

# Deferred Compensation Plan

## BOARD REPORT 14-50

Date: November 14, 2014

To: Board of Deferred Compensation Administration

From: Staff

Subject: DCP Stable Value Fund – Request for Proposals

*Board of Deferred  
Compensation Administration  
Eugene K. Canzano, Chairperson  
John R. Mumma, Vice-Chairperson  
Cliff Cannon, First Provisional Chair  
Tom Moutes, Second Provisional Chair  
Michael Amerian, Third Provisional Chair  
Ray Ciranna  
Mary Higgins  
David Luther  
Robert Schoonover*

### Recommendation:

That the Board of Deferred Compensation Administration:

- (a) Approve and authorize the release of the attached DCP Stable Value Fund investment manager Request for Proposals (RFP), subject to final approval as to form and legality by the Office of the City Attorney;
- (b) Authorize staff to apply for an exemption for this procurement for the Business Inclusion Program (BIP) as well as apply for/confirm exemptions from other ordinances for which exclusions may exist for this type of contract; and
- (c) Direct staff to return at the December 16, 2014 meeting with recommended language in the Board's Governance Policies and Bylaws codifying prohibition of a Plan TPA from simultaneously serving as a Plan investment provider.

### Discussion:

The DCP Stable Value Fund is a core investment menu offering for the City's Deferred Compensation Plan. As of 09/30/14, this option had \$898 million in assets.

The incumbent provider is Galliard Capital Management. The contract with Galliard expires June 30, 2015. On the Board's investment provider procurement/search schedule, this mandate is scheduled for its next competitive search process for 2015.

The Board's Investment Policy Statement (IPS) provides the Board with two options for conducting investment manager searches: an institutional manager procurement or a mutual fund search. In the case of the Stable Value investment category, mutual funds are not available as an option. As a result, the Plan is required to procure for these services.

Staff is requesting that the Board approve and authorize the release of a Request for Proposals (RFP) for these services. A draft of the RFP is included for the Board's review.

### **SERVICES & TECHNICAL REQUIREMENTS**

The Plan's investment consultant, Mercer Investments Consulting, will assist in evaluating RFP respondents. All respondents will need to comply with the minimum

qualifications identified in Section 2 of the draft RFP and agree to provide the described services. Respondents will additionally be required to complete a questionnaire included in Section 3.

The RFP has been drafted to evaluate respondents on the following criteria and weighted evaluation scale:

Category - Rating Factors	Weight	Scale
<b>Organizational Strength and Continuity</b>	<b>10</b>	<b>50</b>
➤ Organizational structure	3	15
➤ Personnel stability	5	25
➤ Business resiliency	2	10
<b>Investment Experience</b>	<b>10</b>	<b>50</b>
➤ Firm tenure	2	10
➤ Assets under management and clients	3	15
➤ Specific strategy personnel	5	25
<b>Investment Approach &amp; Process</b>	<b>25</b>	<b>125</b>
➤ Strategy	5	25
➤ External management capabilities	4	20
➤ Internal management capabilities	4	20
➤ Wrap capacity, selection, and negotiation	4	20
➤ Risk management	3	15
➤ Current and historical portfolio construction	5	25
<b>Performance</b>	<b>25</b>	<b>125</b>
<b>Portfolio Transition Plan</b>	<b>5</b>	<b>25</b>
<b>Administrative and Reporting</b>	<b>5</b>	<b>25</b>
➤ Accounting	3	15
➤ Communications	2	10
<b>Fees</b>	<b>20</b>	<b>100</b>
<b>TOTAL --&gt;</b>	<b>100</b>	<b>500</b>

The evaluations of RFP responses will be compiled and presented first to the Board's Investments Committee. The Investments Committee will review this data and prepare a recommendation to the full Board for selection. A tentative timeline is included at the end of this report.

## **CITY GENERAL CONTRACTING REQUIREMENTS**

Staff is working with the City Attorney and Personnel Department's Administrative Services Division (ASD) to finalize RFP language related to the City's General contracting requirements. To assist RFP respondents in the submission process, the procurement timeline provides an opportunity for respondents to submit certain required City contracting documentation for preliminary review. Respondents who do so will then be provided with feedback as to whether those documents are likely to be considered responsive to the City's requirements. This provides respondents with the ability to address any deficiencies prior to the final submission deadline.

With respect to one of these requirements, the Business Inclusion Program (BIP), staff recommends that the Board authorize staff to request an exemption for applying it to this procurement. BIP seeks to provide various types of businesses (Minority Owned, Woman Owned, Small Business, Emerging Business, Disabled Veteran, and all Other Business Enterprises) opportunities to participate in the performance of City contracts by requiring an outreach process to potential sub-contractors. Contractors must register with the City's Business Assistance Virtual Network (LABAVN) and conduct outreach through the system.

The Plan has sought exemptions from the Mayor's Office for BIP in prior investment management services procurements, but been unsuccessful. However, staff believes that grounds for exemption may nevertheless exist and an exemption request should be submitted for this procurement. Investment management services are of a highly specialized and technical nature. When search processes are conducted the Board's evaluation is focused on evaluating, among other factors, the capabilities, performance and institutional stability of each specific investment provider and its personnel. Requiring a subcontracting outreach process as part of the procurement is inconsistent with this objective as quality investment managers are either the unique owners of their investment management expertise or would only utilize sub-advisors based on a rigorous selection process and/or long and proven track records of performance. As one recent example of how the BIP outreach process can potentially impact a procurement, the Board may recall that in the recent FDIC-Insured Savings Account search, an incumbent provider declined to submit a proposal on the basis that the BIP process compelled them to represent a sub-contracting opportunity that did not in fact exist, and the provider felt this was misleading.

In addition to BIP, certain provisions of the City's General Contracting Requirements appear to provide for exclusions which may apply to Deferred Compensation Plan investment management services contracts, and in fact have been granted to certain individual contractors at the request of the contractor. Staff recommends that the Board authorize staff to apply for/confirm exemptions from such ordinances for which exclusions may exist for this type of contract so that this can be represented to all potential bidders at the outset of the procurement process.

## TENTATIVE PROCUREMENT TIMELINE

Below is a tentative timeline for the stable value fund manager procurement process.

Task	Tentative Date/Deadline
Release RFP	First week of December 2014
Pre-Proposal Conference	Week of December 18, 2014
Due: Submission of General Contracting Documents for Preliminary Review	January 7, 2015
Due: Responses to Vendors Submitting General Contracting Documents for Preliminary Review	January 16, 2015
Due: Proposal Responses	January 28, 2015
Responses Evaluated & Report Complete for Committee Review	March 4, 2015
Investments Committee Review	March 10, 2015
Regular Board or Special Meeting Selection	By April 1, 2015
Execute Contract	July 1, 2015

## TPA ELIGIBILITY TO BE INVESTMENT PROVIDER

An issue arose during the prior procurement for the stable value option in 2008. The initial RFP process was canceled as the result of a small response pool owing to several proposers being deemed non-responsive. This was addressed through a re-issued RFP.

However, a secondary issue arose at this time in that one of the initial proposers for the canceled RFP was also the Plan's third-party-administrator. Staff raised concerns at the time about whether a third-party-administrator should also be an investment provider under the Plan.

This issue was reviewed by the City Attorney's Office, which indicated that while there was no direct conflict or prohibition with respect to utilizing a third-party-administrator as an investment provider (given that the third-party-administrator cannot provide participants with investment advice), there could nevertheless be an appearance of a conflict of interest. The City Attorney advised that to avoid such appearance, the Board was free to, as a matter of policy, take a position that a TPA cannot be both a Plan administrator as well as investment provider.

At its November 18, 2008 meeting, the Board considered a staff recommendation to adopt a policy whereby a firm selected as the Deferred Compensation Plan third-party administrator (TPA) could not simultaneously be selected to be a Plan investment provider. After debating the matter, the Board did not adopt that motion and the RFP

was re-issued. The third-party-administrator did not submit a response to the re-issued RFP. Both the staff report and minutes from that meeting are attached to this report.

As indicated in the 2008 report, the proposition that a TPA should not be both a Plan administrator as well as investment provider is a concept that informed the Plan's unbundling in 1999. It resulted from the Plan's prior dual-vendor, bundled design model that was in existence from 1983 through 1999. In that model, the two firms providing administrative services had incentives to market their particular investment products to participants. This provided a potential motivation or tendency to, in discussing these options with Plan participants, emphasize favorable aspects of their options while de-emphasizing unfavorable ones. This same dynamic could potentially exist if the Plan's TPA was also an investment provider. In addition, as previously noted by the City Attorney, the appearance of conflict-of-interest could arguably be created in the minds of Plan participants which might inhibit their ability to assess their investment choices objectively.

Staff's present recommendation on this question is unchanged from the recommendation previously presented in 2008. Maintaining a bright line separating investment and administrative services is, in staff's view, a principle which has served the Plan and its participants well since it was implemented with the Plan's unbundling in 1999. In the absence of that bright line, there is nothing precluding a current or future third-party-administrator from competing for any investment management mandate included within the Plan. Allowing a third-party-administrator to also be an investment manager presents some degree of risk for bias in discussing investment choices, or risk of a perception of a conflict-of-interest on the part of Plan participants. In staff's view, it is appropriate for the Plan to maintain a high standard for securing neutral investment counseling.

As a result, staff recommends that the Board direct staff to return at the December 16, 2014 meeting with recommended language in the Board's Governance Policies and Bylaws codifying prohibition of a Plan TPA from simultaneously serving as a Plan investment provider.

Submitted by: \_\_\_\_\_  
Esther Chang

Approved by: \_\_\_\_\_  
Steven Montagna

**REQUEST FOR PROPOSAL**  
**Deferred Compensation Plan Stable Value Fund**  
**City of Los Angeles Deferred Compensation Plan**  
**CITY OF LOS ANGELES**  
**Personnel Department - Employee Benefits Division**  
**On behalf of the Board of Deferred Compensation Administration**

Date Issued: **December \_\_, 2014**

TITLE: **STABLE VALUE INVESTMENT MANAGEMENT SERVICES FOR THE CITY OF LOS ANGELES DEFERRED COMPENSATION PLAN**

CONTRACT TERM: **Five (5) years**

MANDATORY PRE-PROPOSAL CONFERENCE:

**December \_\_, 2014**  
**City Hall**  
**200 North Spring Street, Room 805**  
**Los Angeles, CA 90012**  
**\_\_:00 a.m. – \_\_:00 a.m.**

PROPOSAL DELIVERY ADDRESSES:

**City of Los Angeles**  
**Attention: Esther Chang**  
**City Hall**  
**200 North Spring Street, Room 867**  
**Los Angeles, CA 90012**

**Mercer Investment Consulting**  
**Attention: Devon Muir**  
**777 S. Figueroa Street, Suite 2400**  
**Los Angeles, CA 90017**

*Proposal Questionnaire only*

DEADLINE FOR SUBMITTING PROPOSAL: **JANUARY \_\_, 2015 at 3:00 p.m.**

DEADLINE FOR OUTREACH TO SUBCONTRACTORS (pursuant to the City's Business Inclusion Program outreach requirements): **JANUARY \_\_, 2015 at 5:00 p.m.**

CONTRACT ADMINISTRATOR:

**Esther Chang, Assistant Plan Manager**  
**Phone (213) 978-1586**  
**Email: [esther.chang@lacity.org](mailto:esther.chang@lacity.org)**

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## **PART B**

### City of Los Angeles General Contracting Requirements

# SECTION 1

## INTRODUCTION/BACKGROUND

### 1.0 INTRODUCTION

The City is seeking stable value investment management services for the Deferred Compensation Stable Value Fund (“DCP Stable Value Fund” or “the Fund”) in the City’s Deferred Compensation Plan (“the Plan”). The Plan is a non-qualified tax-deferred savings program established in 1983 under IRC Section 457 and City of Los Angeles Administrative Code, Division 4, Chapter 14, Sec. 4.1400-4.1410. The City contracts with Great-West Retirement Services (“Great-West”) for Plan recordkeeping, enrollment and communication services. The City independently selects the investment options for the Plan, all of which are administered by Great-West. These options may include mutual funds, separate accounts, commingled trusts, and bank deposit accounts.

### 1.1 BACKGROUND

The Board of Deferred Compensation Administration (“the Board”) administers the City of Los Angeles Deferred Compensation Plan. The nine-member Board includes three elected employee representatives from the Los Angeles City Employees’ Retirement System (“LACERS”), Fire and Police Pension System (“Pensions”), and Department of Water and Power Retirement Plan (“DWP Retirement”); the LACERS General Manager; the Pensions General Manager; the DWP Retirement Plan Manager; a Certified Union Representative; a retired participant representative; and the General Manager Personnel Department. The Board has administrative responsibility, including contract authority, for the Deferred Compensation Plan.

As of September 30, 2014, the Plan had \$4,477,873,196 in assets and 40,757 participants. More detailed information regarding the Plan is included in the Plan’s Quarterly report for the period ending September 30, 2014, available at the Plan website at <http://per.lacity.org/DeferredComp/PreviousMeetingsBDCA.htm> (listed under the November 18, 2014 Board meeting as “Great-West Quarterly Report 3Q 2014”).

The Personnel Department’s Employee Benefits Division provides primary staff support for the Deferred Compensation Plan. Employee Benefits staff performs the following functions:

- Develop policy and plan design recommendations
- Function as liaison to the Board’s consultant, Mercer (“Mercer”)

- Administer all plan-related contracts; and
- Facilitate all aspects of employee participation in the plans

The Office of the City Attorney serves as the Board’s legal counsel and provides legal support for the Plan which includes reviewing contracts and RFPs, ensuring compliance with State and federal laws, providing guidance in regards to various administrative functions, such as beneficiary claims, and handling Qualified Domestic Relations Orders (QDROs).

The Board contracts with Great-West to provide third-party administration of the program, including recordkeeping, enrollment, counseling, and communications. Through its contract with Great-West, the Plan utilizes Wells Fargo Bank (“Wells Fargo”) to provide passive trustee services. Wells Fargo’s role is to help fulfill the federal requirement that all Plan assets be held in trust for the exclusive benefit of Plan participants. In addition, Wells Fargo provides custody services for assets held in the DCP Stable Value Fund separate account.

Mercer Investments Consulting (“Mercer”) provides investment and plan administration consulting to the Board. Included among these services are ongoing performance review, procurement assistance, investment menu design, and custom investment option construction.

