



Agenda Item No. (7)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of May 23, 2024

From: Alice Ng, Director of Fiscal Resources
Joseph M. Wire, Auditor-Controller
Denis J. Mulligan, General Manager

Subject: **AUTHORIZE EXECUTION OF A SEVENTH AMENDMENT TO
CONTRACT NO. 2010-D-1, DEFERRED COMPENSATION PLAN
PROVIDER, WITH MISSIONSQUARE RETIREMENT**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors (Board) authorize the execution of a Seventh Amendment to the Contract with MissionSquare Retirement (MissionSquare), of Washington, DC, to extend the term by five years and to include two one-year options, to continue to provide bundled plan services for the District's IRC Section 457(b) Deferred Compensation Plan and 401(a) Defined Contribution Plan (collectively, the "Plans").

This matter will be presented to the Board of Directors at its May 24, 2024, meeting for appropriate action.

Summary

In 2009, the Golden Gate Bridge, Highway and Transportation District (District) entered into a contract with MissionSquare (previously named ICMA Retirement Corporation) as the sole plan provider of the District's Deferred Compensation Plan for a five-year term with two one-year options (Contract). In 2014, with Board approval, the parties executed a Fourth Amendment to the Contract to extend the term by five years, for a total of a ten-year term, with two one-year options. The Fourth Amendment also reduced costs and improved investment fund options and investment services. In 2021, also with Board approval, the parties executed a Sixth Amendment to the Contract to further extend the term by another five years, for a total of a 15-year term, through June 16, 2024 with two one-year options. The Sixth Amendment further reduced administration fees and offered competitive pricing on managed accounts.

For this Seventh Amendment, the District, with the assistance of NFP Retirement, Inc. (NFP), requested that MissionSquare respond to a detailed renegotiation questionnaire and provide clarification regarding the Plans' fees and charges, record keeping services, education services, customer services, reporting, and performance standards and guarantees. Staff has carefully reviewed MissionSquare's responses and considered other options available for administration of

the District’s Plans. Based on NFP’s knowledge of the market and what other third-party providers offer to their clients, staff determined that MissionSquare’s proposal was very competitive and that it would be in the District’s best interest to enter into an amendment with MissionSquare for plan fee reductions and to further extend the term rather than go to market with a new Request for Proposals when the Contract term expires.

Staff has completed its negotiations with MissionSquare and recommends that the District’s Board authorize the execution of a Seventh Amendment to the Contract to extend the term by five years, through June 16, 2029, with two one-year options.

As a result of the District’s previous negotiations with MissionSquare, participants have already benefitted from cost reductions as a result of changing to lowest-cost share classes or indexes and reduced expense ratios and reduced administrative fees. Therefore, for this current renewal, the District’s main objectives were to further reduce MissionSquare’s record keeping fee, improve participant retirement readiness by offering participants more access to financial planning and education, and to encourage managed account participation by reducing its pricing.

Administration Fee Reduction

	Administrative Fees as a percentage of Plan Assets				Est. Admin Fees based on \$125mm in Plan Assets			
	Current Contract	Renegotiated 2024 Renewal	Decrease	% Decr	Current Contract	Renegotiated 2024 Renewal	Decrease	% Decr
MissionSquare Record Keeping	0.0400%	0.0280%	-0.0120%	-30%	\$ 49,826	\$ 34,878	\$ (14,948)	-30%
District Administrative Allowance	0.0275%	0.0140%	-0.0135%	-49%	\$ 34,255	\$ 17,439	\$ (16,816)	-49%
Total Administrative Fees	0.0675%	0.0420%	-0.0255%	-38%	\$ 84,081	\$ 52,317	\$ (31,764)	-38%

The Sixth Amendment reduced the administration fee by 54% from 0.1475% to the current fee of 0.0675%. The current administrative fee of 0.0675% covers both MissionSquare’s record keeping fee of 0.04% and certain District administrative expenses relating to the Plans of 0.0275%, such as NFP consulting fees (annual investment review and Plan Provider RFP/renegotiation process), legal fees, and other education courses (i.e., NAGDCA) for District staff relating to the Plans.

