



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JANUARY 5, 2020

FROM: FINANCE DEPARTMENT

WARDS: ALL

SUBJECT: APPROVE THE PROFESSIONAL SERVICES AGREEMENT WITH SHUSTER ADVISORY GROUP, LLC AS THE CITY'S DEFINED CONTRIBUTION PLAN CONSULTANT AND INVESTMENT ADVISOR FOR THE PLAN IN ACCORDANCE WITH PURCHASING RESOLUTION NO. 23256, SECTION 702 (G).

ISSUE:

Approve the Professional Services Agreement with Shuster Advisory Group, LLC as the City's Defined Contribution Plan Consultant and Investment Advisor for the Plan in Accordance with Purchasing Resolution No. 23256, Section 702 (g).

RECOMMENDATIONS:

That the City Council:

1. Approve the Professional Services Agreement with Shuster Advisory Group, LLC., in accordance with Purchasing Resolution 23256, Section 702 (g) and;
2. Authorize the City Manager, or designee, to execute the Professional Services Agreement with Shuster Advisory Group, LLC., and all related documents, including making any minor non-substantive changes as necessary to effectuate the Agreement.

BACKGROUND:

The City of Riverside currently offers 457b and 401a deferred compensation plans to all eligible benefited City employees. Since 1988, the contracted providers for these services had been Empower Retirement (formerly Great -West Retirement Services) and ICMA Retirement Corporation, with both contracts expiring on June 30, 2017. In October 2016, the Human Resources Department conducted a Request for Proposal (RFP) for administrative oversight and recordkeeping of the City's 457 and 401a deferred compensation plans. The RFP process was conducted through the City's procurement process and coordinated by the City's Deferred Compensation Consultant, Benefit Financial Services Group (BFSG). The City's Deferred Compensation (DC) selection committee, comprised of City management and Union represented employees, reviewed the proposals. After a comprehensive and thorough review of the top three vendors, the DC selection committee unanimously decided to select one of the

current program providers, ICMA -RC, as the sole deferred compensation provider for the City of Riverside.

DISCUSSION:

Under Section 457(b) of the Internal Revenue Code, government entities may sponsor a deferred compensation plan, while meeting fiduciary responsibilities under California law, to allow employees to defer income tax on retirement savings into future years. Under the California State Constitution, Article XVI Section 17, government entities that sponsor a 457(b) plan have fiduciary responsibilities to ensure the operation and investment of the public retirement plan is for the exclusive purpose of providing benefits to participants and beneficiaries. The fiduciary responsibilities are to:

- Invest the assets of the plan,
- Administer the plan,
- Engage in a prudent process for making all decisions related to the operation of the plan, including decisions related to the plan's investments and related services.

As a fiduciary, the City has a responsibility to control the investment choices made available in the 457(b) and 401(a) plans. The City has worked with Benefit Financial Services Group (BFSG) as the plan's financial consultant to assist the City in administration and fiduciary oversight of the plans for well over 10 years. In addition, the City has a fiduciary responsibility to ensure plan fees and investment expenses are reasonable. The City has an internal Deferred Compensation Committee (DCC) made up of City Management personnel. The DCC has managed the investment selection and review process utilizing information and guidance provided by the current financial advisor.

Because of the complexity of the investment process, plan sponsor responsibilities and increased fiduciary liability, staff felt it prudent to ensure that consultant services provided for a plan the size of the City's exceeded expectations. As a result, an RFI was issued and discussions were held to explore financial advisor services. In addition, staff met with Shuster Advisory Group, LLC., a leading retirement plan consulting firm in the public and private sector, to learn more about recent trends affecting the Defined Contribution marketplace and laws governing fiduciary requirements for the operation and investment of the City's sponsored plans. Based on the information provided, staff determined that a change was needed in its financial consultant advisor in order to best address the continually evolving fiduciary responsibilities and most expertly manage options related to the City's Defined Contribution plans.

Since the City of San Bernardino recently performed an RFP for the award of a Defined Contribution Plan financial advisor which included a proposal from the City's current financial advisor, and Shuster Advisory Group, LLC., was deemed by the City of San Bernardino to be the most qualified financial advisor with the firm offering the same or better price to the City this acquisition complies with Purchasing Resolution No. 23256, Section 702 (g) which states, "When Services can be Procured from a Contractor who offers the same or better price, terms and conditions as the Contractor previously offered as the Lowest Responsive Bidder under Competitive Procurement or negotiations conducted by the City or another public agency, provided that, in the opinion of the Manager, it is in the best interests of the City to do so".

The Purchasing Manager concurs that this purchase is in compliance Purchasing Resolution No. 23256, Section 702 (g).

FISCAL IMPACT:

The proposed action has no fiscal impact to the City. The 457(b) plans earnings belong to the plan's participants and all costs incurred are paid for from the plan resources. This is a three-year contract with one two-year option. Shuster Advisory Group, LLC will be paid \$48,000 annually from plan resources.

Prepared by: Edward Enriquez, Chief Financial Officer/City Treasurer

Certified as to

availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer

Approved by: Moises Lopez, Deputy City Manager

Approved as to form: Kristi J. Smith, Interim City Attorney

Attachments: Professional Services Agreement with Shuster Advisory Group, LLC