



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole
Meeting of October 23, 2008

From: Alice Ng, Financial Management and Business Process Manager
Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE EXECUTION OF A PROFESSIONAL SERVICES AGREEMENT WITH SST BENEFITS CONSULTING AND INSURANCE SERVICES INC., RELATIVE TO REQUEST FOR PROPOSALS NO. 2009-D-5, DEFERRED COMPENSATION (IRC SECTION 457) CONSULTANT SERVICES**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors authorize execution of a Professional Services Agreement with SST Benefits Consulting and Insurance Services, Inc., of Los Altos, CA, relative to Request for Proposals (RFP) No. 2009-D-5, *Deferred Compensation (IRC Section 457) Consultant Services*, in the amount of \$66,400, for a five-year term to provide consultation services relative to the District's IRC Section 457 Deferred Compensation Program, with the understanding that requisite funds are available in the FY 08/09 District Division Operating Budget and will be budgeted accordingly for future years.

Summary

The District has maintained long standing relationships with two deferred compensation plan providers: ICMA-RC and Nationwide. To facilitate the District's compliance with its fiduciary duties and to continually seek ways to improve its plan and to reduce costs to the plan participants, the District issued an RFP on August 26, 2008, for deferred compensation consultation services to (1) evaluate and make recommendations to improve the District's current plan structure, including recordkeeping, investments, and administration; (2) conduct a plan provider/vendor search including fee negotiations and investment selection; (3) assist in transition issues (if necessary); and (4) perform annual plan and investment reviews and ongoing consultation as needed.

The proposal submittal due date was September 23, 2008. The RFP was posted on the District's website; 13 potential proposers were notified of the posting. The following four proposals were received:

1. Arnerich Massena & Associates, Inc.
2. SST Benefits Consulting & Insurance Services, Inc.
3. Public Financial Management Asset Management LLC
4. Sageview Advisory Group

An Evaluation Committee, comprised of District staff, evaluated each proposal based upon the following criteria (and related points awarded) set forth in the proposal documents:

1. Proposal Understanding and Approach (30 points)
2. Qualifications and Experience of Firm (15 points)
3. Qualifications and Experience of Staff Assigned to the Project (35 points)
4. Fee Structure (20 points)

Based upon these criteria, the Committee invited representatives from the following to participate in interviews:

1. Arnerich Massena & Associates, Inc.
2. SST Benefits Consulting & Insurance Services, Inc.
3. Public Financial Management Asset Management LLC

Based upon the evaluation of both the written proposals and the results of the oral interviews, staff recommends award of RFP No. 2009-D-5 to SST Benefits Consulting & Insurance Services, Inc. (SST), Los Altos, CA.

SST is a Subchapter "S" corporation headquartered in Los Altos, CA, and has provided investment analysis and consulting services to government agencies for over 13 years. SST brings a strong public sector focus to deferred compensation strategies having provided investment analysis and consulting services for combined plans with assets over \$4 billion. It currently services 19 governmental agencies with defined contribution plans, including County of Bernardino, City of San Jose, County of Santa Clara, County of San Mateo, Sacramento Metropolitan Fire District, Los Angeles Unified School District, Helix Water District, Association of California Water Agencies Joint Powers Insurance Authority, and others.

The Evaluation Committee conducted reference checks public agencies for whom SST had performed similar services. These public agencies supported SST's understanding of the scope of services outlined in the RFP and confirmed SST's history of advising plans of best practices and successfully negotiating reduction in plan fees and administrative fees paid by participants. For example, for the County of Bernardino, which has various defined contribution plans with approximately \$500 million in total assets and 10,500 participants, SST negotiated estimated savings of \$2.7 million to the plan' participants over a five-year period. In addition, SST has also demonstrated the ability to add service and communication improvements such as simplifying plan administration, improving participant communication and participant education, and assisting plan fiduciaries to comply with due diligence responsibilities.

Of importance to the Committee were the qualifications and experience of the SST team. The Lead Consultant assigned to the District has over 26 years of public sector defined contribution consulting experience. Two other Senior Consultants are assigned to the District's project. One Senior Consultant is a Registered Investment Advisor with over 35 years of experience with retirement plans, particularly public sector defined contribution plans, and is also an advisor to the National Association of Government Defined Contribution Administrators. The other Senior Consultant is the former Plan Administrator of San Mateo County's Deferred Compensation Plan (\$250 million) and has been consulting in the public sector for over 13 years. Also important to the Evaluation Committee were SST's analytical capacity and resources. Resources available to provide analytical portfolio review include 9 investment professionals with a combined investment experience in excess of 225 years.

Recognizing that education is the cornerstone of defined contribution plan management, SST will conduct a six-hour educational program ("457 University"), at no additional cost to the District, for District personnel, including Board Members, who are fiduciaries of the 457 plan. This program will educate the District as to what is required to meet its fiduciary responsibilities.

Lastly, SST's fee structure was very highly competitive and offers the lowest short-term and long-term pricing for the District without sacrificing the expected level of expertise and services.

Since there were no subcontracting opportunities for this Contract, there were no Disadvantaged Business Enterprise (DBE) forms required for submittal. The DBE Program Office has determined that SST is not certified as a DBE. Therefore, no DBE participation is anticipated during the performance of this contract.

Upon execution of the professional services agreement, SST will conduct a thorough review of the District's current plan and will make recommendations to improve the District's current plan structure, including recordkeeping, investments, and administration. SST will then develop a RFP package for a provider/vendor search no later than January 2009. Staff will report back to the Board with SST's findings and recommendations from the vendor search in March 2009.

Fiscal Impact

The consulting contract covers a period of five years. The FY 08/09 operating budget has sufficient funds to cover the cost of services for Year 1 of \$36,400. Future budgets will incorporate an annual amount of \$7,500 for each year's annual plan and investment review during Years 2 - 5 (FY 09/10 through FY 12/13).