

# Agenda Report

**TO:** CITY COUNCIL                      **DATE:** SEPTEMBER 17, 2001

**FROM:** CITY MANAGER

**SUBJECT:** AUTHORIZATION TO ENTER INTO A CONTRACT WITH SST BENEFITS CONSULTING & INSURANCE SERVICES INC., TO ASSIST WITH THE SOLICITATION AND EVALUATION OF PROPOSALS FOR DEFERRED COMPENSATION PLAN PROVIDER(S)

Recommendation:

It is recommended that the City Council:

- i) authorize a contract with SST Benefits Consulting & Insurance Services Inc., in an amount not to exceed \$50,000 to assist the City in undertaking a solicitation and evaluation of proposals for Deferred Compensation Plan provider(s). The proposed contract is exempt from Competitive Bidding pursuant to City Charter Section 1002[F], professional or unique services;
- ii) grant the proposed contract an exemption from the Competitive Selection process the Affirmative Action in Contracting Ordinance, pursuant to P.M.C. Section 4.09.060[C], contracts for which the City's best interests are served;

Recommendation of the Deferred Compensation Oversight Committee:

On July 17, 2001 the Deferred Compensation Oversight Committee voted unanimously to recommend that the City undertake a selection process for deferred compensation plan provider(s) and on September 4, 2001 supported the staff recommendation to utilize the services of SST Benefits and Insurance Services Inc., to assist in the solicitation and evaluation process.

Background:

On June 25, 2001 The City Council, acting in its role as Trustee for the City's Deferred Compensation Plan, received a report prepared by Mercer Investment Consulting that examined the performance of selected deferred compensation investment options. This was the first time since the inception of the City's program that such analysis had been performed and is indicative of a more proactive approach towards the management of the Plan. Other recent significant activities have included: the establishment of an oversight

committee, codification of an amended and restated plan document and the approval of recommendations to rationalize investment options.

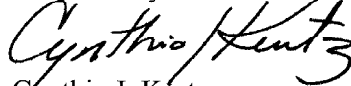
Consistent with its fiduciary responsibility, staff believes it is appropriate at this time for the City to solicit proposals for Deferred Compensation Plan providers, i.e., put the investment options out for competitive tender. This recommendation is based on several factors. Most importantly, the investment providers/options have never been subjected to a competitive process. And while there are no major concerns with the current providers, save for John Hancock, which has indicated that it is departing from the Deferred Compensation industry, testing the marketplace on a periodic basis is appropriate. Moreover, a selection process is likely to result in a reduction in the number of providers, which is expected to improve efficiency of administration and result in lower fees paid by participants.

Given the complexities of a selection process of this nature coupled with the desire to make the most informed decision possible, staff recommends that the City engage the services of a qualified professional services firm to assist in this effort. Normally, when seeking to engage such a consultant, staff would initiate a competitive selection process, as outlined in the Affirmative Action in Contracting Ordinance. However, in this case that would, in effect, mean the City would be preparing a request for proposals to identify a firm to prepare a request for proposals. Nevertheless, staff did obtain informal proposals from three highly qualified firms: Mercer Consulting, Salomon Smith Barney and SST Benefits Consulting & Insurance Services Inc. Based on the proposals and interviews with staff, the firm of SST Benefits Consulting & Insurance Services Inc., was determined to be the best qualified and least expensive to assist in this particular engagement. Staff is recommending a contract award on that basis.

Fiscal Impact:

Sufficient funds are available in the Benefits and Insurance Fund account 504-321000-8115.

Respectfully submitted



Cynthia J. Kurtz  
City Manager

Approved by:



Jay M. Goldstone  
Director of Finance

Prepared by:



Steve Mermell  
Purchasing Administrator