As a result of this year’s renegotiations, the administrative fee will be reduced further **from 0.0675%** (MissionSquare’s record keeping fee of 0.04% and the District’s administrative allowance of 0.0275%) **to 0.042%** (MissionSquare’s revenue record keeping fee of 0.028% and the District’s administrative allowance of 0.014%). Based upon the Plans’ assets of approximately \$125 million as of 12/31/2023, this represents an annual reduction of fees to the Participants from approximately \$84,000 to approximately \$52,000. This is a total of 38% reduction, or \$32,000 annually. As this fee is based on assets, the dollar amount will change over time.

Increase Participation in Managed Accounts

Another objective in this Seventh Amendment is to further expand the use of professionally managed accounts for plan participants to foster greater retirement security. To meet this goal, MissionSquare will continue to measure and report on managed account enrollment. Participants who elect to be in managed accounts pay fees based on a tier fee structure on assets managed. As part of this year’s renewal, MissionSquare has offered to reduce the fees from 0.5% to 0.4% for the first \$100,000 assets managed.

Managed Funds	
Current Contract	Renegotiated 2024 Renewal
0.5% on first \$100,000	
0.4% on next \$200,000	0.4% on first \$300,000
0.3% on next \$200,000	0.3% on next \$200,000
0.2% on all over \$500,00	0.2% on all over \$500,00

As of 12/31/2023, 210, or 23% of participants, utilize Managed Accounts. These 210 participants will enjoy a fee reduction of \$100 on their first \$100,000 of assets managed. This results in a total savings of \$21,000 annually. The savings will increase as more participants choose managed funds. Participants who do not wish to be in managed accounts may choose other investment guidance options; many are free of charge, and some are at specified fees.

Increase Plan Participation and Retirement Readiness

A final objective of the Amendment is to increase plan participation and participant retirement readiness. Toward this goal, MissionSquare will offer free comprehensive financial plans annually to all participants regardless of the amount of assets managed. Currently, there is a fee of \$175 assessed for participants with account balances of less than \$50,000. Eliminating this minimum requirement, provides 132 participants access to this benefit without any costs. This results in a potential savings of \$23,100 annually to participants (if all participants choose to have a comprehensive financial plan).

Additionally, MissionSquare will continue to offer participant education through onsite education and dedicated campaigns to drive engagement, participation, and savings. The District’s Human Resources Department will also continue to partner with MissionSquare so that newly hired employees can meet with MissionSquare’s Retirement Plan Specialist to discuss the benefits of enrolling in the plan. Lastly, to preserve assets and support participant needs post-employment, MissionSquare will offer retiree webinars and the use of separation checklists and exit interviews.

Contract History

CONTRACT AND AMENDMENTS TO-DATE			
Type	Date Executed	Description	Amount
Contract	Oct-09	Initial Award	Participant Savings Estimated at \$108,000 annually.
First Amendment	Feb-10	Grant trademark license for deferred compensation program.	No Associated Cost.
Second Amendment	Oct-11	UVEST replaced by TD Ameritrade as the provider of self-directed brokerage services.	No Associated Cost.
Third Amendment	Apr-13	Include administration and investment services for the District's 401(a) plan.	Fees paid by Trust as described in Exhibit E, <i>Administrative Services Agreement</i> , of the Professional Services Agreement.
Fourth Amendment	Oct-14	New five-year term with two one-year options, effective October 14, 2015.	Participant Savings Estimated at \$78,000 annually.
Fifth Amendment	Jun-19	New five-year term with two one-year options, effective June 17, 2019	Participant Savings Estimated at \$65,000 annually.
Sixth Amendment	Feb-21	Correction to Fifth Amendment for execution of the new five-year term with two-year options, effective June 17, 2019	No Associated Cost.
Seventh Amendment	Pending	New five-year term with two one-year options, effective June 17, 2024 or earlier.	Participant Savings Estimated at \$32,000 annually.

Fiscal Impact

The Plans' expenses, including MissionSquare's administrative fees, are paid by the participants, not the District. Based on the 12/31/23 value of the Plans' assets, it is anticipated that current participants will save, in the aggregate, an estimated \$53,000 annually (or \$265,000 over the five-year term) as a result of the reduction in administrative fees and managed account fees. There is a potential of an additional estimated \$23,100 annual savings if all participants with account balances of less than \$50,000 request an annual comprehensive financial plan.

The District will receive a reduced annual administrative allowance fee of 0.014% of assets, (approximately \$17,500 annually, or \$87,500 over the five-year term) from MissionSquare to pay for certain District administrative and education costs to monitor the Plans.