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DEFERRED COMPENSATION PLAN BOARD REPORT 06-22



Date: June 5, 2006

To: Board of Deferred Compensation Administration

From: Staff

Subject: Request for Proposal for Plan Administration

Recommendation:

That the Board of Deferred Compensation Administration approve the attached Request for Proposal for Plan Administration.

Discussion:

At a special meeting of the Board of Deferred Compensation Administration held on May 2, 2006, the Board took action to cancel its March 16, 2006 Request for Proposal (RFP) for Plan Administration based on conflict-of-interest issues which arose pursuant to that process. Staff was requested to initiate a new RFP for Plan Administration development process and return with a new document.

With Board and City Attorney approval, staff utilized the services of two individuals to examine and provide recommendations for changes to the proposed document: Laurel Cochennet, Principal Consultant with Mercer Investment Consulting, and Angie Chang, Chief Management Analyst with the Personnel Department. Neither of these individuals were in any way involved with the 3/16/06 RFP.

Ms. Cochennet's focus was on the scope of services and questionnaire, while Ms. Chang's focus was on the introduction and evaluation/response sections. As a result of their efforts, the introduction and scope of services was expanded, and a number of questions were deleted or added in both questionnaires.

One of the more significant modifications to this document vs. the prior RFP, based on input provided by Ms. Cochennet, is a solicitation for outsourcing the processing of beneficiary claims. Presently most of the processing of non-routine beneficiary claims is performed directly by staff. Non-routine beneficiary claims involve situations where a participant has passed away without having a beneficiary designation, or where the designated beneficiary is no longer living. In these cases, certain claimants under certain specific conditions may still be eligible to claim distribution without requiring that the account be claimed by the estate. The staff work and documentation gathering in these cases is significant and includes

obtaining original copies of death certificates and proof of the claimant's relationship to the decedent; in some cases requiring the completion of a special affidavit allowing eligible family members to claim accounts of estates valued at less than \$100,000; working with multiple claimants in situations where more than one individual is eligible to make a claim; verifying powers-of-attorney in situations where an eligible claimant may be incapacitated, incarcerated or otherwise incapable of executing documents on his/her own behalf; and addressing other varied and unique circumstances associated with these types of claims.

It should be noted that even if this service is outsourced to the Administrator, City staff would still be responsible for final review of the paperwork and approval of the distribution. Based on discussion with Ms. Cochennet, discussion of this service has been expanded within the Scope of Services and added as a question item in the RFP. Staff believes this represents a significant deviation from, and improvement upon, the 3/16/06 RFP.

Other meaningful changes include:

- The addition of charts/date in the introductory segments providing asset amounts by investment option, as well as a net cash flow table including total amounts of distribution;
- Providing additional data regarding phone calls received on the automated line transferred to client service representatives;
- Providing additional data regarding current printing volumes for Plan brochures and other communication materials;
- Providing additional data regarding volume of payroll adjustments;
- Providing additional data and details regarding the processing of contributions and withdrawals for the Washington Mutual Certificates of Deposit;
- Providing additional clarification that any fee rebates received from a Self-Directed Brokerage Option should flow back to the Plan and not retained by the Administrator;
- Providing additional clarification that investment advice services are not being sought as part of this RFP;
- For the Pension Savings Plan, clarifying that the City requires recordkeeping and statement reporting that breaks out employer and employee contributions;
- Deleting questions regarding average tenure of senior management staff;
- Deleting questions regarding training for client relationship managers;
- Adding in tables and revising the structure of questions regarding number of defined contribution clients gained/lost in the last five years;
- Providing additional clarification on questions concerning special mailings;
- Deleting (due to redundancy) the request for a sample script of steps a caller must take to conduct a range of activities through the automated phone system;
- Streamlining questions regarding phone volume statistics;
- Deleting (due to redundancy) the request for keystrokes a participant must make to conduct a range of activities through the Plan website;
- Consolidating (to eliminate redundancies) questions in the trustee/custody services segment;
- Asking whether administrators can administer and monitor Plan-level trading restrictions;
- Adding new questions in Fee segments for costs of retiree loans and system modifications;

- Adding in questions in Implementation segments regarding prior conversions from the incumbent administrator and categories of data that could or could not be transferred to the recordkeeping system;
- Adding in questions regarding to what extent and in what manner fees may be put at risk in order to meet performance standards.

Staff finds that the development process for this RFP was thorough and has generated substantial changes and improvements to the 3/16/06 RFP. Staff therefore recommends that the Board approve this RFP and authorize staff to release it immediately.

As outlined in the RFP, the due date for responses will be July 21, 2006. Staff has discussed a review timetable with the two other members of the Board's RFP Review Committee and believes that it will be possible to return to the Board with a recommendation at its September 19, 2006 meeting.

Submitted by:

Steven Montagna

Approved by:

Maryanne Keehn