



# Board Agenda Item 40

DATE: November 24, 2020

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, Director of Human Resources

SUBJECT: Agreement with Northwest Capital Management to provide Consulting Services for the County of Fresno 457(b) Deferred Compensation Plan

RECOMMENDED ACTION(S):

**Approve and authorize the Chairman to execute an Agreement with Northwest Capital Management for consulting services related to the County of Fresno 457(b) Deferred Compensation Plan, effective December 13, 2020 through December 31, 2025, total not to exceed \$250,000.**

Approval of the recommended action will provide ongoing consulting services by Northwest Capital Management ("Northwest Capital") to the County of Fresno 457(b) Deferred Compensation Plan (the "Deferred Compensation Plan") at \$42,500 per year. Northwest Capital will also provide assistance with a Request for Proposal (RFP) process for the Deferred Compensation Plan Record-keeper (the current record-keeper is Nationwide Retirement Solutions), at a one-time fee of \$30,000. The Deferred Compensation Management Council (the "Council") is recommending a five-year agreement instead of a three-year agreement with two (2) one-year renewals, as the fee structure for the five-year term will result in an annual savings of \$2,500 to Deferred Compensation Plan participants. This item is countywide.

ALTERNATIVE ACTION(S):

Your Board may direct staff to consider other proposals received during the RFP process. In addition, your Board may approve a three (3) year agreement with Northwest Capital with two (2) optional one-year extensions. This option would increase the annual consulting fee by \$2,500.

FISCAL IMPACT:

There is no increase in net County cost associated with the recommended action. The Deferred Compensation Plan has discretionary administrative funds budgeted to pay for the cost of consulting services. The estimated maximum compensation of the Agreement is \$250,000, which includes an annual fee of \$42,500 and a separate one-time fee of \$30,000 for assistance with the RFP for the Deferred Compensation Plan Record-keeper. In addition, \$7,500 is allotted to cover any additional costs, such as in-person meetings in excess of five (5) per year.

DISCUSSION:

The Deferred Compensation Plan allows participating County employees to defer pre-tax and after-tax dollars into a variety of investment options for the purpose of saving for retirement. Currently, the Plan has approximately 6,800 participants and \$300 million in assets. The Council, comprised of the County Administrative Officer (the "CAO"), Auditor-Controller/Treasurer-Tax Collector, Director of Human Resources, Retirement Administrator, one (1) Department Head appointed by the CAO and two (2)

Members-At-Large appointed by your Board, is responsible for making a recommendation to your Board regarding Deferred Compensation Plan consulting services.

The Deferred Compensation Plan uses a consultant for an independent review of the current investment options, recommendations regarding any changes to the investment options, development of investment objectives, the provision of fiduciary education services to the Deferred Compensation Management Council and to monitor the performance of the Deferred Compensation Plan Record-keeper. In addition, the consultant has provided oversight and analysis in the RFP process to select the Deferred Compensation Plan Record-keeper.

On November 17, 2015, your Board executed Agreement No. 15-597 with Northwest Capital dba Heintzberger-Payne Advisors. The Agreement provided for a five (5) year term, ending December 13, 2020. Therefore, RFP No. 20-056 requesting proposals for vendors to provide 457(b) Deferred Compensation Plan Consultant Services, was released on May 13, 2020 and closed June 11, 2020. Seven (7) vendors responded to the RFP with qualifying bids: AndCo Consulting, Cammack LaRhette Advisors, Hyas Group, Innovest Portfolio Solutions, NFP Retirement, Northwest Capital Management, and Retirement Plan Advisors.

The RFP review committee rated the proposals with regard to:

- Proposing firm's responsiveness to the RFP.
- Proposing firm's inclination and ability to accept the terms and conditions of the model County of Fresno contract.
- Qualifications and capability of proposing firm and key personnel assigned to the County Plan, as demonstrated in the Scope of Work Requirements section.
- Demonstrated ability of proposing firm to successfully provide the services outlined in the Scope of Work with emphasis on experience providing these services to 457(b) deferred compensation plans of comparable size and nature in California.
- Cost, as submitted under the Cost Proposal section.

The review committee met on Wednesday, August 5, 2020 to discuss the proposals, with a County Purchasing Analyst in attendance to observe the proposal evaluation process. After discussing each proposal in detail, the review committee determined that Northwest Capital Management, although not the lowest-cost bidder, was the strongest candidate for the County's Deferred Compensation Consultant Services, as their bid provided participants with the greatest value. Due to the overall strength of Northwest Capital's proposal, and their standing as the top-rated vendor, the review committee further determined that finalist interviews were not necessary to select the winning bidder.

A summary of the key factors leading to the review committee's determination is as follows:

- Northwest Capital demonstrated the most in-depth research and analysis of investments:
  - They use proprietary research tools, rather than using "off the shelf" research.
  - They were the only bidder to demonstrate a special process for reviewing and assessing Stable Value Funds.
  - They conduct on-site visits of major record-keepers and investment managers.
  - They have an Investment Committee that meets weekly.
- Northwest Capital demonstrated the strongest strategy for monitoring performance of the Deferred Compensation Plan and the Record-keeper.
- Northwest Capital demonstrated the strongest Plan Record-keeper RFP process.

At the September 8, 2020 Deferred Compensation Management Council special meeting, the review committee presented the information above for the Council's consideration. The Council concurred with the review committee's recommendation and voted unanimously to recommend that County of Fresno Purchasing issue a tentative award notice to Northwest Capital Management for RFP No. 20-056.

In addition, the Council voted unanimously to further recommend that your Board approve a five-year agreement instead of a three-year agreement with two (2) optional one-year extensions. The recommendation was based on the fee structure contained in Northwest Capital's proposal: the proposed annual fee was \$45,000 for the three-year initial term with two (2) one-year renewals and \$42,500 for the five-year term. Staff is further recommending that the agreement run through December 31 of 2025, as it is easier to administer this agreement on a calendar year basis.

Staff would like to note that Northwest Capital proposed Commercial General Liability Insurance of \$3 million annual aggregate and \$1 million per occurrence, while the model County agreement includes limits of \$4 million annual aggregate and \$2 million per occurrence. The review committee was aware of this exception when the bid was chosen.

REFERENCE MATERIAL:

BAI #42, November 17, 2015

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with the Clerk - Agreement

CAO ANALYST:

Yussel Zalapa