As of September 30, 2014, the Plan offered the following investment options in its investment menu. It should be noted that in early 2015, the Plan will implement custom, multi-manager funds for the DCP Mid-Cap Stock, DCP Small-Cap Stock, and DCP International Stock Funds.

Investment Option	Provider	Account Type
DCP FDIC-Insured Savings Account	Bank of the West	Interest Bearing Checking Account
	East West Bank	Deposit Savings Account
DCP Stable Value Fund	Galliard Capital Management	Separate Account
DCP Bond Fund (blended)	Loomis Sayles Core Plus Bond	Mutual Fund
	Vanguard Total Bond Market Index Institutional Plus	Mutual Fund
DCP Large-Cap Stock Fund	Vanguard Institutional Index Plus	Mutual Fund
DCP Mid-Cap Stock Fund	Vanguard Mid-Cap Index Fund Institutional	Mutual Fund
DCP Small-Cap Stock Fund	State Street Global Advisors Russell 2000 Index	Commingled Fund
DCP International Stock Funds (not blended)	Fidelity Diversified International	Mutual Fund
	DWS EAFE Equity Index Inst.	Mutual Fund

## 1.2 DCP Stable Value Fund

The purpose of this RFP is to secure the service of a stable value fund provider. To this end, this RFP seeks proposals from qualified stable value investment managers that demonstrate exemplary investment skills and provide these services at a reasonable expense. The successful bidder will manage all net legacy holdings and net future contributions into this investment category over the term of the Contract. The Stable Value Fund is also a component of the City's risk-based Asset Allocation, or "Profile" funds, and as such receives regular allocations from participants who contribute to those funds.

In 2009, the Plan moved to a single stable value manager, Galliard Capital Management ("Galliard"), which assumed discretion over the Plan's stable value separate account. Previously the Plan maintained two fixed account offerings, one insurance general account product and the other a commingled stable value fund managed by Galliard. Since this point, the Stable Value Fund has been invested in a blend of cash, stable value commingled funds, insurance separate accounts, and security backed contracts. As of **June 30, 2014**, the cash component amounted to approximately 3% of assets; the commingled stable value fund investment was approximately 10% of assets; the insurance separate account amounted to about 15% of assets; and security backed contracts represented 72% of the portfolio. The security backed contract portion of the portfolio is invested in short to intermediate duration bond commingled funds.

As of **June 30, 2014**, the DCP Stable Value Fund had assets of \$ \$895,570,759, with a blended yield (including wrap but not management fees) of 1.83%. Total Annual Fund Operating Expenses were approximately 0.28% as of **June 30, 2014**. It should be noted that the Plan currently includes an FDIC insured option which is structured as a blended product with two to three underlying bank providers. In addition, the Plan offers a brokerage window via Schwab.

## 1.3 DEFINITIONS OF TERMS

The following terms used in the RFP documents shall be defined as follows:

**"The Board"** means the City of Los Angeles Board of Deferred Compensation Administration.

**"The City"** means the City of Los Angeles.

**"Contract Administrator"** means the City staff person serving as the primary point of contact for this RFP.

**"Contract Effective Date"** means the date, mutually agreed upon between the Contractor and City, that the Contractor begins performing services for the City.

**"Contractor"** means the individual, partnership, corporation or other entity to which this Contract is awarded, and shall be synonymous with the term "Vendor."

“**DCP**” or “**The Plan**” means the City of Los Angeles Deferred Compensation Plan, established pursuant to Section 457 of the Internal Revenue Code (“IRC”).

“**Employee Benefits**” means the Employee Benefits Division of the City of Los Angeles Personnel Department.

“**Plan**” means the City of Los Angeles Deferred Compensation Plan.

“**Proposer**” means a respondent to this RFP.

“**RFP**” means this Request for Proposal.

#### **1.4 CONTRACT TERM**

The term of any Contract(s) awarded pursuant to this RFP shall be for a period of five years from the Contract effective date as provided for by the final Contract. The City may, in its sole discretion, seek an extension of the term beyond the initial five-year term.

#### **1.5 RFP CONTENTS**

The contents of this RFP are as follows:

PART A – Request for Proposal, including the Proposal Questionnaire.

PART B – General Contracting Requirements and Attachments, which includes the City of Los Angeles Standard Provisions for City Contracts (rev. 6/14) and other general contracting requirements that must be thoroughly reviewed and completed as specified.

#### **1.6 RFP CONTACT INFORMATION**

The Board and its staff are committed to ensuring that all Plan business transactions, including Plan procurement processes, are based strictly on integrity, competence, merit and benefit to Plan participants and their beneficiaries. As a matter of policy, Board members and staff will not communicate with current or prospective vendors or their representatives, or any other person or organization, for the purpose or intent of having a particular vendor secure or maintain a contract or business with the Plan, or otherwise realize financial gain from the Plan, whether during or outside of a procurement process.

In support of this, and to ensure the transparency and objectivity of this procurement process, all communications and questions regarding or related to the services included in this RFP should be directed as follows:

**PART A Contact Information**

All questions regarding this RFP PART A must be in writing and should be simultaneously directed to Employee Benefits and Mercer Investment Consulting as follows:

- *Personnel Department, Employee Benefits Division*  
Esther Chang  
[esther.chang@lacity.org](mailto:esther.chang@lacity.org)  
(213) 978-1586
- *Mercer Investment Consulting*  
Devon Muir  
[devon.muir@mercer.com](mailto:devon.muir@mercer.com)  
(213) 346-2465

**PART B Contact Information**

Questions regarding the City’s General Contracting Requirements must also be posed in writing and should be directed to Roberta (Bobbi) Jacobsen of the Personnel Department’s Administrative Services Division (ASD) at [bobbi.jacobsen@lacity.org](mailto:bobbi.jacobsen@lacity.org) (who can also be reached at (213) 473-9148), or to the City department responsible for the particular requirement, as specified within the Part B materials.

**1.7 GENERAL INFORMATION AND MANDATORY PRE-PROPOSAL CONFERENCE**

The Board intends to award a contract, in a form approved by the City Attorney, to the selected proposer. Written proposals submitted to the City constitute a legally binding contract offer and shall remain open for twelve (12) months. It is requested that proposals be prepared simply and economically, avoiding the use of unnecessary promotional material.

**1.7.1 Proposal Timeline**

The following is the current timeline for the RFP process. The City reserves the right to adjust this schedule. Changes to the timeline, if any, will be posted online as an RFP Addendum.

Target Dates	Event
December __, 2014	Request for Proposal Released
December __, 2014	Deadline for receiving written questions for the Mandatory Pre-Proposal Conference is 4:00 p.m.
December __, 2014	Deadline to register to participate in Mandatory Pre-Proposal Conference by telephone is 4:00 p.m.

December __, 2014	Mandatory Pre-Proposal Conference at 10:00 a.m. Pacific Standard Time
<b>January __, 2015</b>	<b>General Contracting Requirements Preliminary Submission Deadline</b>
<b>January __, 2015</b>	<b>City Review of General Contracting Document Due to Vendor by This Date</b>
	Final day for vendors to issue written solicitations to subcontractors via <a href="http://www.labavn.org">www.labavn.org</a> website. <b>This step should be completed by 5:00 p.m. Pacific Standard Time to avoid risk of late submission.</b>
January __, 2015	Deadline for receiving written questions regarding the RFP is 4:00 p.m.
<b>January __, 2015</b>	<b>RFP responses due by 3:00 p.m. Pacific Standard Time</b>
	<b>BIP Summary Sheet Submission on LABAVN – 4:30 p.m. Pacific Standard Time</b>
February __, 2015	RFP evaluations
By April 1, 2015 <i>(tentative subject to revision)</i>	Board makes selection and begin contract negotiation with successful proposer
July 1, 2015 <i>or upon contract agreement</i>	Execute contract
July 1, 2015	Commencement of Services

### 1.7.2 Mandatory Pre-Proposal Conference

A Mandatory Pre-Proposal Conference will be held to provide information regarding the RFP requirements and answer questions from prospective proposers regarding this RFP. The Mandatory Pre-Proposal Conference will also give proposers and potential subcontractors the opportunity to network. City staff will not provide assistance regarding a proposer's individual RFP response.

The conference has been scheduled for **December \_\_, 2014, at 10:00 a.m.** Potential proposers may participate by physically attending or by calling in. Participants will be asked to identify themselves by name and firm.

**If you intend to participate by telephone, please pre-register by contacting Esther Chang at (213) 978-1586 or via email at [esther.chang@lacity.org](mailto:esther.chang@lacity.org) no later than December \_\_, 2014 at 4:00 p.m.**



**Pacific Standard Time. The City will provide a call-in number at that time for those interested in participating by telephone.**

**It is to your benefit to bring your own copy of the RFP, particularly the City's General Contracting requirements, to the conference. NO COPIES WILL BE PROVIDED AT THE CONFERENCE.**

### **1.7.3 Questions Regarding the RFP**

To maximize the effectiveness of the conference, to the extent possible, proposers should provide questions in writing prior to the conference. The deadline to provide questions for responses at the Mandatory Pre-Proposal Conference is **December \_\_, 2014** at 4:00 p.m. Pacific Standard Time. This will enable the City to prepare responses in advance.

Specific questions concerning the RFP should be submitted in writing via e-mail to Esther Chang at [esther.chang@lacity.org](mailto:esther.chang@lacity.org) with a copy to Devon Muir at [devon.muir@mercer.com](mailto:devon.muir@mercer.com). Please identify the RFP title on the subject line of your message. All questions should identify the RFP section and page number, or the relevant General Contracting provision, for each question submitted. Additional questions may be accepted and addressed at the conference. However, responses may be deferred and posted online as addenda to the RFP at a later date. To ensure the fair and consistent distribution of information, all questions will be answered in writing and distributed at the Mandatory Pre-Proposal Conference and available online.

Subsequent questions regarding the RFP should be in writing and sent via e-mail to Ms. Chang and Mr. Muir. The City will make every effort to respond to all written questions as soon as practical. Responses to questions, or any other changes to or interpretation of the RFP, will be posted on the Plan's website at [www.labavn.org](http://www.labavn.org). Any such changes or interpretations shall become a part of said RFP and may be incorporated into any Contract awarded pursuant thereto.

The final deadline for written questions following the Mandatory Pre-Proposal Conference is **December \_\_, 2014** at 4:00 p.m.

## **1.8 GENERAL CONTRACTING REQUIREMENTS PRE-SUBMISSION OPTION AND SUBMISSION DEADLINES**

The City's General Contracting Requirements are included in Part B, which is attached hereto. Part B contains the Standard Provisions for City Contracts and a variety of documents and forms with which prospective City vendors must demonstrate compliance in order to be awarded a City contract.

Within Part B is a list of requirements that must be fully met, including forms to be completed and submitted and details regarding certain processes which must be followed by prospective vendors as part of their RFP response. Failure to meet any of these requirements to the satisfaction of the City by the RFP Proposal Submission Deadline will result in disqualification of the vendor's proposal as being non-responsive.

The City will provide vendors an opportunity to demonstrate responsiveness to the City's General Contracting Requirements at a date prior to the RFP due date. If a vendor utilizes this option, City staff will identify whether the documents as submitted are or are not responsive to the City's requirements. If deemed non-responsive, the vendor will have time to demonstrate responsiveness by no later than the RFP Proposal Submission Deadline. **Following that deadline, there will be no further opportunity for demonstrating responsiveness to the City's General Contracting Requirements.** Failure to adequately demonstrate responsiveness to the City's General Contracting Requirements, or a rejection by the vendor of those requirements or the Standard Provisions for City Contracts, will result in disqualification of the proposal.

Following are the relevant dates with respect to this process:

General Contracting Requirements Preliminary Submission Deadline:

**January \_\_, 2015** by 3:00 p.m. Pacific Standard Time

City Review Results Due to Vendor by:

**January \_\_, 2015**

Final RFP Response Deadline:

**January \_\_, 2015** by 3:00 p.m. Pacific Standard Time

Hardcopy submissions must be received by the RFP Contract Administrator by the designated deadlines at the following address:

City of Los Angeles Deferred Compensation Plan  
ATTN: Esther Chang  
200 N. Spring Street, Room 867  
Los Angeles, CA 90012

Vendors are not required to complete and submit their General Contracting Requirements forms/processes by the Preliminary Submission Deadline; however, it may be to their advantage to do so.

## **1.9 PROPOSAL SUBMISSION DEADLINE**

Response to this RFP must be submitted on paper and must be received by the RFP Contract Administrator no later than 3:00 p.m. **Pacific Standard Time on January \_\_, 2015.** Electronic portions, as specified further in this RFP, must be

received no later than this date/time as well. Late responses will not be considered. The City reserves the right to extend the Proposal Submission Deadline should this be in the interest of the City.

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# SECTION 2

## SCOPE OF SERVICES

The selected vendor will assume the fiduciary role for providing discretionary stable value investment manager services for the DCP Stable Value Fund consistent with the investment guidelines included in this Section.

### **A. Specific services will include:**

1. Investing the assets remitted to the Fund by Plan participants.
2. Managing the liquidity of the Fund to provide book value payments on a daily basis.
3. Assuming investment discretion for the selection, retention or replacement of the investment managers utilized to invest the assets of the Fund. The selected managers may be either proprietary or non-proprietary managers.
4. Selecting, monitoring and replacing, if necessary, the wrap providers who will wrap the Fund's investments on a book value basis.
5. Providing, or assisting in the creation of, a daily, net of fee, unit value to the Plan's administrator.
6. Providing on a monthly basis to the Plan's custodian and administrator financial statements showing opening balance, contributions, investment earnings, withdrawals, fees and closing balance.
7. Meeting with the Board and Employee Benefits staff in person as requested.
8. Providing quarterly reporting detailing the Fund's crediting rate determination and fees.

### **B. Minimum Qualifications:**

1. The institution must be qualified to do business in the State of California and must be registered under the appropriate State and federal securities and/or insurance laws.
2. The institution must be a SEC-registered investment advisor or exempt from registration.
3. The institution will assume a fiduciary role for providing discretionary stable value investment manager services for the Plan's Stable Value Fund consistent with the investment guidelines included in this Section.
4. The institution must not have been involved in any litigation with or investigation by a federal or State security/insurance agency that could be deemed substantive by the City of Los Angeles. This would include expropriation of funds, insider trading, front running, or undisclosed derivatives or leverage.

