

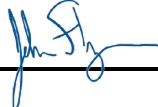
Memorandum

**TO: Board of Administration for the Federated
City Employees' Retirement System**
**SUBJECT: Governance Services Request For
Proposal (RFP) Results**

FROM: John Flynn

Date: April 17, 2025

APPROVED:



DATE: April 2, 2025

RECOMMENDATION

Discussion and action on the results of the Request for proposal ("RFP") for governance services, including Board authorization for the Chief Executive Officer (CEO) to negotiate and execute an agreement with Aon, Inc for a term of 6 years for an amount not to exceed \$812,000, with four (4) one-year options to extend..

BACKGROUND

Federated

The Federated Board selected Cortex as their governance consultant in August 2011 following a request for quote for board governance consulting services.

- The board entered into a one-year agreement with Cortex for a not to exceed amount of \$100,000.
 - A first amendment to this contract extended the agreement to December 31, 2013 and increased the maximum compensation by \$100,000 to \$200,000.
 - A second amendment was executed to extend the contract to December, 21, 2014 and increased the maximum compensation by \$100,000.
- In May 2016, the Board entered into a new contract with Cortex, with a term date of June 30, 2017 for a not to exceed amount of \$50,000.
 - A first amendment to this contract extended the term to June 30, 2018 and increased the maximum compensation by \$5,000.
 - A second amendment to this contract extended the term to June 30, 2019 and increased the maximum compensation by \$45,000.
- In August 2016, the Board entered into a new contract with Cortex for a Board retreat services with a term date of August 31, 2016 for a not to exceed amount of \$25,000
 - A first amendment to this contract extended the term to October 31, 2016
- In July 2019, the Board entered into a new contract with a term date of June 30, 2020 for a not to exceed amount of \$45,000
- In July 2020, the Board entered into a new contract with a term date of June 30, 2021 for a not to exceed amount of \$45,000
 - A first amendment to this contract extended the term to December 31, 2021 and increased the maximum compensation by \$25,000.
 - A second amendment to this contract extended the term to December 31, 2022 and increased the maximum compensation by \$30,000.

- In January 2023, the Board entered into a new contract with a term date of June 30, 2023 for a not to exceed amount of \$30,000
 - A first amendment to this contract extended the term to December 31, 2024 and increased the maximum compensation by \$20,000.
 - A second amendment to this contract increased the maximum compensation by \$25,000
 - A third amendment to this contract extended the term to March 31, 2025 and increased the maximum compensation by \$5,000.

Police and Fire

The Police and Fire Board selected Cortex as their governance consultant in August 2011 following a request for quote for board governance consulting services.

- The board entered into a one-year agreement with Cortex for a not to exceed amount of \$100,000.
 - A first amendment to this contract extended the agreement to December 31, 2013 and increased the maximum compensation \$100,000 to \$200,000.
 - A second amendment was executed to extend the contract to December, 21, 2014 and increased the maximum compensation by \$75,000.
- In May 2016, the Board entered into a new contract with Cortex, with a term date of June 30, 2017 for a not to exceed amount of \$50,000.
 - A first amendment to this contract extended the term to June 30, 2018 and increased the maximum compensation by \$5,000.
 - A second amendment to this contract extended the term to June 30, 2019 and increased the maximum compensation by \$45,000.
- In January 2016, the Board entered into a new contract with Cortex for a Board retreat services with a term date of March 31, 2016 for a not to exceed amount of \$20,000
- In July 2019, the Board entered into a new contract with a term date of June 30, 2020 for a not to exceed amount of \$45,000
- In July 2020, the Board entered into a new contract with a term date of June 30, 2021 for a not to exceed amount of \$45,000
 - A first amendment to this contract extended the term to December 31, 2021 and increased the maximum compensation by \$25,000.
 - A second amendment to this contract extended the term to December 31, 2022 and increased the maximum compensation by \$30,000.
- In January 2023, the Board entered into a new contract with a term date of December 31, 2023 for a not to exceed amount of \$30,000
 - A first amendment to this contract extended the term to December 31, 2024 and increased the maximum compensation by \$20,000.
 - A second amendment to this contract increased the maximum compensation by \$25,000.
 - A third amendment to this contract extended the term to March 31, 2025 and increased the maximum compensation by \$5,000.

Given the current contract for governance services is ending on March 31, 2025, staff issued an RFP for Governance services on December 19, 2024, with RFP responses due January 31, 2025.

ANALYSIS

Summary of Firms

Below is a summary of firms who submitted RFP responses:

AON Consulting

Aon is a global firm, with more than 60,000 employees and clients in over 120 countries. Aon has been providing governance services to clients since 2004. Work on this engagement would be primarily performed from their Chicago, Illinois office.

Cortex Consulting, Inc

Cortex is a boutique consulting firm and consists of two employees. The firm is based in Toronto, Canada. Cortex Applied Research was founded in 1991, in 2022, the company was rebranded as Cortex Consulting. The firm has been providing governance services to the Board since 2011.

