



Legislation Text

File #: 15-4421, Version: 1

A Resolution authorizing the issuance of a Request for Proposals (RFP) to consolidate record keeping providers of the City's deferred compensation and defined contribution plans; further authorizing the use of The Bogdahn Group to serve as plan consultant to the City and fiduciary to the above plans, and further authorizing the execution of the associated documents necessary to implement the intent of this Resolution. *(At the request of IAFF leadership, the IAFF participants will not be included in this RFP and will remain with Nationwide).*

In May of 1986, Resolution No. 25652 authorized three different recordkeeping providers (ICMA, AETNA- now VOYA, and PEBSCO - now Nationwide) in various combinations to administer the deferred contribution (457(b)) and defined contribution (401(a)) retirement plans for the City. All three current providers offer a deferred contribution (457(b)) plan to all employees and ICMA also provides a defined contribution (401(a)) plan to certain employees (City Manager, City Attorney, Assistant City Managers, Deputy City Attorney). Total plan assets for all three are approximately \$60 million, with approximately 770 total participants (active and retirees).

In June 2015, the City Manager formed an Ad Hoc Defined Contribution Plan(s) Review Committee, constructed of representatives from employee groups eligible to participate in the plans including police officers, firefighters, union members, excluded employees and retirees. This Committee has been given the responsibility to review whether the plans are being administered under well documented "best practices" relating to fees, investments, participant education and administration on behalf of eligible employees and retired participants, as well as, whether or not consolidation to one record keeping provider was warranted.

Research and actual results in the marketplace strongly support using a single record keeper in order to reduce complexity for participants and significantly decrease administrative expenses. Using multiple vendors makes it difficult for employees to make a sound investment decision because there are too many funds and platforms to learn and understand. Further there are currently multiple instances of fund duplication, and it is very confusing when different providers offer similar investments but at different price points. With a single vendor, plan sponsors can still provide a diversity of investment choices to participants but with a much simpler and more cohesive experience for participants.

As fiduciary, the City must be able to show that we have engaged in meaningful analysis and comparison of our plan providers and their fees. Additionally, the Department of Labor, as a best practice, suggests that "plans normally conduct RFPs from service providers at least once every three to five years." To meet the goals listed above and ease the fiduciary responsibility of the City, the Committee voted unanimously to issue an RFP for bundled (consolidated) administration of the 401(a) and 457(b) plans.

The primary objectives of the RFP review and selection process will be to:

- 1) Lower participant expenses;
- 2) Enhance the participant experience;
- 3) Simplify and consolidate the investment menu using a City directed fund menu.

Primary considerations and benefits of transitioning to a single vendor, include:

- 1) Significantly reduce participant costs;
- 2) Reduces fiduciary liability;
- 3) Provides the optimal level of participant engagement, reduces participant confusion, and increases the chances that an employee will create enough savings to retire with dignity;
- 4) Streamlines City administrative involvement, reducing future time and expense.

To the extent that public plan fiduciaries are not expected to have specialized knowledge in this area, they are encouraged

to hire prudent experts to help:

- Select, monitor (on a regular basis) and replace plan investments as needed;
- Identify, understand, and monitor all plan costs and fees;
- Determine if plan costs are reasonable;
- Assist with the ongoing evaluation and monitoring of the plans.

The Committee unanimously recommended The Bogdahn Group to serve in this role based on their existing performance as consultant of the City's pension plans, financial economies and their status as an independent, registered full-service consultant with deep expertise providing these services to defined contribution plan clients. Consulting fees, as part of the new best-practice model, will be on a flat fee basis, replacing the higher level of fees that are currently being charged directly to the plan participant's accounts. These reduced fees will continue to be paid by the participants of the plan, and will be covered by the savings generated in the new model. The Bogdahn Group will serve as a fiduciary to the plans. The Bogdahn Group will be hired under Section 2-678 (24) of the Procurement Code, which exempts the hiring of "consultants for professional services with special skills, abilities, expertise or of a technical nature as determined by the Chief Procurement Officer."

The International Association of Firefighters, Local 1210, (IAFF), has requested that their members not be included in this consolidation RFP. IAFF leadership has informed City staff that they are happy with services provided by Nationwide and the commitment Nationwide has made to the National IAFF, and therefore want to remain with Nationwide for their deferred compensation needs. City staff does not object to this request. Omitting a specific bargaining group due to the preferences of their membership would not jeopardize the remaining RFP, and individual IAFF participants could utilize the firm that is selected through this process should they so choose. City staff therefore recommends moving forward with the consolidation RFP and excluding the IAFF participant group.