5. The institution must not be a broker or any third party selling another company's funds.
6. Any underlying proposed funds or investment products must be qualified to accept 457 plan investments.
7. The institution must not charge a redemption fee, transfer fee, deferred sales charge, or up-front sales load, or should be willing to waive such fees or charges or refund them to the City. In addition, the institution cannot apply or levy a penalty or fee of any type, except for adjustments related to market valuation of a fixed investment product upon liquidation, if the City of Los Angeles, for any reason, finds it necessary to move or transfer funds to protect employees or if the City of Los Angeles does not renew a contract beyond its contract term.
8. The institution must have experience with and be willing to accommodate daily valuation.
9. The institution's total stable value assets under management must equal or exceed \$5 billion.
10. The institution must propose a well-diversified stable value strategy both in terms of portfolio composition and underlying fixed income portfolio management as well as having diverse exposure to three or more high quality wrap provider arrangements.

**C. Investment Guidelines:**

**INVESTMENT OBJECTIVE**

The primary objective of the portfolio is to provide safety of principal and consistency of returns with minimal volatility, while maintaining a stable credited rate of interest.

**PERFORMANCE BENCHMARKS**

The performance objective of the portfolio is to outperform the 3 year Constant Maturity Treasury ("CMT") yield + 0.50% over a full interest/market cycle. Performance relative to a comprehensive Stable Value Universe also will be reviewed.

**ACCOUNT LEVEL GUIDELINES**

	<u>Min</u>	<u>Max</u>
Liquidity Buffer (STIF or SV Fund)	5%	50%
Guaranteed Investment Contracts	0%	10%
Insurance Separate Account Contracts	0%	50%
Security Backed Contracts	0%	95%

### **ADDITIONAL DIVERSIFICATION GUIDELINES**

- No more than 2% of the aggregate portfolio will be invested in traditional GICs/ BICs from any one contract issuer.
- Exposure to any one Insurance company separate account provider shall be limited to not more than 50% of the Fund's Assets.
- Exposure to any one single wrap provider shall be limited to not more than 50% of the Fund's Assets. In the event a wrap provider is terminated, it will not be deemed a violation to the guidelines if the provider limit is exceeded. Galliard will replace the terminated provider within 180 days or obtain client approval for an extension.

### **QUALITY GUIDELINES**

The minimum quality of GIC/Separate Account/Security Backed contract providers must be A- or equivalent by at least one Nationally Recognized Statistical Rating Organization ("NRSRO") at the time of initial placement. In the case of a split rating on investment contracts, the higher rating shall apply.

### **DURATION/MATURITY GUIDELINES**

The overall duration of the underlying securities in the Fund shall be maintained between 2.0 and 3.5 years with a target of 3.0 years.

### **PERMITTED INVESTMENTS**

Security backed contracts, guaranteed investment contracts, bank investment contracts, insurance separate account contracts, stable value collective funds, cash equivalents and/or money market funds.

### **COMPETING INVESTMENT OPTION**

If the Plan offers the Fund as an investment option and also offers a "competing fund" option, participants in the Plan will invest in a "non-competing fund" for at least 90 days before transferring into the "competing fund" option. A competing fund is defined as (i) a fixed income fund with a duration of less than 3 years, or (ii) a balanced, life style, target-date and other similar types of asset allocation fund investment options if the option contains a competing fund that exceeds 70% of that fund.

## UNDERLYING INVESTMENT PERFORMANCE BENCHMARKS

Actively managed portfolio performance is expected to exceed established benchmarks over a market cycle.

## UNDERLYING INVESTMENT SECTOR GUIDELINES

	<b><u>Max</u></b>
U.S. Government/Agency	100%
Corporates	30%
Asset Backed	25%
Mortgage Backed	65%
Non-US Issuers (Yankee only)	10%

## ADDITIONAL DIVERSIFICATION GUIDELINES

- No more than 15% may be invested in any single asset backed or non-government mortgage backed issuer.
- No more than 2% may be invested in any single corporate issue.

## QUALITY GUIDELINES

All securities will be rated investment grade (BBB-/Baa- or better) at time of purchase. The minimum weighted average quality of the underlying assets will be maintained at AA/Aa2.

	<b><u>Min</u></b>	<b><u>Max</u></b>
<b>Composite Long-Term Rating</b>		
AA-/Aa3 or better	55%	100%
A-/A3 to A+/A1	0%	30%
BBB-/Baa3 to BBB+/Baa1	0%	15%
Security Backed Contracts	0%	95%

Minimum rating on money market instruments will be A1/P1 at time of purchase.

For securities downgraded below investment grade, or A1/P1 for short term securities, the manager may retain the security, if in the judgment of the manager, it is appropriate to do so subject to a maximum of no more than 3% of the portfolio's assets in issues below BBB- measured on a par or cost basis.

## **ADDITIONAL CONSTRAINTS**

Where collective funds, external manager separate accounts, or insurance company separate accounts are utilized, those guidelines are incorporated and made part of these overall guidelines. The guidelines shall conform to these overall guidelines. If additional restrictions are required by wrapper contract issuers, those restrictions shall be incorporated and made part of these overall guidelines.

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# SECTION 3

## PROPOSAL QUESTIONNAIRE

Responses to this questionnaire must be submitted on paper (with electronic copy as designated in Section 4.6) by the Proposal Submission Deadline of **January \_\_, 2015**, along with any documents required to be submitted pursuant to the City's General Contracting Requirements and Section 4 and Section 6 of this RFP. Both parts must be received by the Contract Administrator at:

City of Los Angeles  
ATTN: Esther Chang  
City Hall  
200 North Spring Street, Room 867  
Los Angeles, CA 90012

In order to ensure the efficient review of each vendor's relative strengths and weakness, responses to questions only posed in the Qualifications (scored) portion of the questionnaire should be submitted to the Board's consultant, Mercer, via hardcopy and electronic copy (as designated in Section 4.6):

Mercer Investment Consulting  
ATTN: Devon Muir  
777 S. Figueroa Street, Suite 2400  
Los Angeles, CA 90017

All items must be received by the Proposal Submission Deadline of **January \_\_, 2015 at 3:00 p.m.** Please note that late responses will not be considered.

The RFP questions included in this RFP are intended to solicit important background information about your firm and fully disclose the data points upon which proposers will be evaluated. The City is not evaluating firms using any information other than what is included in this RFP. Responses to Mercer's Questionnaire will be scored, whereas the background questions are non-rated, as specified below.

## BACKGROUND QUESTIONS

*The following questions will not be rated.*

### A. BACKGROUND QUESTIONS

1. Provide a cover letter limited to no more than two pages. The cover letter must include the following:
  - i. Title "City of Los Angeles Deferred Compensation Plan Stable Value Investment Management Services RFP" and submission date
  - ii. Contact name of person authorized to represent proposer
  - iii. Contact Name Title:
  - iv. Mailing Address:
  - v. Location of Business (if different from mailing address):
  - vi. Type of legal entity (corporation, limited liability company, joint venture, partnership, etc.)
  - vii. A short description of your organization, the businesses in which it engages and the services it provides.
  - viii. Telephone Number:
  - ix. Fax Number:
  - x. E-mail Address:
  - xi. The following statement:

*"The undersigned hereby offers and agrees to furnish the goods and/or routine services in compliance with all the service level requirements, instructions, specifications, and any amendments contained in this RFP document and any written exceptions in the offer accepted by the City. This Proposal is genuine, and not sham or collusive, nor made in the interest or in behalf of any person not herein named; our firm has not directly or indirectly induced or solicited any other Contractor to put in a sham Proposal, or any other person, firm or corporation to refrain from submitting a Proposal; and our firm has not in any manner sought by collusion to secure for itself an advantage over any other Contractor. This Proposal is signed on behalf of our firm by an officer authorized to bind our firm to the Proposal. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and I agree to the terms and conditions in this proposal."*

2. Indicate your **City Business License Number or Vendor Registration Number** if available. A license or registration number is not required for your proposal but will be required prior to execution of a Contract. To obtain a Business Tax Registration Certificate (BTRC) or Vendor Registration Number call the Office of Finance at (213) 473-5901 and pay the respective business taxes. The address is as follows: City of Los Angeles, City Hall, Room 101, Office of Finance, 201 North Main Street, Los Angeles, CA 90012 – <http://www.lacity.org/finance/>).

3. Indicate your company's State of California Board of Equalization permit number. If you do not have this permit, please make a statement to this effect.
4. Fill out and submit the appropriate California Revenue and Taxation Code form, if applicable (for out of state vendors).
5. Provide a statement indicating that your firm will comply with the City of Los Angeles General Contracting Provisions attached to this RFP in Part B, including the Standard Provisions for City Contracts (Rev. 06/14). Please note that your statement does not relieve you from providing all of the documents required pursuant to the "Proposal Response Checklist."
6. The City is estimating that the following insurance coverage types will apply to this Contract:
  - Workers Compensation (\$1,000,000)
  - General Liability (\$1,000,000)
  - Professional Liability (\$10,000,000)

Please verify that you will be able to meet the required coverages and that you will submit proof of such pursuant to Part B, "General Contracting Requirements - Insurance Requirements," as a condition of execution of any final contract (see Part B, "Standard Provisions – Insurance Requirements" for further details). Note that if the proposer is a sole owner company with no employees, the proposer can sign the City's waiver of workers compensation. General Liability can also be obtained through the City's SPARTA program for small contractors. Links to the City's waiver form and SPARTA program from the City's Risk Management website are provided as follows:

<http://www.2sparta.com/>  
<http://cao.lacity.org/risk/waivewc.pdf>

7. **Lobbyist Disclosure** – Disclose any (1) arrangements your company has with any lobbyists and/or agents representing your company, and (2) any arrangements your company has with an unrelated individual or entity with respect to the sharing of any compensation, fees, or profit received from or in relation to the proposing company being awarded a Contract with the City. If any such arrangements exist, describe the nature of the relationship and the manner in which compensation or fees would be shared.
8. **Endorsement Disclosure** – Disclose any financial relationship your company has with any union, organization or association in conjunction with an endorsement. Provide details regarding the relationship, including any benefit that will be recognized by the union, organization or association in the event your company is awarded a Contract with the City.
9. If any portion of the Contract is to be subcontracted, it must be clearly set forth as to the part(s) to be subcontracted, the reasons for the subcontracting and a listing of subcontractors. For each subcontractor proposed, provide the following information:
  - i. The specific service being subcontracted
  - ii. Name of Subcontractor
  - iii. Subcontractor's Contact Name
  - iv. Contact Title

- v. Contact Phone Number
  - vi. Mailing Address
  - vii. Location of Business (if different from mailing address)
  - viii. Telephone Number
  - ix. Description of Work to be Subcontracted
  - x. Reason Subcontracting
  - xi. Percent of Total Contract to be Subcontracted & Dollar Amount
  - xii. Relevant work experience in years and level of responsibility
  - xiii. Experience in number of years that your firm has worked with the Subcontractor providing these services
  - xiv. Subcontractor a minority or women owned firm?
  - xv. If subcontractors will not be utilized, so indicate here.
10. Has your company been the subject of any complaint filed with any state or federal regulatory agency or office in the past five years? Has your company ever had a license to do business, an agent/broker license or any other insurance license revoked or suspended? Has your company ever been reprimanded or otherwise cited by a licensing agency? If any of these apply, please describe fully.
  11. Disclose the extent to which your business has been sued, or had other legal action initiated by clients and/or members/participants of any programs you administer, within the last five years.
  12. Identify and describe any past, pending or threatened judicial or administrative litigation (including lawsuits or protests) in which you have litigated against a client or prospective client, within the past five years, related to the type of services you are proposing. Indicate the reasons for the lawsuit/protest and the outcome. Provide contact information for the entity sued or challenged.
  13. Describe any incident within the past ten years in which your business has had a Contract terminated for default. Termination for default is defined as notice to stop performance due to your organization's non-performance or poor performance and the issue was either not litigated, or litigated and such litigation determined your organization to be in default. Submit full details of all termination for default experienced by your firm during the past five years including the other party's name, address, telephone number and your firm's position on the matter. The City will evaluate the facts and may, at its sole discretion, reject your firm's proposal if the facts discovered indicate that completion of a Contract resulting from this RFP may be jeopardized by selection of your firm. If your firm has experienced no termination for default in the past ten years, so indicate.
  14. Has your company or its subsidiaries ever filed or been petitioned into bankruptcy or insolvency or has your company ever made any assignment for the benefit of your creditors? If so, provide complete details.
  15. Describe what procedures and policies you have in place to protect against, and provide disclosure of, any potential or perceived conflict of interest involving relationships your firm may have with service providers for which you may also be asked to conduct performance reviews or otherwise evaluate for the Plan. To what extent and under what circumstances do the individuals who would be

directly servicing the City's account personally meet with service providers that could be actual or potential City clients?

## QUALIFICATIONS

*The following questions below will be rated.*

<b>B. Organizational Strength and Continuity</b>	
1.	Describe the ownership structure of your firm
2.	Describe any pending or anticipated plans to reorganize your company within itself or as part of the larger organization of which your company is a part.
3.	Has your company undergone any change in senior management in the last five years? What is the average tenure (in years) of senior management? Describe the change in detail.
4.	What was the total staff turnover for three years 2011-2013? <ul style="list-style-type: none"> <li>• Number of full-time employees turnover and percentage of overall work force</li> <li>• Number of strategy-specific investment personnel turnover and percentage of investment team</li> </ul>
5.	Provide a brief overview of your business continuity plan – Please discuss: <ul style="list-style-type: none"> <li>• Staffing levels in view of random absence, vacation, resignation or termination.</li> <li>• Disaster Recovery Plans</li> </ul> Your plans and procedures in order to resume business if a delay continues more than 24 hours; include the testing process and frequency of this test for the plan.
<b>C. Investment Experience</b>	
6.	How long (in years) your firm has managed discretionary stable value assets as of September 30, 2014.
7.	Provide the total amount of assets currently managed in discretionary stable value accounts (\$ Millions) as of September 30, 2014.
8.	Provide the Total Assets under management within your stable value group. (\$ Millions) as of September 30, 2014.
9.	Provide the total number of separate account discretionary stable value clients/accounts your firm currently manages and the asset value associated with these accounts as of September 30, 2014.
10.	Provide (if applicable) the total value of commingled stable value assets. (\$ Millions) as of September 30, 2014. How many different commingled stable value funds do you manage?
11.	Provide the number of stable value portfolio managers (those who make the discretionary allocation/structure decisions) currently employed at your firm and the number that would work on this account as of September 30, 2014.
12.	Provide the number of research analysts dedicated to stable value investments as of September 30, 2014.
13.	Provide the number of marketing/client service personnel dedicated to stable value investments as of September 30, 2014.
14.	List the investment personnel experience of the individuals who will be assigned to this Account. Your information should include job responsibilities, years of experience, years with your firm, professional designations and educational degrees.