Funston Advisory Services, LLC

Funston Advisory Services LLC (FAS) was founded in 2010 and has been offering services to public retirement systems and other large institutional investors since that time. Funston work with a network of about twenty public pension retirement system experts who operate as independent subcontractors.

Global Governance Advisors

Global Governance Advisors (GGA) is an independent board advisory firm that has been incorporated in Canada and the United States, working in the area of board governance since 2009. GGA is incorporated in the state of Florida and the province of Ontario Canada. The senior public pension leads work out of the Canadian office in Toronto Ontario. The firm has 11 employees.

Segal Co

Segal was founded in 1939 and is a consulting firm consisting of actuaries and consultants for retirement and health plans, employee communications specialists, technology and operational experts, specialty insurance brokers, human resource experts and investment consultants. The firm is headquartered in New York, the operating subsidiaries of The Segal Group, Inc. employ more than 1,100 employees throughout the U.S. and Canada.

Evaluation Process

The RFP evaluation team consisted of two staff members: the CEO and the Deputy Director. Each evaluator scored the vendor RFP responses using the same criteria. Evaluator scores were tallied, and a total score calculated for each evaluator. Using the evaluator total scores, an average total score was calculated for each vendor.

The criteria used to evaluate the proposals is shown in the table below:

	Overall Weighting
Proposal Responsiveness	Pass/Fail
Experience and Qualifications and Accomplishments	25%
General Requirements, including	25%

Firm’s capabilities and references	
Professionalism/Consultant Approach	25%
Value of Cost/Fee Structure/Cost Proposal	15%
Local Business Enterprise	5%
Small Business Enterprise	5%
TOTAL SCORE	100%

Below is a summary of the cost proposals of fixed fee services for Board Self-Assessment, CEO/CIO Performance Evaluations, Strategic Planning and Hourly Rates. There were many other components to the costs, however, these were common among the vendors for comparison purposes. Cortex, the Boards current governance consultant, did not include a completed cost form with their submitted proposal.

<u>Fixed Fee Services</u>	Aon*	Cortex**	Funston	Global Governance Advisors***	Segal
Board Self-Assessment	\$12,000	N/A	\$24,100	\$43,000 (Deep Dive) \$15,000 (Follow-up)	\$5,000
CEO and CIO Performance Evaluations	\$10,000	N/A	\$16,100	\$18,000	\$10,000
Strategic Planning	Not specified	N/A	\$57,000-\$110,000	\$35,000	Not specified
Hourly Rates	\$600 (blended rate)	Consultant-\$400 Admin-\$100	\$500-\$700	\$650	Sr Consultant - \$345 Sr VP - \$580 Analyst - \$275-\$345
Rate increases over 6 year contract period	Not specified	N/A	6% in 3 rd thru 6 th year.	3% per annum	3% per annum

*Aon’s cost proposal provided an all inclusive, fixed fee option, of \$55,000, which includes strategic planning.

**Cortex, the Boards current governance consultant, did not include a completed cost proposal form with their RFP response, which impacted their scoring. Within the body of the RFP response, they stated they offer fixed cost pricing for projects where a specific scope of work has been negotiated.

***Global Governance Advisors, for the Board self-assessment, the vendor is proposing years 1, 2, 5, & 6 (Deep Dive) and years 3, 4 (Lighter Follow Up).

	Aon	Cortex	Funston	Global Governance Advisors	Segal
Average Scores	78.25	62.00	77.25	75.50	77.38

The top three scoring vendors, Aon, Segal and Funston, were invited to interview at the March 14, 2025 Joint Governance Committee meeting. The Governance committee members along with the Chief Executive Officer (CEO) and the ORS Deputy Director, evaluated the vendors following the interviews and identified Aon, Inc as the best-fit for providing Governance services.

Contract Cost Analysis

Below shows the estimated costs over 10 years.

	Services included in Fixed Fee	Hours for work outside scope	rate for work outside scope	Hourly Work	Total
Year 1	\$27,500	75	\$600	\$45,000	\$72,500
Year 2	\$27,500	75	\$600	\$45,000	\$72,500
Year 3	\$27,500	75	\$600	\$45,000	\$72,500
Year 4	\$27,500	75	\$600	\$45,000	\$72,500
Year 5	\$27,500	75	\$600	\$45,000	\$72,500
Year 5	\$27,500	75	\$600	\$45,000	\$72,500
Year 6	\$27,500	75	\$600	\$45,000	\$72,500
Year 7	\$27,500	75	\$618	\$46,350	\$73,850
Year 8	\$27,500	75	\$637	\$47,741	\$75,241
Year 9	\$27,500	75	\$656	\$49,173	\$76,673
Year 10	\$27,500	75	\$675	\$50,648	\$78,148
					\$811,411

Hourly Rate assumes 3% increase in years 7-10

CONCLUSION

After a thorough review of the RFPs, the Governance Committee, CEO and Deputy Director determined that Aon Inc was the best option for the Board.

Staff recommend the Board authorize the CEO to negotiate and execute an agreement with Aon Inc for a term of 6 years for an amount not to exceed \$812,000, with four (4) one-year options to extend for governance services.

John Flynn
CEO, Office of Retirement Services