

# Executive Summary

Board of Governors Meeting, December 7, 2022

## Retirement Plan Administrator Services

### Topic

The Citizens Property Insurance Corporation's (Citizens) Retirement Plan Committee is requesting approval to enter into a contract with Empower Retirement, LLC, (Empower), for Retirement Plan bookkeeping, administration, and education services. The base term of the contract will be five (5) years followed by one (1) five (5) year optional renewal term. The total contract amount for the ten (10) year term beginning June 1, 2023, is estimated at \$1,126,000.

### History

Citizens utilizes a retirement plan administrator to provide bookkeeping, administration, education, and other retirement plan services. Citizens offers its employees the following retirement plans:

- 457(b) Deferred Compensation Plan. As of September 30, 2022, this Plan had 1,501 participants and \$85,000,000 in assets.
- 401(a) Defined Contribution Plan. As of September 30, 2022, this Plan had 1,430 participants and \$70,000,000 in assets.

Citizens also maintains a legacy 401(k) Defined Contribution Plan that has only 16 remaining participants. As of September 30, 2022, this Plan had \$312,000 in assets. This Plan was frozen in 2002 and no additional contributions are being made.

Since inception, the Board has delegated its authority to administer and oversee these plans to a seven-member Retirement Plan Committee consisting of Citizens' Chief of Human Resources, Chief Financial Officer, and employees from Citizens' Human Resources, Controller, Treasury and Investments, Corporate Legal Service, and an Investment Consultant. The committee meets on a quarterly basis to review the operation and results of each plan. The committee is assisted by (i) a third-party plan administration service provider, (ii) a third-party financial advisor, and (iii) various HR, Legal, and Vendor Management resources.

The current third-party administrator is Empower Retirement LLC. The contract with Empower was procured in 2015 and is scheduled to expire on May 31, 2023. In May 2022, Citizens issued a formal Invitation to Negotiate (ITN) for a new contract. Six (6) national vendors responded, and three (3) companies were advanced to negotiations (Empower, Corebridge and Nationwide).

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Empower was selected as the overall best value because:

- seven years of experience as the Citizens Retirement Plan Administrator, and demonstrated ability to provide the services;
- a market-competitive price which is more than 10% lower than the rate Citizens currently pays;
- the ability to avoid paying approximately \$2.5 million to exit out of Empower's SAGIC stable value product. This "market value adjustment" is a result of recent U.S. bond market volatility and is a standard feature for these types of investment products. The market value adjustment varies over time. The SAGIC product currently constitutes over 17% of total retirement plan assets.

The estimated contract amount of \$1,126,000 is based on Empower's flat fee per participant per plan (the fee will decrease during the renewal term). Because the number of participants (i.e., current employees and former employees who keep their assets in the plans) varies over time, Citizens staff used an annual participant growth rate of 5% to project the contract amount as follows:

Year	Annual Fee (Est.)
1	\$93,000
2	\$97,650
3	\$102,533
4	\$107,659
5	\$113,042
6 (Renewal)	\$110,781
7 (Renewal)	\$116,320
8 (Renewal)	\$122,136
9 (Renewal)	\$128,243
10 (Renewal)	\$134,635
<b>TOTAL</b>	<b>\$1,126,000</b>

On November 1, 2022, the recommendation to award a contract to Empower Retirement, LLC, for Retirement Plan Administrator Services was presented to the Retirement Plan Committee, and the committee unanimously approved the recommendation.

## Recommendation

The Citizens Retirement Plan Committee proposes that the Board of Governors:

- Approve a contract with Empower Retirement LLC, for a five (5) year initial term and one (1) five (5) year renewal term, with a total contract amount not to exceed \$1,126,000; and
- Authorize staff to take any appropriate or necessary action consistent with this Action Item.

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## Retirement Plan Administrator Services

 **ACTION ITEM**
 **New Contract**
 **Contract Amendment**
 **Other** \_\_\_\_\_

 **CONSENT ITEM**
 **Contract Amendment**
 **Existing Contract Extension**
 **Existing Contract Additional Spend**
 **Previous Board Approval** \_\_\_\_\_

 **Other** \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

- Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<b>Item Description</b>	Retirement Plan Administrator Services
<b>Purpose/Scope</b>	This Action Item requests approval of a new contract award for third-party retirement plan administrative services (including recordkeeping, management, and education services) for Citizens' current 401(a) and 457(b) retirement plans and Citizens' inactive legacy 401(k) plan (collectively, the "Plans").
<b>Contract ID</b>	<b>Retirement Plan Administrator Services</b> Agreement Number: <b>22-22-0010-00</b> Recommended Vendors: Empower Retirement, LLC
<b>Budgeted Item</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Funding to be included in the Annual Operating Budget for each respective contract term year.
<b>Procurement Method</b>	On May 23, 2022, Citizens issued Invitation to Negotiate #22-0010 for Retirement Plan Administrator Services. Six (6) vendors submitted replies, and the Evaluation Team identified three (3) proposals to proceed to the Negotiation phase. On October 17, 2022, the Negotiation Team recommended an award to Empower Retirement, LLC. This recommendation was approved by the Citizens Retirement Plan Committee on November 1, 2022, by a vote of 7-0.

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<b>Contract Amount</b>	The total estimated contract amount is \$1,126,000 for the full ten (10) year term, including the renewal.
<b>Contract Terms</b>	Initial Term: June 1, 2023, through May 31, 2028. Renewal Term: One (1) five (5) year renewal term, ending May 31, 2033.
<b>Board Recommendation</b> (DOES NOT go through Committee)	The Citizens Retirement Plan Committee proposes that the Board of Governors: <ul style="list-style-type: none"> <li>a) Approve a contract with Empower Retirement LLC, for a five (5) year initial term and one (1) five (5) year renewal term, with a total contract amount not to exceed \$1,126,000; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li> </ul>
<b>Contacts</b>	Violet Bloom, Chief Human Resources Officer and Chair of Citizens Retirement Plan Committee James Taylor, Director, Total Rewards