## D. Investment Approach and Process

<p><b>15.</b></p>	<p>Please prepare a detailed investment strategy for how you would manage the DCP Stable Value Fund. Address the following issues in your response, using composite data, where applicable:</p> <ul style="list-style-type: none"> <li>• How your proposed strategy would be implemented;</li> <li>• The allocation to various components, if applicable (e.g. liquidity, fixed maturity, open maturity in percentage ranges in %) of the proposed portfolio and the rationale behind your allocations;</li> <li>• A listing of acceptable assets;</li> <li>• The applicable credit quality criteria which you would suggest (for underlying investments managed internally and externally as well as wrap providers);</li> <li>• Your duration, diversification, liquidity and maturity structure requirements including minimum/maximum constraints per sector, per security and per issuer;</li> <li>• The extent (i.e. acceptable allocation) to which the open-maturity investments would be managed internally or externally (and if externally, list suggested managers);</li> <li>• For the open maturity investments, please state what percentage range would be invested in the various components (i.e. cash, low duration, core fixed income, core plus fixed income, intermediate fixed income, intermediate plus fixed income, etc.)</li> <li>• Your procedures and methodology for setting the Stable Value Fund’s crediting rate;</li> <li>• Your strategy for managing the liquidity needs of the Fund;</li> <li>• The provisions you suggest to manage unexpected cash flow both into and out of the Fund;</li> <li>• The extent to which passive management rather than active management would be utilized;</li> <li>• The extent to which the Fund invests in commingled funds rather than investing in individual securities and if commingled funds whether units are daily, monthly or quarterly valued;</li> <li>• The frequency of valuation (i.e. daily valued, monthly valued, etc.); and</li> <li>• The employee-related withdrawal restrictions, the employer-related withdrawal restrictions and plan termination restrictions.</li> </ul> <p>Please state the anticipated duration for the portfolio and the initial crediting rate of the portfolio (using September 30, 2014 data), based on your strategy as articulated above.</p>
<p><b>16.</b></p>	<p>Describe the underlying investment products and/or individual securities in which you would invest the Fund’s Separate Account assets. Please indicate the investment expenses of each of these investments.</p>
<p><b>17.</b></p>	<p>Describe the decision process in selecting the underlying external investment managers that may be used in the overall portfolio construction. Please indicate what outside managers are accessible through your firm. For the underlying external managers (if applicable), please provide the acceptable investment guideline constraints (including high yield and international exposure) for these strategies.</p>
<p><b>18.</b></p>	<p>Discuss the extent to which your firm manages market valued fixed income assets internally. What is the rationale for managing such funds internally rather than hiring an outside manager? How are your internal fixed income capabilities distinctive? For each applicable style, identify the style, amount of assets under management, the investment objective and guidelines, gross quarterly performance since inception through September 30, 2014, applicable fees applied, and the applicable market benchmark (note that the City may request this data in an electronic format). Please describe the utilization, if any, of non-dollar and non-investment grade securities in your investment management products.</p>
<p><b>19.</b></p>	<p>Describe your internal credit quality research capabilities. Please state how your research adds value relative to the information provided by the public rating agencies. Does your firm employ a proprietary ratings system? If yes, please describe it and differentiate your methodology from the methodologies employed by the public rating agencies.</p>

20.	What is the appropriate benchmark index for your strategy? What is your strategy to add value relative to your benchmark? What is the size of the return premium you look to provide above your benchmark index net of your fees?																																																																																																																																
21.	<p>Describe your selection criteria for the selection of book-value wrappers. Please list the book value wrappers your firm currently utilizes and the percentage currently held in each across firm-wide stable value assets managed. Please also include the credit quality criteria your firm uses to select the book-value wrapper and the current credit quality (most recent date available) on each. Please include the permissible maximum allocation to each book-value wrapper. Please describe the wrap contract provisions you require with respect to:</p> <ul style="list-style-type: none"> <li>• Competing accounts including any equity wash;</li> <li>• Plan amendments including investment fund changes;</li> <li>• Employer initiated events including layoffs and early retirement programs; and</li> <li>• Termination provisions initiated by the wrap provider.</li> </ul>																																																																																																																																
22.	Please list the wrap providers your firm can access today to provide book value wrap capacity to the City of Los Angeles. Describe whether the wrappers suggested require assets to be managed by either the wrapper provider or one of its affiliates. What is the current cost for your book value wrap contracts?																																																																																																																																
23.	Describe the risk management processes your firm uses to minimize volatility and other risks within your stable value portfolios. Your response should address both the overall portfolio and individual underlying investments.																																																																																																																																
24.	Describe, if applicable, the utilization of securities lending in your product. Indicate the percentage of the fund that participates in securities lending, the additional return generated by securities lending in each of the past three calendar years, and the split of the earnings resulting from securities lending between the fund and the securities lending provider. Please indicate who manages the securities lending collateral pool and the fees associated with such management.																																																																																																																																
25.	What enhancements do you anticipate making to your strategy from the perspective of credit quality, liquidity, investment performance, and/or responsiveness to interest rate movements? How does the Separate Account Composite react in a rising/falling interest rate environment?																																																																																																																																
26.	<p>Please provide the following information as of the following dates with respect to your individual account stable value composite (note that the City may request this data in an electronic format):</p> <table border="1" data-bbox="358 1192 1529 1831"> <thead> <tr> <th></th> <th>9/30/14</th> <th>12/31/13</th> <th>12/31/12</th> <th>12/31/11</th> <th>12/31/10</th> <th>12/31/09</th> <th>12/31/08</th> </tr> </thead> <tbody> <tr> <td>Duration</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Weighted-Average Maturity</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Current Yield</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Weighted-Average Quality</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total Stable Value Assets</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>MV / BV %</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Allocation to Asset Type:</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    a) ABS</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    b) MBS</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    c) CMBS</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    d) Treasuries</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    e) Government Agencies</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    f) Corporates</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    g) GICs</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    h) Cash</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		9/30/14	12/31/13	12/31/12	12/31/11	12/31/10	12/31/09	12/31/08	Duration								Weighted-Average Maturity								Current Yield								Weighted-Average Quality								Total Stable Value Assets								MV / BV %								Allocation to Asset Type:								a) ABS								b) MBS								c) CMBS								d) Treasuries								e) Government Agencies								f) Corporates								g) GICs								h) Cash							
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	j) Percentage of Above Assets Subject to Credit Enhancements From Independent Third Parties								
	Allocation to Product Type:								
	a) General Account Obligations								
	b) Open Maturity Synthetic/Separate Accounts								
	c) Fixed Maturity Synthetic/Separate Accounts								
	d) Insurance Company Separate Accounts								
	e) Stable Value Pooled Fund								

### E. Performance

<b>27.</b>	<p>For the ten-year period ended September 30, 2014, please supply as an additional Excel file the monthly, Book Value and market value (if available) time- weighted rate of returns, gross of fees, for your organization’s stable value composite. In your exhibit, please detail how your composite was calculated. You must identify the number of funds included in the composite and the size of the underlying portfolios.</p> <ul style="list-style-type: none"> <li>• In addition, please provide separately, the quarterly return data on the highest returning portfolio, within the composite, and the lowest returning portfolio, within the composite.</li> <li>• Provide the asset size of these portfolios and discuss the variance in returns for these portfolios relative to your composite.</li> <li>• Indicate the size and number of portfolios that were excluded from your composite and the reason for exclusion.</li> </ul> <p>Please note that your composite must be limited to accounts in which you have complete investment discretion.</p>
<b>28.</b>	<p>For the ten-year period ended September 30, 2014, please supply as an additional Excel file the monthly (or quarterly), market value time-weighted rate of returns, gross of fees, for the underlying composite(s) (made up of commingled pools and/or separate accounts i.e. Core Bond, Intermediate Bond, Low-Duration, etc.) that would cover either your internally managed fixed income products or externally managed fixed income products that can be utilized as underlying fixed income managers for this assignment. Composite returns are acceptable. In your exhibit, please detail the following:</p> <ul style="list-style-type: none"> <li>• Name of the strategy (or fund) and who the investment management company is (if managed externally).</li> <li>• What the appropriate benchmark is for this underlying composite</li> <li>• The asset size of each composite</li> <li>• The number of clients invested in each commingled pool or composite.</li> </ul>

### G. Portfolio Transition

<b>29.</b>	Describe the process and key steps associated with the transition of the existing stable value fund portfolios to your organization. Describe how existing book value to market value relationships will be
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	maintained under a transition.
<b>H. Administrative and Reporting</b>	
30.	How frequently does your firm provide statements? Are they available in hard copy and on line? Please provide a sample copy of your statements and quarterly reports.
31.	Describe the firm's "back office" support capabilities with respect to the accounting function, processing transactions, generating statements, etc. Is this task out-sourced and if so, to whom?
32.	Describe the interaction you have with clients. What is your ongoing reporting methodology with respect to meetings, phone updates, written reports, and website information?
33.	What are your reporting capabilities with respect to Trustees/Third Party
34.	What assistance can your firm provide with participant communications including, among other things, fact sheets which describe management and performance of the Fund to Plan participants?
<b>H. Fees</b>	
35.	Provide your firm's investment management fee schedule for stable value separate account discretionary management. These are the fees paid to your firm directly for its discretionary management.
36.	Provide the expected Total Annual Operating Expenses for the DCP Stable Value Fund if your firm were to manage the Fund. Provide a detailed breakout of these fees including management fees (listed above) in addition to non-affiliated investment advisor fees, acquired fund fees, wrap contract charges, distribution fees, and any other expenses. Indicate how long these fees are guaranteed.
<b>I. Additional Information</b>	
37.	Provide any additional information your firm believes is essential to the evaluation of your Proposal. If there is no additional data you wish to present, state the following: "There is no additional data we wish to present."

# **SECTION 4**

## **PROPOSAL FORMAT AND SUBMISSION REQUIREMENTS**

Proposals must be based only on the material contained in the RFP, Mandatory Pre-Proposal Conference responses, amendments, addenda and other material published by the City relating to the RFP. The proposer must disregard any previous RFP draft material. Proposals must be submitted in accordance with the requirements set forth in this RFP.

### **4.0 Addendum(a)**

The City reserves the right to issue addendum(a) to this RFP, which may add additional requirements which must be met in order for a proposal to be considered responsive. All proposers must acknowledge any addendum(a) issued as a result of any change in this RFP on the Proposer Signature Declaration Page. Failure to indicate receipt of addendum(a) may result in a proposal being rejected as non-responsive.

### **4.1 In Writing**

All proposals must be submitted in writing and proposers shall complete and return any and all applicable documents including but not limited to written responses, questionnaires, forms, appendices, spreadsheets, and any electronic files. The City may deem a proposer non-responsive if the proposer fails to provide all required documentation, copies or electronic files.

### **4.2 Cover Letter**

Each proposal must include a cover letter limited to two pages. The cover letter must include the title, address, email address, and telephone number of the person or persons who will be authorized to represent the proposer.

### **4.3 Best Offer**

The proposal shall include the proposer's best terms and conditions. Submission of the proposal shall constitute a firm and fixed offer to the City that will remain open and valid for a minimum of 12 months from the submission deadline.

#### 4.4 Authorized Signatures

Proposals must be signed by a duly authorized officer eligible to sign contract documents and authorized to bind the company to all commitments made in the proposal. A non-officer individual, with the authority to bind the proposer to a contract, is sufficient to sign all applicable documents for the purpose of this RFP. Consortiums, joint ventures, or teams submitting proposals will not be considered responsive unless it is established that all contractual responsibility rests solely with one proposer or one legal entity. The proposal must identify the responsible entity.

#### 4.5 Number of Copies Required

Proposers are required to submit:

- One (1) original proposal sent to the City of Los Angeles proposal delivery address which includes all required responses to Part A (see specific instructions in Section 3) and Part B, with all documents signed in ink;
- One (1) copy of the proposal sent to the City of Los Angeles proposal delivery address which includes all required responses to Part A (see specific instructions in Section 3) and Part B;
- One (1) electronic copy of the proposal (see Section 4.6) sent to the City of Los Angeles proposal delivery address which includes all required responses to Part A (see specific instructions in Section 3) and Part B; and
- One (1) copy and one (1) electronic copy (see Section 4.6) of the response to Part A to Devon Muir of Mercer Investment Consulting.

Original and copies should be identified as such. If any proposal contains any trade secrets or other proprietary information that the proposer claims is exempt from disclosure under the California Public Records Act (see Section 6.0 of this RFP), then one (1) redacted copy of the proposal must also be submitted in addition to the original version. Written proposals must be presented in a sealed envelope or box. Proposer must enter the title and proposer's name on the outside of the envelope or box. Sealed proposals are to be delivered to the address listed in this RFP no later than the stated proposal submission deadline.

Certain efficiencies in how proposals are prepared and submitted are requested in order to facilitate the review, storage and recycling processes for proposal materials. Economy in presentation and packaging is preferred over materials which are not easily reproduced, create unnecessary waste, or are awkward to store. **Please do not submit materials in plastic binders.** Each response should have the bulk of its contents prepared on standard 8½ x 11 paper. Non-

essential promotional materials and over-sized materials should be avoided wherever possible except as otherwise requested within the RFP.

#### **4.6 USB Flash Drive, CD or DVD**

In addition to the hard copies of the proposal, proposers are required to provide a copy of the proposal in Adobe PDF and Microsoft Word format on a USB flash drive, CD or DVD (original and redacted). The contents of the USB flash drive, CD or DVD should include the original PDF of the entire RFP response, RFP response redacted version (if applicable) and Word or Excel files as requested in the RFP. The USB flash drive, CD or DVD containing the proposal should be labeled with the firm name and title of this RFP and placed in a sealed envelope with the firm's name written across the front of the envelope and attached or affixed inside the front cover of the original RFP.

