

DATE: October 1, 2026

TO: Deferred Compensation Advisory Committee

FROM: Jay Castellano, Employee Benefits

SUBJECT: SELECTION OF INVESTMENT-FIDUCIARY CONSULTANT

RECOMMENDATION

Approve the selection of Innovest Portfolio Solutions, LLC (Innovest) as the County's Defined Contribution Investment-Fiduciary Consultant and authorize staff to proceed with contract negotiations, subject to final approval by the Board of Supervisors.

SUMMARY

Following a competitive request for proposals and finalist interview process, the selection committee—consisting of trustees Lisa Okada, Laurel Finnegan, Rob Raw and Gabe Aponte—determined that Innovest submitted the strongest overall proposal. All four proposers were invited to the finalist stage, reflecting a strong field of qualified firms. Innovest distinguished itself through its public-sector defined contribution expertise, demonstrated knowledge of the County's program, experienced consulting team, independent fee-only business model, disciplined fiduciary and investment oversight process, and competitive pricing.

Innovest has served the County since 2022. Its incumbent status provided useful institutional knowledge, but the recommendation is based on the comparative strength of its proposal and finalist responses rather than continuity alone. The selection committee specifically tested whether Innovest could continue to challenge its own recommendations and advance the program rather than preserve the status quo. Innovest identified participant protections involving managed-account solicitation and recordkeeper-initiated rollovers as areas for enhanced oversight during the next contract period and proposed a broader Participant Outcomes Initiative focused on those issues.

Innovest's proposed annual consulting fee begins at \$49,000 and was the lowest initial fee among the four finalists.

BACKGROUND

The County's current investment-fiduciary consulting agreement expires in December 2026. Procurement of investment advisory services was identified as a 2026-27 DCAC workplan priority. The consultant supports the



DCAC in carrying out its fiduciary responsibilities through investment selection and monitoring, Investment Policy Statement oversight, fee and share-class reviews, vendor and recordkeeper oversight, fiduciary education, governance support, and related strategic consulting.

The County issued a request for proposals on July 31, 2026. Four firms submitted proposals: Creative Planning Institutional Advisors (CPIA), Innovest, Morgan Stanley Fiduciary Consulting Group, and Wealthspire. The proposals were evaluated on Project Approach, Firm Qualifications, Team Qualifications, and Price. After reviewing the written proposals, all four firms were invited to finalist interviews. Before the actual interviews, Morgan Stanley elected to withdraw from the competition because scheduling conflicts prevented them from delivering a proposal that met their standards.

DISCUSSION

The selection committee found all the three remaining finalists capable of performing the required services. Innovest's proposal was strongest overall because its advantages were evident across the principal evaluation criteria rather than being concentrated in a single area.

PROJECT APPROACH

- County-specific understanding and demonstrated results. Innovest's proposal was grounded in its experience with the County's program and identified work completed since 2022 in investment-menu restructuring, share-class optimization, recordkeeper consolidation and benchmarking, stable value due diligence, governance, fiduciary education, cybersecurity review, SECURE 2.0 support, and vendor oversight.
- Disciplined fiduciary process. Innovest emphasized that defensible investment decisions depend on a consistent, documented process rather than attempts to predict future performance. Its investment policy, monitoring criteria, watch-list structure, and recommendation process provide a clear record supporting DCAC decisions.
- Commitment to continuous improvement. During the finalist process, Innovest acknowledged the risk of incumbent complacency and committed to reassessing prior recommendations as market practices, technology, participant services, and fiduciary risks evolve. It specifically identified enhanced oversight of managed accounts and recordkeeper-initiated rollovers as priorities for the next engagement.
- Governance and committee support. The proposed service model includes quarterly meetings, customized reporting, annual fee and share-class reviews, Investment Policy Statement support, fiduciary education, vendor management, and assistance with competitive procurements and conversions.

FIRM QUALIFICATIONS

- Public-sector specialization. Innovest reports serving more than 175 public plans with more than \$35 billion in assets under advisement, including substantial California governmental defined contribution experience.
- Relevant comparable clients. Its experience includes the County of Santa Clara, Santa Clara Valley Water District, and other governmental multi-plan clients where Innovest

has performed governance, investment oversight, fee benchmarking, vendor searches, and investment-menu improvements.

- Independence. Innovest is an independent, fee-only firm that does not manufacture proprietary investment products, receive commissions, or benefit from participant rollovers. The Selection committee viewed this structure as supportive of objective advice on investments, recordkeepers, participant services, and other plan decisions.
- Fiduciary risk perspective. Innovest's expert-witness experience provides additional insight into governance, documentation, and process failures that can expose plan fiduciaries to risk.

TEAM QUALIFICATIONS

- The proposed team, led by Rick Rodgers, AIFA, Principal, and Tomas Jansson, Vice President, combines substantial public-sector retirement-plan experience with direct knowledge of the County's plans, DCAC practices, and service providers.
- The team's existing relationship with staff and the DCAC reduces transition risk while preserving accountability for continued improvement. The proposal also reflects a hands-on consulting model and access to broader Innovest investment, research, governance, and fiduciary resources.

PRICE AND VALUE

- Innovest proposed the lowest starting annual fee at \$49,000. The fee includes the principal services required by the RFP, including investment consulting, quarterly meetings and reporting, fee monitoring, governance support, fiduciary education, vendor management, and RFP and conversion assistance.
- Price was considered together with technical quality and scope. Innovest's combination of the strongest technical proposal and lowest initial fee provides a strong basis for concluding that its proposal offers the County favorable value.

PAST PERFORMANCE AND CONTINUITY

Innovest's prior work for the County provides direct evidence of its ability to perform the proposed services. During the current engagement, the County has implemented investment-menu changes, lower-cost share classes and other cost-management measures with Innovest's assistance. Innovest reports that total plan expenses declined from approximately 46 basis points in 2022 to 28 basis points in 2026 while plan assets increased. These results support the value of continued disciplined fee review and investment oversight.

Continuity is a benefit, but it was not treated as a substitute for competition. The finalist process gave the selection committee an opportunity to compare Innovest against three strong alternatives and to challenge Innovest on innovation, investment-process defensibility, self-assessment, and future priorities. Its responses reinforced the Committee's assessment that the existing team can provide continuity while continuing to challenge and improve the program.

NEXT STEPS

If the DCAC approves the recommendation, staff will proceed with contract negotiations with Innovest. Negotiations should confirm the final five-year fee structure, scope of included services, key personnel and continuity expectations, service standards, and the commitments described during the proposal and finalist interview process. The resulting agreement will proceed through the Board of Supervisor's required approval process for a January 1, 2027, effective date.