



Inter Office Memo

DEPARTMENT OF
PERSONNEL SERVICES

ITEM 9

DATE: August 27, 2015

TO: Deferred Compensation Management Council

FROM: Hollis Magill, Principal Personnel Analyst Hollis Magill

SUBJECT: RFP No. 964-5342, Deferred Compensation Plan Consultant Services

BACKGROUND

The Board of Supervisors approved Agreement #11-731 with Heintzberger-Payne Advisors on December 13, 2011. The Agreement provided for a three (3) year term (ending December 12, 2014) with two (2) one-year extensions upon written consent of both parties. As your Council is aware, the Board of Supervisors approved the first one-year extension on May 20, 2014.

Pursuant to Section 11.2(d) of the Deferred Compensation Plan Document, your Council has the responsibility to recommend the appointment of a Deferred Compensation Plan Consultant to the Board of Supervisors. Therefore, at the March 16, 2015 Deferred Compensation Management Council meeting, your Council appointed Beth Bandy and Kari Gilbert to the Proposal Evaluation Committee (RFP Committee). The RFP Committee had the responsibility to review and evaluate the written proposals submitted, identify the proposals that best meet the needs of the County, interview the top finalists (if necessary) and recommend a winning bidder to your Council.

ISSUE

RFP No. 964-5342, requesting proposals for vendors to provide 457(b) Deferred Compensation Plan Consultant Services, was released on April 15, 2015 and closed May 14, 2015. Six (6) vendors responded to the RFP: Hyas Group, SST Benefits Consulting, Advanced Capital Group, Milliman Investment Consulting, Heintzberger-Payne Advisors, and Buck Consulting. All of the bids met the minimum qualifications and were evaluated.

The RFP 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 Vendor Company Data 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 RFP Committee met on Monday, June 22, 2015 to discuss the proposals, with the County Purchasing Manager in attendance to observe the proposal evaluation process. Proposals were rated on the following scale: Excellent, Good, Moderate, Poor, and Insufficient. The table below includes a summary of the ratings.

Rater	Heintzberger-Payne Advisors	SST Benefits Consulting	Hyas Group	Buck Consulting	Milliman Investment Consulting	Advanced Capital Group
1	Excellent	Excellent	Good	Moderate	Moderate	Poor
2	Excellent	Good	Good	Good	Good	Moderate
3	Good	Good+	Good	Moderate	Moderate	Moderate
4	Excellent	Excellent	Good	Moderate	Moderate	Poor
5	Excellent	Good	Excellent	Moderate	Poor	Moderate

While the ratings above accounted for the recurring and one-time fees proposed by each vendor, a summary of each cost proposal is below (listed lowest to highest cost, by **five year cost**):

Vendor	Annual Consulting	RFP Process	Three Year Total Cost	Five Year Total Cost
SST Benefits Consulting	\$29,500	\$36,400	\$124,900	\$183,900
Heintzberger-Payne ¹	\$43,500	\$30,000	\$160,500	\$230,000
Hyas Group ²	\$47,000	\$45,000	\$194,000	\$300,000
Milliman Investment Consulting	\$55,000	\$50,000	\$215,000	\$325,000
Advanced Capital Group ³	\$60,000	\$25,000	\$205,000	\$338,200
Buck Consulting ⁴	\$135,000	\$80,000	\$485,000	\$680,000

¹ The Annual Consulting fee decreases from \$43,500 to \$40,000 if the County agrees to a 5-year term.

² Annual fees increase by \$2,000 per year, regardless of 3 or 5 year agreement.

³ Pricing for years 4 & 5 will increase based on CPI, from the start of the agreement; the total cost numbers assume for years 4 & 5 to be \$65,600 and \$67,600, respectively, based on 3% inflation.

⁴ The Annual Consulting fee decreases from \$135,000 to \$120,000 if the County agrees to a 5-year term.

After discussing each proposal in detail, the RFP Committee determined that **Heintzberger-Payne Advisors** was the strongest candidate for the County's Deferred Compensation Consultant Services. Due to the overall strength of Heintzberger-Payne's proposal, and their standing as the top-rated vendor, the RFP Committee further determined that finalist interviews were not necessary to select the winning bidder⁵. A summary of the key factors leading to the RFP Committee's determination is provided below.

Summary of Key Factors:

- Heintzberger-Payne demonstrated the most in-depth research and analysis of investments:
 - Conduct on-site visits of major record-keepers.
 - They have an Investment Committee that meets weekly.
 - Meet with fund managers before recommending a fund to clients.
 - Conduct 3 in-person meetings and 1-2 conference calls with fund managers per week.
 - They provide best practices seminars for Target-Date and Stable Value products, as well as a sample RFP for Stable Value products and are developing an RFP for Managed Account Services.
- Heintzberger-Payne has a plan in place for monitoring performance of the Deferred Compensation Plan and the Record-keeper:
 - Developing a report that includes "plan health" metrics, current initiatives/goals and progress summary, as compared to the contractual obligations of the record-keeper.
- Heintzberger-Payne has strong overall qualifications:
 - They have a knowledgeable team in place, with over 100 years of combined experience.
 - They provide services for a good mix of government and corporate plans, which enhances their knowledge of ERISA compliance.
- Heintzberger-Payne has submitted the second-lowest cost proposal, providing at least a 13% decrease over the current annual fee.

RECOMMENDED ACTIONS

1. **Recommend to the Board of Supervisors that they select Heintzberger-Payne Advisors as the Deferred Compensation Plan Consultant.**
2. **Recommend to the Board of Supervisors that they execute a five-year agreement with Heintzberger-Payne Advisors, as the discounted rate under a five-year agreement will save Deferred Compensation Plan participants \$3,500 per year.**

⁵ The RFP/RFQ Guidelines do not require interviews with potential vendors to determine a winning bidder.