#### **4.7 Information Requested and Not Furnished**

The information requested and the manner of submission are essential to permit prompt evaluation of all proposals. Accordingly, the City reserves the right to declare as non-responsive and reject any proposals in which information is requested and is not furnished or when a direct or complete answer is not provided.

#### **4.8 Alternatives**

The proposer shall not change any wording in the RFP or associated documents. Any explanation or alternatives offered shall be submitted in a letter attached to the front of the proposal documents. Alternatives that do not substantially meet the City's requirements cannot be considered. Proposals offered subject to conditions and/or limitations may be rejected as non-responsive.

#### **4.9 Proposal Errors**

Proposer is responsible for all errors or omissions incurred by proposer in preparing the proposal. Proposer will not be allowed to alter proposal documents after the Proposal Submission Deadline, except as allowed by the City. The City reserves the right to allow proposers to make corrections. The City reserves the right to make corrections or amendments due to errors identified in the proposal by the City or the proposer. This type of correction or amendment will only be allowed for typographical errors, transposition, or other obvious error. Any changes will be dated and time stamped, and attached to the proposal. All changes must be coordinated in writing with, authorized by, and made by the Contract Administrator.

#### **4.10 Proposal Clarification**

The City reserves the right to request proposers at any phase of the evaluation process to clarify information provided in RFP responses including clarification of assumptions used in the RFP response. All clarifications must be coordinated in writing with, authorized by, and made by the Contract Administrator. Clarifications must be submitted in writing by the requested deadline, otherwise the RFP response will be deemed non-responsive or evaluated without the benefit of the clarification requested.

If the City determines that all proposers failed to submit requested information or adequately responded to the same RFP question or request for data, the City may, at its discretion, issue an RFP Addendum and provide all proposers with an opportunity to provide a response to the RFP question. Responses to RFP Addendum questions must be submitted in writing by the stated deadline otherwise the RFP response will be deemed non-responsive or evaluated without the benefit of the clarification requested.

#### **4.11 Waiver of Minor Administrative Irregularities**

The City reserves the right, as its sole discretion, to waive minor administrative irregularities contained in any proposal.

#### **4.12 Interpretation and Clarifications of RFP Requirements**

The City will consider prospective recommendations or suggestions regarding any requirements before the Mandatory Pre-Proposal Conference. All recommendations or suggestions must be in writing and submitted to the Contract Administrator (see page 1 of the RFP). The City reserves the right to modify or amend any and all requirements of the RFP.

#### **4.13 Proposal Submission Deadline**

Timely submission of proposals is the sole responsibility of the proposer. The City reserves the right to determine the timeliness of all submissions. The proposals, including all hard copies, redacted copies and electronic copies of the final proposals must be received at the following address:

**City of Los Angeles Personnel Department  
Employee Benefits Division  
City Hall, Room 867  
200 North Spring Street  
Los Angeles, CA 90012  
Attention: Esther Chang**

A hardcopy and electronic copy of the answers to the Proposal Questionnaire in Section 3 must also be sent to:

**Mercer Investment Consulting**  
**777 S. Figueroa Street, Suite 2400**  
**Los Angeles, CA 90017**  
**Attention: Devon Muir**

**By 3:00 P.M. Pacific Standard Time on January xx, 2015.**

It should be noted that all persons and materials entering City Hall must go through a security check. Proposers should allow ample time to clear security in order to meet the deadline listed above. All proposals will be date and time stamped upon receipt.

#### **4.14 Late Proposals**

Proposals submitted after the Proposal Submission Deadline shall be considered late. Late proposals will not be considered.

#### **4.15 Cost of RFP**

The City is not responsible for any costs incurred by proposer while submitting proposals. All proposers who respond to the RFP do so solely at their own expense.

#### **4.16 Withdrawal of Proposals**

Proposer may withdraw a submitted proposal in writing at any time prior to the Proposal Submission Deadline. A written request, signed by an authorized representative of the proposer, must be submitted to the Contract Administrator. A PDF copy of the written withdrawal may be emailed to: [esther.chang@lacity.org](mailto:esther.chang@lacity.org). After withdrawing a previously submitted proposal, the proposer may submit another proposal at any time up to the Proposal Submission Deadline.

#### **4.17 Award of Contract**

Award of contract is made to the proposer with the highest score based on the RFP criteria and subject to satisfaction of all City contracting requirements. Awards are not restricted to the lowest offer or bid. Should contract negotiations not be successful with the selected proposer, the City may, based on its exclusive discretion, negotiate with the proposer having the next highest total score or cancel the RFP selection process.

#### **4.18 Rejection of Proposals**

The City reserves the right to reject any or all proposals; to waive any minor informality in proposals received; to reject any unapproved alternate proposal(s); and reserves the right to reject the proposal of any proposer who has previously failed to perform competently in any prior business relationship with the City. The rejection of any or all proposals will not render the City liable for costs or damages.

#### **4.19 RFP Withdrawal, Cancellation, Other Options**

The City reserves the right to withdraw or cancel the RFP at any time, if it deems such action necessary. If such action is taken, the City may re-issue the RFP. The City also reserves the right to contract with more than one respondent to this RFP. Furthermore, the City may exercise its right to not select any proposer from this RFP, if it determines that there was no responsive proposer.

If an inadequate number of proposals is received or the proposals received are deemed non-responsive, not qualified, or not cost effective, the City may, at its sole discretion, reissue the RFP or award a sole-source contract with a vendor. The award of the contract is subject to the successful negotiation of the terms and conditions of an agreement.

The City reserves the right to verify all information in the proposal. If the information cannot be verified, the City reserves the right to reduce the rating points awarded.

The City reserves the right to require a pre-award interview and/or site inspection.

#### **4.20 Contract Evaluation Program**

When the term of the Contract pursuant to this RFP has concluded, the City will conduct an evaluation of the Contractor's performance. The City may also conduct evaluations of the Contractor's performance during the term of the Contract. As required by Section 10.39.2 of the Los Angeles Administrative Code, evaluations will be based on specified criteria, including the quality of the work product or service performed the timeliness of performance, financial issues, and the expertise of personnel that the Contractor assigns to the Contract. A Contractor who receives a "Marginal" or "Unsatisfactory" rating will be provided with a copy of the final City evaluation and allowed fourteen (14) calendar days to respond. The City will use the final City evaluation and any response from the Contractor to evaluate Proposals and to conduct reference checks when awarding future service contracts.

#### **4.21 Campaign Contributions**

- a) Proposers are subject to Charter Section 470(c)(12) and related ordinances. As a result, proposers may not make campaign contributions to and or engage in fundraising for certain elected City officials or candidates for elected City office from the time they submit the Proposal until either the Contract is approved or, for successful proposers, twelve months after the Contract is signed. The proposer's principals and subcontractors performing \$100,000 or more in work on the Contract, as well as the principals of those subcontractors, are also subject to the same limitations on campaign contributions and fundraising.
  
- b) Proposers must submit CEC Form 55, provided as Attachment 11 in Part B, to the awarding authority at the same time the Proposal is submitted. The Form requires proposers to identify their principals, their subcontractors performing \$100,000 or more in work on the Contract, and the principals of those subcontractors. Proposers must also notify their principals and subcontractors in writing of the restrictions and include such notice in contracts with subcontractors. Proposals submitted without a completed CEC Form 55 shall be deemed non-responsive. Proposers who fail to comply with City law may be subject to penalties, termination of Contract and debarment. Additional information regarding these restrictions and requirements may be obtained from the City Ethics Commission at (213) 978-1960 or <http://ethics.lacity.org/>

#### **4.22 Business Inclusion Program Requirements (BIP)**

It is the policy of the City to provide Minority Business Enterprise (MBE), Women Business Enterprise (WBE), Small Business Enterprise (SBE), Emerging Business Enterprise (EBE), Disabled Veteran Business Enterprise (DVBE), and all Other Business Enterprise (OBE) concerns an equal opportunity to participate in the performance of all City contracts. Proposers will assist the City in implementing this policy by taking all reasonable steps to ensure that all available business enterprises, including MBEs, WBEs, SBEs, EBEs DVBEs and OBEs, have an equal opportunity to compete for, and participate in, City contracts. Equal opportunity will be determined by the proposer's BIP outreach documentation, as described in Part B, Attachment 13, the Business Inclusion Program for this RFP. Participation by MBEs, WBEs, SBEs, EBEs, DVBEs and OBEs may be in the form of subcontracting. Proposers must refer to Attachment 13 Business Inclusion Program to this RFP for additional information and instructions. BIP outreach must be performed using the Business Assistance Virtual Network ([www.labavn.org](http://www.labavn.org)). A proposer's failure to utilize and complete their BIP Outreach as described in Attachment 13 may result in their proposal



being deemed non-responsive. The deadline to submit the BIP Summary Sheet on [www.labavn.org](http://www.labavn.org) is \_\_\_\_\_ on \_\_\_\_\_, 2015.

#### **4.23 Local Business Preference Program Ordinance**

Proposers are advised that any proposal submitted and or contract awarded pursuant to this procurement process shall be subject to the applicable provisions of Los Angeles Administrative Code Section 10.47, Local Business Preference Program (LBPP) Ordinance. The City is committed to maximizing opportunities for local businesses, as well as encouraging local businesses to locate and operate in Los Angeles County. The LBPP Ordinance allows the Department to apply additional points to the Proposal's final score under certain conditions.

Proposers shall refer to Part B, Attachment 12, "Local Business Preference Program" for further information regarding the requirements and application of the Ordinance.

If applicable, proposers may choose to complete and upload the Local Business Certification Affidavit of Eligibility available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) residing at [www.labavn.org](http://www.labavn.org) prior to the Proposal Submission Deadline. The City may request supporting documentation to verify qualification for designation as a Local Business. Only those proposers who apply and qualify for a Local Business designation (or otherwise qualify by using a qualified Local Subcontractor) by the RFP due date will be made eligible for additional points that can be awarded under the ordinance.

Proposers seeking additional information regarding the requirements of the Local Business Preference Program Ordinance may visit the Bureau of Contract Administration's web site at <http://bca.lacity.org>.

#### **4.24 Confidentiality**

All documents, records and information provided by the City to the Contractor, or accessed or reviewed by the Contractor, during performance of this Agreement will remain the property of the City. All documents, records, and information provided by the City to the Contractor, or accessed or reviewed by the Contractor during performance of this Agreement, are confidential (hereinafter collectively referred to as "Confidential Information"). The Contractor agrees not to provide Confidential Information, nor disclose their content or any information contained in them, either orally or in writing, to any other person or entity. The Contractor agrees that all Confidential Information used or reviewed in connection with the Contractor's work for the City will be used only for the purpose of carrying out City business and cannot be used for any other purpose. The Contractor will be responsible for protecting the confidentiality and maintaining the security of City documents and records in its possession.

Any Confidential Information provided by the City to the Contractor, or accessed or reviewed by Contractor, during performance of this Contract, will be made available to its employees, agents, and subcontractors only on a need to know basis. Further, the Contractor will provide written instructions to all of its employees, agents and subcontractors, with access to the Confidential Information about the penalties for its unauthorized use or disclosure.

The Contractor must not remove Confidential Information or any other documents or information used or reviewed in connection with the Contractor's work for the City from City facilities without prior approval from the City. At no cost to the City the Contractor will, at the conclusion of this Agreement, or at the request of the City, promptly return in an organized manner that preserves and protects the documentation, any and all Confidential Information and all other written materials, notes, documents, or other information obtained by the Contractor during the course of work under this Agreement to the City. The Contractor will not make or retain copies of any such information, materials or documents. The Contractor and its employees, agents, and subcontractors may have access to confidential medical records information, which access is controlled by statute. Misuse of such information may adversely affect the subject individual's civil rights and violates the law. The Contractor will implement reasonable and prudent measures to keep secure private medical history information accessed by its employees, agents, and subcontractors during the performance of this Agreement. The Contractor will advise its employees, agents, and subcontractors of this confidentiality requirement.

The Contractor shall disclose the intent to use any service provider outside the continental United States of America to handle any aspect of the work within the scope of this Contract, and shall describe to the City's satisfaction the methods, which will be utilized to protect the City's interests and confidentiality of City records and information in doing so. The City reserves the right to approve any such service provider throughout the term of this Contract at its sole and absolute discretion.

Any breach of security that occurs through Contractor's website, offices or network shall require Contractor to be responsible for notifying City and all applicants affected by such breach. Contractor shall also be responsible for all costs associated with such notification.

#### **4.25 Government Taxation Forms**

Proposers must submit the following three forms found in Part B, Attachment 3 to the awarding authority at the same time the Proposal is submitted:

- IRS Request for Taxpayer Identification and Certificate (Form W-9)

- Evidence of having obtained a tax registration account number (City of L.A. Tax Registration Certificate number and/or Vender Registration number)
- State of California Withholding Exemption Certificate (Form 590) or Non-resident Withholding Certification (Form 587), if the proposer is located outside of California.

#### **4.26 On-Line Submission of Required Documents**

##### **a) Nondiscrimination, Equal Employment Practices and Affirmative Action Program (Non-Construction)**

Proposers are advised that any contract awarded pursuant to this procurement process shall be subject to the applicable provisions of Los Angeles Administrative Code Section 10.8.2., Non-discrimination Clause.

Contractors that provide non-construction services to or for the City for which the consideration is \$1,000 or more shall comply with the provisions of Los Angeles Administrative Code Sections 10.8.3., Equal Employment Practices Provisions. All proposers shall complete and upload the Non-Discrimination/Equal Employment Practices Affidavit (two (2) pages) available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) residing at [www.labavn.org](http://www.labavn.org) prior to award of a City contract valued at \$1,000 or more.

Contractors that provide non-construction services to or for the City for which the consideration is \$100,000 or more shall comply with the provisions of Los Angeles Administrative Code Sections 10.8.4., Affirmative Action Program Provisions. All proposers shall complete and upload the City of Los Angeles Affirmative Action Plan (four (4) pages) available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) residing at [www.labavn.org](http://www.labavn.org) prior to award of a City contract valued at \$100,000 or more. Proposers opting to submit their own Affirmative Action Plan may do so by uploading their Affirmative Action Plan onto the City's BAVN.

