



CITY COUNCIL AGENDA REPORT

MEETING DATE: AUGUST 4, 2015

ITEM NUMBER: CC-4

SUBJECT: AWARD CONTRACT FOR DEFERRED COMPENSATION PLAN MONITORING SERVICES

DATE: JULY 14, 2015

FROM: FINANCE DEPARTMENT

PRESENTATION BY: COLLEEN O'DONOGHUE, ASSISTANT FINANCE DIRECTOR

FOR FURTHER INFORMATION CONTACT: COLLEEN O'DONOGHUE (714) 754-5219

RECOMMENDATION

- 1) Award a contract for Deferred Compensation Plan monitoring services for one year to Benefit Funding Service Group ("BFSG"), in the total amount of \$25,000, with an option to extend the contract in four one-year periods.
- 2) Authorize the City Chief Executive Officer to sign and execute a professional services agreement with the selected firm. As approved by City Attorney's office.

BACKGROUND

The City has maintained Section 457 Deferred Compensation Plans since 1972, when the Executive Plan was adopted. In 1983, the City adopted a separate plan for non-executive staff. In 1991, the two plans were consolidated to streamline plan administrative activities and to obtain greater leverage when negotiating with vendors.

In 1998, the plan was amended to comply with provisions of the Small Business Job Protection Act of 1996 ("Act"). This amendment primarily set plan assets aside for the exclusive benefit of participants. Prior to the Act, assets in the plan were considered to be assets of the City and could be utilized to satisfy claims of creditors upon bankruptcy.

Part of the Act required employers to set up a trust, custodial account, or annuity contract for plan assets. In 2013, the plan was amended to set up a trust and designate the Administrative Committee ("Committee") as trustee. The amendment also included changes to comply with Federal and State legislation subsequent to the Act and other ministerial and administrative changes. The City engaged a consultant, Christopher Rowley of Benefit Funding Services Group, to assist the City with the amendment of the plan. The resolution approving the amendment can be found in Attachment 1.

ANALYSIS

As is noted above, a trust was created and the trustee is the Committee. The Committee consists of five members appointed by the City comprised of the following:

- Finance Director, Chairman
- Assistant Finance Director, Vice Chairman
- Human Resources Manager
- Two full-time employees participating in the plan who are appointed by the Chairman.

Trustees have a fiduciary responsibility which includes the selection of investments offered, monitoring the performance of investments, eliminating underperforming or risky investments, review of the reasonableness of plan costs, etc. Recent court rulings have expanded protections for participants in deferred compensation plans pursuant to lawsuits filed by plan participants. Since ongoing monitoring requires expertise and a sizable investment of time, staff recommends that the City obtain assistance from a firm that specializes in the area of monitoring Section 457 Deferred Compensation Plans. In addition, cost savings could be realized by participants from negotiating costs with the existing deferred compensation providers, Nationwide and California 457 Benefits.

Finance Department staff conducted an informal bid process and Requests for Quotation were sent to three firms. The City received annual quotes from two firms: Benefit Funding Services Group \$25,000 and SST Benefits Consulting \$47,500 (subsequent years \$41,000). After review of the proposals and quotes, the Finance Department recommends awarding the contract to Benefit Funding Services Group ("BFSG") based on qualifications and the lower cost. In addition, this firm assisted the City with the 2013 amendment and provided high quality services.

On June 30, 2015, the Committee approved the selection of BFSG.

ALTERNATIVES CONSIDERED

The City Council could choose to select SST Benefits Consulting instead of BFSG or to forgo hiring a consultant to monitor the plan. If a consultant is not hired, risk could increase in regard to internal management of the plan's investment options, performance, and plan costs.

FISCAL REVIEW

There is no net fiscal impact associated with these services, since costs incurred by the City will be reimbursed through anticipated cost savings in the plan. A budget adjustment is not proposed, since payments and receipts will be recorded in an Agency Fund liability account with all other financial activity related to the City's deferred compensation plan.

LEGAL REVIEW

The attached professional services agreement (Attachment 2) has been reviewed and approved as to form.

RECOMMENDATION

We are recommending that BFGS be awarded the deferred compensation plan monitoring contract based on the Finance Department review and approval by the Committee. The firm has a solid understanding of Section 457 deferred compensation plans and experience with other local governments.

STEPHEN DUNIVENT
Interim Finance Director

THOMAS DUARTE
City Attorney

Attachments: 1. [Resolution 13-14 adopting the amended and restated plan](#)
2. [Professional Services Agreement](#)