered by the Auditor-Controller.

The payroll system is integral to the administration of the DC Program, supporting participant contributions, employer matching, loan repayments, and corrections. The DC Program relies on more than 200 payroll codes, and the existing contract requires an 18-month transition period for any new vendor.

Proceeding with a solicitation before completing the LACES upgrade would create inefficiencies and increase costs. Proposers would be required to design solutions based on a system that will soon be replaced, and a new vendor would likely need to align its services twice: first with the current system and again with the upgraded system. This may increase bid costs and reduce competition. Delaying the solicitation ensures that all vendors align their services with the updated system once, promoting fairness and cost efficiency.

In addition, transitioning to a new vendor during the LACES upgrade would introduce significant operational risk. The DC Program relies on complex payroll integrations to ensure accurate, timely transactions. Retaining the current recordkeeper during this period ensures continuity, reduces the risk of processing errors, and leverages the vendor’s existing knowledge of the County’s systems and program design. The current vendor’s established data integrations and validation processes further reduce the likelihood of disruptions.

The LACES upgrade will also require significant involvement from key County staff, particularly within the Auditor-Controller’s Countywide Payroll Division, which will limit their availability to support a vendor transition during this period.

The optional two-year extension, with an option to extend for a third year, provides sufficient time, if needed, to complete a competitive solicitation, execute a new contract, and transition services following implementation of the upgraded system. Because of uncertainties related to the LACES transition timeline, we recommend your Board authorize the optional third-year extension, which is longer than the typical 24-months outlined in the Board’s sole source policy.

FISCAL IMPACT/FINANCING

The recommended extension is for a term of up to three years. Services will continue at current contract rates.

Costs will continue to be primarily funded through administrative fees paid by participants in the County’s 457(b) and 401(k) plans. Minimal costs associated with the Pension Savings Plan will continue to be charged to departments employing part-time, temporary, and seasonal employees.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On December 15, 2025, in accordance with Board of Supervisors (Board) Policy No. 5.100 (Sole Source Contracts and Amendments), the CEO notified the Board of the intent to seek delegated authority for this extension.

County Counsel has reviewed and approved this Board letter. The CEO has approved the Sole Source Checklist (Attachment).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no anticipated impact on current services or projects. Approval of the recommendations will allow Empower to continue providing TPA Services during the County's LACES payroll system upgrade.

Respectfully submitted,



Joseph M. Nicchitta

Interim Chief Executive Officer

JMN:JG:KLW:SRM

KBG:MR:mj

Enclosures

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

SOLE SOURCE CHECKLIST

Department Name: _____

- New Sole Source Contract
- Sole Source Amendment to Existing Contract

Date Existing Contract First Approved: _____

Check (✓)	JUSTIFICATION FOR SOLE SOURCE CONTRACTS AND AMENDMENTS Identify applicable justification and provide documentation for each checked item.
	➤ Only one bona fide source (monopoly) for the service exists; performance and price competition are not available. A monopoly is an <i>“Exclusive control of the supply of any service in a given market. If more than one source in a given market exists, a monopoly does not exist.”</i>
	➤ Compliance with applicable statutory and/or regulatory provisions.
	➤ Compliance with State and/or federal programmatic requirements.
	➤ Services provided by other public or County-related entities.
	➤ Services are needed to address an emergent or related time-sensitive need.
	➤ The service provider(s) is required under the provisions of a grant or regulatory requirement.
	➤ Services are needed during the time period required to complete a solicitation for replacement services; provided services are needed for no more than 12 months from the expiration of an existing contract which has no available option periods.
	➤ Maintenance and support services are needed for an existing solution/system during the time to complete a solicitation for a new replacement solution/system; provided the services are needed for no more than 24 months from the expiration of an existing maintenance and support contract which has no available option periods.
	➤ Maintenance service agreements exist on equipment which must be serviced by the original equipment manufacturer or an authorized service representative.
	➤ It is more cost-effective to obtain services by exercising an option under an existing contract.
	➤ It is in the best economic interest of the County (e.g., significant costs and time to replace an existing system or infrastructure, administrative cost and time savings and excessive learning curve for a new service provider, etc.). In such cases, departments must demonstrate due diligence in qualifying the cost-savings or cost-avoidance associated with the best economic interest of the County.



 Chief Executive Office

_____ Date