Both the Non-Discrimination/Equal Employment Practices Affidavit and the City of Los Angeles Affirmative Action Plan Affidavit shall be effective for a period of twelve months from the date they are first uploaded onto the City's BAVN.

Proposers seeking additional information regarding the requirements of the City's Non-Discrimination Clause, Equal Employment Practices and Affirmative Action Program may visit the Bureau of Contract Administration's web site at <http://bca.lacity.org>.

**b) Equal Benefits Ordinance**

Proposers are advised that any contract awarded pursuant to this procurement process shall be subject to the applicable provisions of Los Angeles Administrative Code Section 10.8.2.1, Equal Benefits Ordinance (EBO).

All proposers shall complete and upload the Equal Benefits Ordinance Affidavit (two (2) pages) available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) residing at [www.labavn.org](http://www.labavn.org) prior to award of a City contract, the value of which exceeds \$5,000. The Equal Benefits Ordinance Affidavit shall be effective for a period of twelve months from the date it is first uploaded onto the City's BAVN. Proposers do not need to submit supporting documentation with their bids or proposals. However, the City may request supporting documentation to verify that the benefits are provided equally as specified on the Equal Benefits Ordinance Affidavit.

Proposers seeking additional information regarding the requirements of the Equal Benefits Ordinance may visit the Bureau of Contract Administration's web site at <http://bca.lacity.org>.

**c) Slavery Disclosure Ordinance**

Unless otherwise exempt, in accordance with the provisions of the Slavery Disclosure Ordinance, any contract awarded pursuant to this RFP will be subject to the Slavery Disclosure Ordinance, Section 10.41 of the Los Angeles Administrative Code.

All proposers shall complete and upload the Slavery Disclosure Ordinance Affidavit (one (1) page) available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) residing at [www.labavn.org](http://www.labavn.org) prior to award of a City contract.

Proposers seeking additional information regarding the requirements of the Slavery Disclosure Ordinance may visit the Bureau of Contract Administration's web site at <http://bca.lacity.org>.

**d) First Source Hiring Ordinance**

Unless approved for an exemption, contractors under contracts used primarily for the furnishing of services to or for the City and that involve an expenditure in excess of \$25,000 and a contract term of at least three (3) months, and certain recipients of City Loans or Grants, shall comply with the provisions of Los Angeles Administrative Sections 10.44, et seq., First Source Hiring Ordinance (FSHO). Proposers shall

refer to Standard Provisions for City Contracts (Revised 06/12), Attachment 7, "First Source Hiring Ordinance", for further information regarding the requirements of the Ordinance. The First Source Hiring Ordinance Compliance Affidavit shall only be required of the proposer that is selected for award of a contract.

#### **4.27 Bond Assistance Program**

For those contractors wishing to bid on City projects but are experiencing difficulty obtaining the required bid, performance and payment bonds, the City of Los Angeles provides bonding assistance thru the Los Angeles Bond Assistance Program (BAP LA). For more information regarding the BAP LA please go to the City's Risk Management website at <http://cao.lacity.org/risk>.

#### **4.28 Americans with Disabilities Act**

As covered under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its proposals, programs, services and activities. If an individual with a disability requires accommodations to attend the Mandatory Pre-Proposal Conference, please contact the Contract Administrator at least five working days prior to the scheduled event.

#### **4.29 Iran Contracting Act of 2010**

In accordance with California Public Contract Code Sections 2200-2208, all bidders submitting proposals for, entering into, or renewing contracts with the City of Los Angeles for goods and services estimated at \$1,000,000 or more are required to complete, sign, and submit the "Iran Contracting Act of 2010 Compliance Affidavit".

# SECTION 5

## EVALUATION OF PROPOSALS

### 5.0 Review Process

Proposals received by the Proposal Submission Deadline as specified in this RFP will be evaluated as outlined below.

#### Preliminary Review – Level One

Proposals will be reviewed to determine completeness of required documentation and compliance with the City’s administrative and general contracting requirements. Proposers that fail to submit or complete required documentation and/or satisfactorily comply with the City’s requirements will be deemed as non-responsive, eliminated from further consideration and will not proceed to the Level Two review process. Proposers will be notified in writing or email regarding the results of the Level One review.

#### Proposal Evaluation - Level Two

The Plan’s investment consultant and Employee Benefits Division staff have been designated by the Board to evaluate/score the technical competence of all proposals and generate recommendations for selection to the Board. All written responses to the RFP questionnaire will be considered and evaluated. The award of the contract is subject to successful negotiation of the terms and conditions of an agreement.

### 5.1 Review Criteria

Evaluation of submitted proposals will be based on the following factors and the weights associated with each factor.

Category - Rating Factors	Weight	Scale
<b>Organizational Strength and Continuity</b>	<b>10</b>	<b>50</b>
➤ Organizational structure	3	15
➤ Personnel stability	5	25
➤ Business resiliency	2	10
<b>Investment Experience</b>	<b>10</b>	<b>50</b>
➤ Firm tenure	2	10
➤ Assets under management and clients	3	15

➤ Specific strategy personnel	5	25
<b>Investment Approach</b>	<b>25</b>	<b>125</b>
➤ Strategy	5	25
➤ External management capabilities	4	20
➤ Internal management capabilities	4	20
➤ Wrap capacity, selection, and negotiation	4	20
➤ Risk management	3	15
➤ Current and historical portfolio construction	5	25
<b>Performance</b>	<b>25</b>	<b>125</b>
<b>Transition Plan</b>	<b>5</b>	<b>25</b>
<b>Administrative and Reporting</b>	<b>5</b>	<b>25</b>
➤ Accounting	3	15
➤ Communications	2	10
<b>Fees</b>	<b>20</b>	<b>100</b>
<b>TOTAL--&gt;</b>	<b>100</b>	<b>500</b>

## 5.2 Proposal Protest

### Level One - Preliminary Review

Proposer may file a protest regarding disqualification at the Level One review. (see Section 5.0, “Preliminary Review – Level One”.) A Notice of Protest must be filed in writing and submitted to the Contract Administrator within five (5) calendar days of the notification of disqualification date. The Notice of Protest must clearly state the grounds for the protest and the facts on which they are based. The Personnel Department will respond to a protest within 15 calendar days of receiving it, and the Department, at its election, may set up a conference call with the proposer to discuss the protest concerns. The decision of the Personnel Department General Manager will be final.

### Level Two - Award of Contract Recommendation

Proposers may file a protest regarding the Award of the Contract recommendation submitted to the Board. A Notice of Protest must be filed in writing and submitted to the Contract Administrator within seven (7) calendar days of the date the Board makes its final vendor selections pursuant to this RFP. The Notice of Protest must clearly state the grounds for the protest and the facts on which they are based. A protest based on non-selection alone or disagreement with Award of the Contract recommendation is not sufficient grounds for a Protest.

Personnel Department staff will respond to a protest, in writing, within 20 calendar days of receiving it, and the Personnel Department, at its election, may set up a conference call or meeting with the proposer to discuss the protest concerns. Findings and/or recommendations will be submitted to the Board of Deferred Compensation Administration and the decision of the Board will be final.

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# SECTION 6

## GENERAL TERMS & CONDITIONS

### **6.0 Property of City/Proprietary Material**

All proposals submitted in response to this RFP will become the property of the City of Los Angeles and subject to the California Public Records Act (California Government Code Section 6250 et seq). Proposers must identify all trade secrets or other proprietary information that the proposers claim are exempt from the Public Records Act. The City Attorney will make an independent determination regarding whether the identified information is disclosable.

In the event a proposer claims such an exemption, the proposer is required to state in the proposal the following: “The Proposer will indemnify the City and its officers, employees and agents, and hold them harmless from any claim or liability and defend any action brought against them for their refusal to disclose trade secrets or other proprietary information to any person making a request therefore.”

Failure to include such a statement will constitute a waiver of a proposer’s right to exemption from this disclosure.

### **6.1 Pre-Award Negotiations**

Prior to award of the contract, the successful proposer(s) may be required to attend negotiation meetings that will be scheduled at a later date. The intent of the meeting(s) will be to discuss and negotiate contract requirements, prices/premiums, service level agreements, detailed scope of work specifications, ordering, invoicing, delivery, receiving and payment procedures, etc. in order to insure successful administration of the contract.

### **6.2 Execution of Contract**

Unless otherwise stated, proposals submitted will be irrevocable for a period of one-year following the proposal due date. A contract will be developed following action by the Board.

Any contract made pursuant to this RFP must be accepted in writing by the Proposer. If for any reason Proposer should fail to accept the contract in writing,

then the Proposer may be deemed non-responsive and the City may commence contract negotiations with another proposer.

Please note that the City takes a legal approach whereby all contracts contain an order of precedence. In the event of a discrepancy between the provisions of the Contractor's documents and the City's documents, the City's documents take precedence with respect to resolution of the discrepancy.

### **6.3 Amendments/Modifications/Change Orders**

Any amendments, adjustments, alterations, additions, deletions, or modifications in the terms and/or conditions of the resultant agreement must be made by written amendment/change order approved by the Contract Administrator, the Contractor, and signed by the City Attorney. If Contractor performs any modification without a written amendment/change order, the City will neither pay for nor be obligated to accept said modification.

### **6.4 Prime Contractor**

The Proposer awarded the contract must be the prime Contractor performing the primary functions of the contract. If any portion of the contract is to be subcontracted, it must be clearly set forth in the proposal document as to what part(s) are to be subcontracted, the reasons for the subcontracting and a listing of subcontractors. The City reserves the right to reject any proposal wherein use of subcontractors significantly affects the ability of the Proposer to function as the prime Contractor on the awarded contract. The prime Contractor will at all times be responsible for the acts and errors or omissions of its Subcontractors or joint participants and persons directly or indirectly employed by them.

### **6.5 Subcontractors/Joint Ventures**

Acceptance or rejection of a Proposer's request to use subcontractors is at the sole discretion of the City. With approval of the City, the Contractor may enter into subcontracts and joint participation agreements with others for the performance of portions of resultant agreement.

The provisions of the resultant agreement will apply to all subcontractors in the same manner as to the Contractor. In particular, the City will not pay, even indirectly, the fees and expenses of subcontractors that do not conform to the limitations and documentation requirements of the resultant agreement.

#### **6.5.1 Copies of Subcontractor Agreements**

Upon written request from the City, the Contractor will supply the City with all subcontractor agreements at no cost.

## **6.6 Supplier Performance Feedback Meetings**

The Proposer awarded the resulting agreement is required to attend periodic performance feedback meetings facilitated by the Contract Administrator. The meetings will focus on the Contractor's and the City's performance in fulfilling the service level requirements contained in the contract. The meetings will provide a forum to informally discuss opportunities for improving contract terms and conditions, service level requirements, and cost reductions for both parties.

## **6.7 Replacement of Contractor's Staff**

The City reserves the right to have the Contractor replace any contract personnel with equally or better qualified staff upon providing written notice to Contractor. In addition, the City reserves the right to approve in advance any changes in project personnel or levels of commitment by the Contractor to the project.

## **6.8 Contractor's Address**

The address given in the proposal response will be considered the legal address of the Contractor and will be changed only by written notice to the City. The Contractor will supply an address to which certified mail can be delivered. The delivery of any communication to the Contractor personally, or to such address, or the depositing in the United States Mail, registered or certified with postage prepaid, addressed to the Contractor at such address, will constitute a legal service thereof. Also, telephone numbers, fax numbers and e-mail addresses (if applicable) must be provided.

## **6.9 Assigned Personnel**

Proposers shall provide a written response to the following questions, reproducing the question with each answer. If a question does not apply to you, please write in "not applicable" and then state the reason why the question does not apply to your firm.

1. Indicate the number of personnel (including support personnel) that will be assigned to this account, their job titles, and roles. Include an organizational chart of the personnel that includes name, job title, and work location (full address). Please specify if the assigned personnel will telecommute from a home location and what percentage of time will be spent telecommuting.
2. List the name, title, responsibility, firm, and industry experience of the primary person that will be assigned to this account and the backup contact person.
3. Provide resumes of all the professionals who will be assigned to this account. Describe their qualifications including education, experience,

number of years with your firm, and if applicable, number of years working with private or public sector retirement plans.

4. The City reserves the right to approve/accept key personnel. Contractor must notify City in writing within three business days if key personnel are removed from the City account.

#### **6.10 Term & Option to Renew**

The term of any Contracts(s) established pursuant to this RFP shall be for a period of five years from the Contract effective date as provided for by the final Contract unless terminated earlier. The City reserves the right in its sole discretion to seek an extension of the term of the Contract.

#### **6.11 Standard Contract Provision Requirements**

Please carefully review the information contained in the City of Los Angeles Requirements and Checklist (Part B), including the Standard Provisions for City Contracts. Compliance with these requirements and submission of necessary forms is mandatory at the time of submission of a proposal, prior to award of contract, or both. These requirements will be discussed in detail at the Mandatory Pre-Proposal Conference. Failure to comply with the requirements and accept the contract provisions will render proposals non-responsive and eliminate them from consideration.

#### **6.12 Governing Law**

All matters relating to the formation, validity, construction, interpretation, performance and enforcement of the RFP and the resultant agreement/contract, must comply with all applicable laws of the United States of America, the State of California and the City.

#### **6.13 California State Sales Tax**

Do not include California State sales tax in prices quoted unless otherwise requested. If requested, sales tax must be identified as being included in the pricing.

#### **6.14 California State Board of Equalization Permit**

Proposer must enter the company's State of California Board of Equalization permit number on the proposal form. If the company does not have this permit, the proposer must sign the proposal form declaring that the company has no California sales tax permit.

**6.15 Federal Excise Taxes**

The City of Los Angeles is exempt from the payment of excise taxes imposed by the Federal Government. Such taxes must not be included in the proposed prices. The Department of General Services, upon request, will furnish Federal excise exemption certificates.

**6.16 Periodic Independent Audit**

The City reserves the right to assign an independent auditor to assess the quality of services being provided and the extent to which the vendor and its subcontractors are conducting City business within generally accepted industry standard practices. Each Contractor will be required to cooperate fully with any external audit.

**6.17 Financial Audit**

Firms providing services to the City will be responsible for the verification of the legitimacy of payments made to service providers and their subcontractors. The City therefore reserves the right for staff of its Office of the Controller or their designee to conduct audits of financial accountability procedures.

