

Deferred Compensation Plan BOARD REPORT 16-19

Date: May 5, 2016

To: Board of Deferred Compensation Administration

From: Staff

Subject: Extension of Steptoe & Johnson Contract

*Board of Deferred
Compensation Administration
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Michael Amerian, Vice-Chairperson
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Raymond Ciranna, Second Provisional Chair,
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Don Thomas*

Recommendation:

That the Board of Deferred Compensation Administration:

- a) Recommend the City Attorney approve a two-year extension to the contract term for Steptoe & Johnson LLP for a total of five years;
- b) Approve an increase in funding for the contract of \$10,000 for total funding of \$30,000; and
- c) Recommend the City Attorney take the necessary actions to amend the contract to provide for the term extension and additional funding.

Background:

At its March 19, 2013 meeting, the Board approved retention of Steptoe & Johnson LLP (“Steptoe & Johnson”) for the provision of tax and regulatory advice to the City’s Deferred Compensation Plan (the “Plan”). This was subsequent to a Request for Proposals (RFP) issued by the City Attorney’s Office, which procured for tax services related to the City’s defined benefit retirement plans. Many of the respondent law firms indicated their qualifications to provide tax advice relevant to Internal Revenue Code (IRC) Section 457 and governmental defined contribution plans, and as such, the City Attorney offered to use the results of the RFP to select and retain outside tax counsel for the City’s Plan. Steptoe & Johnson was recommended to the Board after a selection process was conducted by an evaluation panel that included Board Counsel and Plan staff. The contract was then drafted between Steptoe & Johnson and the City Attorney’s Office, and went into effect on August 27, 2013, with term ending August 26, 2016 (three-year term). Initial funding of the contract was approved at \$10,000.

At its July 15, 2014 meeting, the Board approved funding for the second year of the contract in the amount of \$10,000, for total contract funding of \$20,000. At that time, approximately \$6,300 had been expended for services rendered by Steptoe & Johnson under the contract.

Staff is presently requesting that the contract be amended to extend the term of the contract for two years and to authorize additional funding in the amount of \$10,000. Funding for this contract at this level has already been incorporated into the Plan’s 2016 Plan Budget.

Discussion:

Counsel to the Board is provided by the City Attorney's Office. Issues that require consideration by the Plan's outside tax counsel, Steptoe & Johnson, are made through the Board Counsel, Curtis S. Kidder. Any advice provided by outside counsel is reviewed by Board Counsel prior to submission to staff and/or the Board. Over the course of the contract, Board Counsel has consulted with Steptoe & Johnson for various items and projects, which include review of rules and regulations related to loan administration, beneficiary designation, distribution, Plan Document review, group trusts, etc. The Plan has expended \$12,870 for outside tax counsel services through February 2016.

The contract is set to expire in August of this year; however, staff recommends that the contract be extended for two years. Staff and Board Counsel concur that Steptoe & Johnson has provided satisfactory services and would like to continue their retention. It should also be noted that the City Council recently approved an ordinance that would allow the Plan to procure services for five-year terms without seeking Council approval. Although this contract may not be subject to that ordinance, extension of the Steptoe & Johnson contract for two years would bring it into alignment with a five-year procurement schedule, which is now standard for all other Plan procurements. A two year extension will extend the current contract through August 2018.

Should the Board approve a recommendation for the extension of the contract term, staff additionally recommends increasing the funding of the contract amount by \$10,000 to cover future expenditures through the extended term. This will increase the total contract funding to a total of \$30,000. Staff anticipates the use of outside tax counsel for additional Plan Document reviews, consulting related to future Plan Governance Committee and administrative issues, and other as-needed questions and issues over the next few years. Related expenses will exceed the current contract ceiling of \$20,000. Funding for this contract at this level has already been incorporated into the Plan's 2016 Plan Budget.

Submitted by: _____
Esther Chang

Approved by: _____
Steven Montagna