**6.18 Proposer Background Information**

Proposers must submit contact information as listed below.

Proposer's Contact Name:	
Contact Title:	
Mailing Address:	
Address of Business (if different from mailing address):	
Telephone Number:	
Cell Phone Number:	
24-Hour Tel. Number:	
Fax Number:	
E-mail Address:	
Remittance Address (if different from mailing address):	

### **6.19 Verification of Prior City Contracts**

The City Council adopted a resolution requiring vendors to provide a list of all City contracts held within the past 10 years to be included in the response package for all bids and proposals. Performance on past contracts with the City of Los Angeles will be part of the evaluation criteria. Failure to disclose this information will deem the proposal non-responsive (see Attachment 6 of Part B).

### **6.20 History of Terminated Contracts**

If the Proposer(s) has had a contract terminated for default, or any other reason during the past ten years, all such incidents must be described. Termination for default is defined as notice to stop performance due to the Proposer's non-performance or poor performance and the issue was either not litigated; or litigated and such litigation determined the proposer to be in default. Submit full details of all terminations experienced by the proposer during the past ten years including:

- Company Name
- Number of Employees
- Name of Contact
- Title of Contact
- Telephone Number
- Email Address
- Dates and Types of Services Provided
- Contract Effective Date
- Date of Contract Termination
- Reason for Termination of Services

Present the proposer's position on the matter. The City will evaluate the facts and may, at its sole discretion, reject the Proposer's proposal if the facts discovered indicate that completion of a contract resulting from this RFP may be jeopardized by selection of the proposer.

If the proposer has experienced no termination for default in the past ten years, so indicate.

### **6.21 Business Organization**

Proposer shall provide an overview of the entity submitting this RFP including the following information.

1. Date entity was established and location of entity when established
2. Brief history and description of entity

3. Location of headquarters (full address)
4. Annual revenues
5. If your firm has more than one office location, which of your firm's offices will service this account? Which services will each office specifically provide?
6. Total number of employees
7. Total number of employees in the City of Los Angeles
8. Total number of employees in the County of Los Angeles
9. Number of employees providing services for this contract
10. Number of employees reported in Question 9 above whose exclusive, primary work location is in the County of Los Angeles

### **6.22 Proposed Subcontractor Information**

If applicable to proposal, the following information must be provided for each proposed subcontractor.

1. Subcontractor's name, mailing address, phone number
2. Location of business and phone number (if different from mailing address)
3. Subcontractor's contact name, title, phone number
4. Subcontractor's registration # and/or license #, if applicable
5. Description of work to be subcontracted
6. Reason(s) for subcontracting
7. Percentage of total contract to be subcontracted and dollar amount
8. Relevant work experience in years and level of responsibility
9. Experience in number of years that your firm has worked with the subcontractor providing these services
10. If subcontractor is a MBE, WBE, LBE, SBE, EBE, or OBE

If subcontractors will not be utilized, so indicate.

**6.23 Proposer Signature Declaration Page**

The undersigned hereby offers and agrees to furnish the goods and/or routine services in compliance with all the service level requirements, instructions, specifications, and any amendments contained in this RFP document and any written exceptions in the offer accepted by the City.

This proposal is genuine, and not sham or collusive, nor made in the interest or in behalf of any person not herein named; the proposer has not directly or indirectly induced or solicited any other proposer to put in a sham proposal, or any other person, firm or corporation to refrain from submitting a proposal; and the proposer has not in any manner sought by collusion to secure for itself an advantage over any other proposer.

Each proposal must be signed on behalf of the proposer by an officer authorized to bind the proposer to the proposal.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and I agree to the terms and conditions in this proposal.

Company Name		Date
Signature of Authorized Person		
Printed Name	Title	
Address		
City, State, Zip		

The proposer hereby acknowledges receipt of and agrees this Proposal is based on the RFP and the following addenda. Failure to indicate receipt of addenda may result in the proposal being rejected as non-responsive. To constitute a responsive proposal you must return all pages of the proposal forms.

ADDENDUM #: \_\_\_\_\_ DATED: \_\_\_\_\_  
 ADDENDUM #: \_\_\_\_\_ DATED: \_\_\_\_\_  
 ADDENDUM #: \_\_\_\_\_ DATED: \_\_\_\_\_  
 ADDENDUM #: \_\_\_\_\_ DATED: \_\_\_\_\_  
 ADDENDUM #: \_\_\_\_\_ DATED: \_\_\_\_\_  
 ADDENDUM #: \_\_\_\_\_ DATED: \_\_\_\_\_

(If additional addenda are issued, attach a complete listing when submitting this Proposal).





BOARD OF DEFERRED  
COMPENSATION  
ADMINISTRATION

EUGENE K. CANZANO  
CHAIRPERSON

BILL STEIN  
VICE-CHAIRPERSON

SANGEETA BHATIA  
SALLY CHOI  
RICHARD KRAUS  
MICHAEL A. PEREZ  
KURT A. STABEL  
MARGARET WHELAN

# DEFERRED COMPENSATION PLAN BOARD REPORT 08-45



Date: November 12, 2008

To: Board of Deferred Compensation Administration

From: Staff

Subject: Stable Value Fund RFP/Third-Party-Administrator Role

Recommendation:

That the Board of Deferred Compensation Administration:

- (a) Cancel the August 22, 2008 Request for Proposal (RFP) for a Stable Value Fund manager and approve its immediate re-issuance; and
- (b) Establish that, to prevent the appearance of a conflict-of-interest and to promote the neutral and unbiased communication of investment options to Plan participants, any firm serving as the Deferred Compensation Plan Third-Party-Administrator (TPA) will not simultaneously be permitted to be a Plan investment provider.

Discussion:

On August 22, 2008, staff issued a Request for Proposal (RFP) for a Stable Value Fund manager. Responses were due October 24, 2008. Four firms submitted responses: Fidelity Investments, Galliard Capital Management, Great-West Retirement Services (Great-West), and Pacific Investment Management Company (PIMCO). Three of the four firms (all excluding Great-West) were found to be non-compliant with the City's Standard Provisions requirements. Specifically, all three failed the provisions relating to outreach to minority and women owned firms ("MBE/WBE"). This leaves only one viable firm.

Given the size of the asset pool under management and the importance of this mandate, staff believes that the Board should re-issue the RFP in order to obtain a larger pool of potential vendors to consider. The incumbent contracts with Galliard and Hartford Life Insurance do not expire until June 2009, so there is still sufficient time to re-issue the RFP, require a streamlined response period, and conduct a review. Staff is proposing that the RFP be re-issued November 19, 2008, with responses due December 19, 2008. An analysis and recommendation would be expected to be presented to the Board at its February 17, 2008 meeting.

*Third-Party-Administrator Proposal* – As indicated, Great-West was one of the respondents on the RFP. Great-West is the Plan's Third-Party-Administrator (TPA). When the Board "unbundled" the Deferred Compensation Plan in 1999 by separating the TPA contract from its investment provider relationships, one of the primary bases for doing so was to ensure that the TPA had no incentive to recommend any specific investment options offered in the Plan.

When staff became aware of the Great-West proposal, staff contacted the City Attorney's Office to see if there were any potential conflict-of-interest issues that might arise from the Board contracting with Great-West as an investment provider. Staff focused particularly on issues arising when Great-West Plan representatives discussed with participants an investment option from which they derived revenue, especially as compared to competing options in the Plan (e.g. the Plan's FDIC-insured option, Ultra-Conservative or Conservative funds, bond funds, etc.).

Staff initially spoke with Deputy City Attorney Richard Bobb, who in turn contacted Deputy City Attorney Renee Stadel, the City Attorney's ethics expert. Mr. Bobb stated that Ms. Stadel had indicated there is no direct conflict-of-interest issue given that Great-West cannot advise participants regarding where to invest their money. However, she further indicated that there could nevertheless be an appearance of conflict-of-interest and to avoid that the Board was free to, as a matter of policy, take a position that a TPA cannot be both a Plan administrator as well as investment provider.

The proposition that a TPA should not be both a Plan administrator as well as investment provider is a concept that informed the Plan's unbundling in 1999. It resulted from the Plan's prior dual-vendor, bundled design model that was in existence from 1983 through 1999. In that model, the two firms providing administrative services had incentives to market their particular investment products to participants. This provided a potential motivation or tendency to, in discussing these options with Plan participants, emphasize favorable aspects of their options while de-emphasizing unfavorable ones. This same dynamic could potentially exist if the Plan's TPA was also an investment provider. Even if it did not, as noted by the City Attorney, the appearance of conflict-of-interest could arguably be created in the minds of Plan participants which might inhibit their ability to assess their investment choices objectively.

The counter-argument to the concern about appearance of conflict-of-interest is that, given that this option will be branded under the Plan name and not with the provider, the appearance of a conflict-of-interest from the participant's perspective would be fairly remote (although not fully eliminated, because Plan literature would disclose the underlying providers for any City-branded option). Thus, it is possible that for the sake of the appearance issue the Board might close off consideration of a credible option.

On balance, however, and in the interest of consistency with prior Plan design considerations, staff recommends that the Board take position prohibiting a Plan TPA from simultaneously serving as an Plan investment provider. This would prevent the appearance of a conflict-of-interest and promote the neutral and unbiased communication of investment options to Plan participants

Submitted by:

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Steven Montagna

CITY OF LOS ANGELES  
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES  
REGULAR MEETING OF NOVEMBER 18, 2008 – 9:00 A.M.  
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

**Present:**

Sangeeta Bhatia  
Richard Kraus  
Michael Perez  
Kurt Stabel  
Shelley Smith  
Margaret Whelan

Staff:

Personnel: Steven Montagna  
Natasha Zuvich  
Ashley Stracke  
Jo Ann Dominguez

City Attorney: Anita Parys  
Vicky Williams

1. CALL TO ORDER

Acting Chairperson Margaret Whelan called the meeting to order at 9:10 a.m. Ms. Whelan requested a moment of silence in memory of Deputy City Attorney Richard Bobb, who she indicated had unexpectedly passed away the past weekend.

2. PUBLIC COMMENTS

None.

3. MINUTES

**A motion was made by Richard Kraus, seconded by Mike Perez, to approve the minutes of September 30, 2008; the motion was unanimously adopted. A motion was made by Shelley Smith, seconded by Richard Kraus, to approve the minutes of October 21, 2008; the motion was unanimously adopted.**

4. INVESTMENT PROVIDER PRESENTATION - PIMCO

Jason Kezelman, Vice President and Relationship Manager, was present to review performance for the PIMCO Total Return Bond Fund. Mr. Kezelman began by reviewing the general economic backdrop. He indicated that sharp losses had been experienced in virtually all major asset classes as global leverage had begun unwinding. He stated that the pace of these losses had accelerated over the last two months and affected U.S. stocks, international stocks and commodities. He further indicated that fixed income markets had been impacted as well, with U.S. Treasuries being the only portion of the market that had experienced positive returns. He noted that even Treasury Inflation Protected Securities (TIPS) had fallen 8% in October.

Mr. Kezelman next reviewed the Treasury yield curve, indicating that the curve had steepened after having been inverted in 2007. He indicated that the LIBOR rate, the lending rate used between lending institutions, had gone from 2.8% in late August to 5% at its peak before retreating following government intervention.

Reviewing some of the different bond types, he indicated that financials had been the worst performers, with an average 4.5% spread on investment debt vs. mortgage backed securities. With respect to the latter, he indicated that the virtual takeover of Freddie Mac and Fannie Mae by the Federal government had not provided as much relief as had been hoped, but that improvements were still expected longer term.

Mr. Kezelman next reviewed performance returns, indicating that year-to-date the Fund had outperformed its benchmark by 70 basis points, and by 90 basis points since its introduction to the City's Plan. He stated, however, that the Fund had under-performed its benchmark over the last three months as it was impacted by its exposure to corporate debt and in particular financial stocks, which it had begun taking positions in at the beginning of 2008. He indicated that although financials had been severely hurt the Fund manager believed that there were significant opportunities in this space and was positioning the Fund for the longer term.

Mr. Kezelman indicated that 60% of the Fund's investments were in mortgage backed securities but that most of this was agency debt backed by prime loans, and 57% in Fannie Mae mortgages. He indicated that 17% of holdings were in corporate debt but this was concentrated in companies falling under the umbrella of recent government intervention.

He indicated that the recently passed Federal rescue package was having a positive effect and Fund managers were optimistic that as the overall economic environment improved the Fund would be well-positioned to take advantage. He indicated that the U.S. government had been more responsive than other governments throughout the world. He stated that the Fund would continue to be underweight on Treasuries as the Fund managers saw little opportunity for appreciation there.

Richard Kraus acknowledged the Fund's strong relative returns and then asked Mr. Kezelman if he could provide more detail around the reason for the Fund's recent fee

increase. Mr. Kezelman replied that fees had increased by three basis points not to provide additional compensation to fund managers but to meet higher obligations for compliance and regulatory oversight. Mr. Kraus next asked for comment on Mercer's observations in its quarterly investment review that PIMCO had experienced significant recent personnel turnover. Mr. Kezelman replied that the organization had seen some retirements of senior staff but that he did not believe these were indicative of a problem with retaining quality personnel, and that highly qualified replacements had been selected.

Mr. Perez asked if PIMCO could include in its next report an indication of activity with respect to the rating agencies. Mr. Kezelman replied that he could certainly do so, and Mr. Montagna indicated that staff would find a way to do this in advance of the next annual presentation from the firm. Ms. Smith asked if PIMCO could help draft an article geared towards Plan participants providing some education on recent events in the fixed income markets, and Mr. Kezelman indicated he would do so. With no further questions, his presentation then concluded.

## 5. GREAT-WEST QUARTERLY PLAN REVIEW

Rick Kramer, Director of Government Operations; Usha Archer, Regional Manager; and Gary Robison, Local Manager, all with Great-West Retirement Services, were present to provide the Great-West quarterly review. Mr. Kramer began by stating that Plan assets had decreased in the third quarter from \$2.7 to \$2.5 billion. Mr. Kramer stated that 34% of Plan assets were in fixed interest investments. He also indicated that there was a significant increase in deposits.

Mr. Kramer next discussed the breakdown of assets by investment. He noted that assets in the Hartford Life General Account had increased compared to the previous quarter, while assets in Washington Mutual decreased. He explained that the reason for this might have been because the rate of return for Hartford was 4.35% during the third quarter, while Washington Mutual's was at 2.68%.

Mr. Kramer stated that for the third quarter there were 30,542 contributing participants and 9,236 non-contributing participants. He indicated that the number of non-contributing participants could be due in part to participants reaching their contribution limits for the year. Mr. Perez asked if Great West tracked the number of accounts that were terminated each quarter. Ms. Archer stated that during the third quarter 243 participants took a full distribution of their accounts. Mr. Montagna asked if this information could be compared to previous quarters in future reports. Mr. Kramer confirmed that Great-West could provide this information.

Mr. Robison continued the presentation with a discussion regarding local office activity and Plan contact information. Mr. Robison stated that there had been a large increase in the volume of phone calls. He indicated that many participants were calling in regard to Hartford's lower stock value. He explained that in these cases, local staff often reminded participants that their investment was not in Hartford stock. He also indicated

the local Great West staff had double the coverage at the City Hall office during the third quarter to handle the high volume of participant inquiries.

In regard to group meetings, Mr. Robison explained that in addition to independently scheduled enrollment meetings, local Great-West staff had been working with Natasha Zuvich to schedule DROP meetings at the fire stations and police academy. He stated that group meetings now averaged approximately six hundred attendees per month.

Mr. Robison concluded with an administrative overview. He stated that 2008 year-to-date assets rolled over into the Plan were larger than rollover assets out of the Plan. He indicated that this was unique compared to previous years in which rollover assets out of the Plan exceeded rollovers into the Plan. Ms. Whelan asked why this may be the case. Mr. Robison explained that local Great-West staff had been making a more concerted effort of explaining to participants the benefits of keeping their assets in the City's Plan. Ms. Whelan stated that the message appeared to be resonating with participants.

Mr. Kraus concluded the discussion by stating that he was impressed by the turnout at the Library Department for October's National Save for Retirement Week. He stated that both Great West and Personnel Department staff worked well explaining complex topics in addition to enrolling new participants.

## 6. BOARD REPORT 08-44: FDIC INSURED OPTIONS

Mr. Montagna stated that the Investments Committee recommended to the Board that the Plan adopt a multi-vendor model for the FDIC insured option. Mr. Montagna explained that the Committee had decided that this would both expand the amount of FDIC coverage for participants as well as provide the Plan the ability to move assets quickly should one of the institutions within the option become insolvent.

Mr. Montagna stated that as a result of its discussion, the Committee also recommended that the Board discontinue offering Certificates of Deposit (CDs) as a core option. He explained staff's finding that CDs create communication difficulties in which participants routinely forget to rollover matured investments. He further explained that participants would still have access to CDs through the Self-Directed Brokerage Option.

Mr. Montagna explained that should the Board approve the release of the RFP for the end of 2008, the structure for the FDIC insured option should be in place by the middle of 2009 at which point the elimination of the CD option could coincide. Board members indicated that they did not have the attachment containing the minimum qualifications for financial institutions provided by Mercer. The materials were then distributed to the Board members. Mr. Montagna stated that the criteria would also be included in the RFP once it was returned to the Board for approval. **A motion was then made by Michael Perez, seconded by Shelley Smith, to a) create a blended multi-vendor savings option, b) eliminate the Plan's Certificates of Deposit, and c) direct staff**

**and Mercer to draft an RFP for these services and return to the Board with that draft and proposed implementation timetable as soon as practical; the motion was unanimously adopted.**

#### 7. BOARD REPORT 08-45: STABLE VALUE FUND RFP/ THIRD-PARTY-ADMINISTRATOR ROLE

Mr. Montagna indicated that with respect to the recently issued RFP for a Stable Fund Manager, three of the four firms submitting proposals were found to be non-compliant with the City's Standard Provisions. Mr. Montagna indicated that as a result staff's recommendation to the Board was to cancel and re-issue the RFP. He further stated that the common provision which appeared to have posed the greatest difficulty for these firms concerned Minority and Women Owned Business Outreach (MBE/WBE). He indicated that he had spoken with each firm and determined that the failure to meet the requirement resulted from a fundamental misunderstanding of its requirements.

Ms. Whelan asked what resources were provided to vendors to help them understand the requirements. Mr. Montagna indicated that the City held mandatory pre-proposal conferences in which Bobbi Jacobsen, the Personnel Department's resident contracts expert, reviewed all Standard Provisions requirements in detail, including MBE/WBE requirements. Ms. Whelan expressed her concern regarding having staff spend additional time re-issuing RFPs. Ms. Smith indicated that sometimes the people attending the conference are not the ones later assembling the response and that appropriate communication of those requirements was key. Ms. Whelan requested that staff do all that it could to impress upon vendors the importance of following through with the requirements.

Susan Dalton of Mercer Investment Consulting indicated that a potentially positive result of this situation was that some vendors not previously aware of the provider search might now be eligible to compete. Following this discussion, **a motion was made by Shelley Smith, seconded by Michael Perez, approving cancellation of the August 22, 2008 Request for Proposal (RFP) for a Stable Value Fund manager and approve its immediate re-issuance; the motion was unanimously adopted.**

Mr. Montagna next indicated that one of the firms responding to the original RFP was the Plan's Third-Party Administrator (TPA). He indicated that the staff report raised some concerns regarding having a TPA assume both the role of Plan administrator as well as investment provider. Mr. Montagna stated that when the Plan unbundled in 1999 one of the goals of restructuring was to remove TPA incentives to recommend any specific investment options offered within the Plan. He further stated that he had contacted Deputy City Attorney Richard Bobb regarding whether conflict-of-interest concerns existed with this situation, and that Mr. Bobb had replied that upon consultation with the City Attorney's ethics expert, there was no direct conflict of interest given the fact Great-West cannot advise participants where to invest their money, but that an appearance of conflict-of-interest could exist and the Board was free to exclude its TPA from competing on that basis.



Kent Morris of Great-West Retirement Services asked to address the Board. He indicated that he understood staff's concern around Great-West proposing an investment offering but that the product's fees were fully transparent. Additionally, he indicated there would be no incentive to any Great-West employee for having a participant move funds into the stable value fund. He also stated that other public defined contribution plans have used TPAs as investment providers. Finally, he stated that Great-West derives revenue from participant loans and thus has compensation incentives even under the existing structure of the Plan.

Ms. Smith replied that the Board probably would not be having this discussion if the Plan did not have its institutional history with its former providers. She stated she did not believe there was a conflict of interest. She indicated that the Board could make a decision to exclude the TPA out of an abundance of caution on the issue of appearance, but that she was skeptical whether that was required in this instance. Ms. Bhatia indicated she concurred with Ms. Smith's comments, and suggested that if Great-West was awarded the contract it might be possible to structure the contract with provisions to help guard against a conflict-of-interest.

Mr. Perez indicated that this was a difficult situation but that he agreed with staff's recommendation. He stated that participants are looking for guidance from Great-West representatives regarding investment selections which makes it difficult to avoid the appearance of conflict-of-interest. Mr. Kraus asked if this situation had been addressed in the past. Mr. Montagna replied that this specific issue had not. Mr. Kraus asked if the RFP could be written to inquire as to whether a vendor had been involved in any legal issues/complaints. Mr. Montagna replied that RFPs already routinely include this question.

Ms. Whelan indicated that there was a recommendation before the Board and asked if any Board member wished to make a motion. A motion was made by Michael Perez, seconded by Kurt Stabel, to have the Board take a position that in order to prevent the appearance of a conflict-of-interest and to promote the neutral and unbiased communication of investment options to Plan participants, any firm serving as the Deferred Compensation Plan Third-Party-Administrator (TPA) would not simultaneously be permitted to be a Plan investment provider; the motion failed by a vote of 3-3 (Perez, Stabel and Whelan in favor; and Smith, Kraus and Bhatia opposed).

There was some further discussion as to whether any additional action was needed before issuing the RFP to make clear that Great-West would be permitted to submit a proposal. Mr. Montagna indicated that the RFP would be issued under the same terms as it had been previously and therefore no additional action was required by the Board.

## 8. BOARD REPORT 08-46: RUSSELL 2000 INDEX AND MID-CAP INDEX FUNDS

Susan Dalton presented findings regarding Mercer's evaluation of responses to the RFP for a Russell 2000 Index Fund manager. She indicated that State Street Global Advisors scored higher than BlackRock in the overall evaluation. She noted that both firms had difficulty with the Organizational Strength and Continuity portion due to BlackRock's President stepping down in the first quarter of 2008 and State Street acquiring a new CIO and CEO in 2008.

Ms. Dalton indicated that both firms offered commingled funds and daily valuation. She stated that State Street had an advantage as a result of the \$8 billion in assets managed under this mandate, whereas BlackRock had \$367 million. She indicated both firms had strong management teams which had been together for a number of years. She stated the investment approach for each firm slightly varied, with BlackRock using optimized sampling while State Street used a full replication strategy. She stated that both firms use futures for liquidity reasons.

Ms. Dalton stated that in terms of performance both firms scored similarly, but that State Street had an advantage as to fees which were 0.06% per annum. She stated BlackRock had more volatility in its tracking error and higher long-term tracking error than State Street for three and five year tracking. She further noted some regulatory issues affecting State Street but stated she did not believe these related to administration of the Fund.

Ms. Smith indicated that these results appeared to demonstrate a clearly superior proposal for State Street. As a result, **a motion was made by Shelley Smith, seconded by Sangeeta Bhatia, to approve the re-selection of State Street Global Advisors as the Plan's Russell 2000 Index Fund manager; the motion was unanimously adopted.**

## 9. BOARD REPORT 08:47: PROPOSED REVISIONS TO ELECTIONS POLICY

Based on discussion at the October 2, 2008 Plan Governance and Administrative Issues Committee meeting, staff member Ashley Stracke indicated that staff was first recommending that the Board's Election Policy include section headings in order to provide greater clarity for discussion of policy and potential amendments. Mr. Montagna added that the Board had previously adopted this policy at the time elected positions were created on the Board but had not revisited the policy since, and so in part staff's recommendations were intended to clean up the governing document.

Ms. Stracke next indicated that staff was recommending inclusion of an amendment specifying that Employee I.D. numbers rather than Social Security Numbers be used to identify Department of Water and Power (DWP) participant ballots. Ms. Bhatia indicated that DWP employees do not use Social Security Numbers and that Employee ID numbers would be preferable.

Ms. Stracke next indicated that staff was proposing including a section in the policy concerning reporting of gifts related to third party candidate support, in response to questions raised by Board member Richard Kraus. Mr. Montagna indicated that Mr. Kraus' question concerned whether a reportable gift event might occur if a third party spent funds on behalf of a candidate in excess of annual gift limits applicable to that entity. Mr. Montagna stated that the City Attorney's Office had responded by indicating that the support might be considered a gift to the extent there was coordination between the candidate and the third party. Mr. Kraus added that his concern was that candidates be made aware of this in some fashion.

Ms. Smith indicated her belief that this discussion was not appropriate for the Board's policy. Ms. Whelan indicated her support for not including it in the policy given that the information provided was not very substantive. Mr. Montagna indicated that the intent of the two Committee members, Eugene Canzano and Bill Stein, who had developed this recommendation, was simply to help make candidates aware of this potential issue without necessarily attempting to offer guidance on it.

Mr. Kraus indicated that elected officials are given guidance and he believed that Board members should be given guidance as well. Ms. Smith replied that obligations for elected officials like City Council members were different than those for members of administrative bodies such as the Board. Mr. Kraus suggested that some type of orientation be provided to potential candidates.

Ms. Whelan indicated that neither staff nor the Board have expertise with this subject and therefore it would not be appropriate for either to attempt to interpret State rules. Mr. Stabel indicated that he was not aware of this issue when he ran for his position and he believed someone should be providing information. Ms. Whelan raised the possibility of the City Clerk providing assistance in educating candidates. Ms. Smith indicated that she did not expect the City Clerk would accept this responsibility and did not believe it was their responsibility either. Mr. Kraus indicated that assistance did not necessarily need to be provided as part of the election policy or by staff, but should be provided somewhere.

Discussion turned to a proposal to amend Section D, Paragraph 4 to specify a lower number of required signatures for the nomination of candidates separated from City service. Mr. Montagna indicated that the Committee members believed that 100 to 200 signatures was too high of a requirement for this category but had not developed a recommendation for a specific number and believed the full Board should weigh in on the matter. Mr. Montagna indicated that Mr. Stein and Mr. Canzano had considered as few as five to ten signatures.

Ms. Smith stated her belief that the retiree seat should be self-nominated. Mr. Montagna replied both Mr. Stein and Mr. Canzano felt there should be some modest requirements involved with the candidacy. Ms. Whelan indicated that she believed a modest requirement was reasonable, and that if a potential candidate did not know at least fifteen participants in the Plan it was questionable whether they could make a legitimate

claim to be representing the constituency. Ms. Bhatia indicated that at DWP the retiree organization typically endorses its representative.

Following this discussion, Ms. Whelan observed that there did not appear to be a consensus developing and that it would probably make sense to defer this issue until at least one of the Committee members was present to share the Committee's thinking. As a result, staff was requested to hold this item for a future meeting at which one or more Committee members who had participated in the original discussion was available for a regular Board meeting.

#### 10. BOARD REPORT 08-48: STAFF REPORT

Ms. Zuvich stated that the Treasury Department had announced that the contribution limits for Section 457 plans would increase for 2009. She explained that limits for participants under age 50, over age 50, and those in Catch-Up would increase to \$16,500, \$22,000, and \$33,000 respectively. Ms. Zuvich indicated that a payroll flyer would be distributed to all City Departments for the first payday in December.

Ms. Zuvich next discussed the Plan's accrued leave and hardship activity. She stated that during October 2008, thirteen participants contributed \$196,750 of accrued leave. In addition, she stated that nineteen hardship cases were submitted to Great-West. She indicated that thirteen cases were approved, four were denied, and two were pending further documentation.

Ms. Zuvich concluded the report by stating that there would be a Pensions & Investments East Coast Defined Contribution Conference in February 2009. Mr. Montagna indicated that Board action would be necessary to approve attendance if a Board member was interested in attending. . **A motion was then made by Shelley Smith, seconded by Sangeeta Bhatia, to receive and file the submitted staff report; the motion was unanimously adopted.**

#### 11. REQUEST FOR FUTURE AGENDA ITEMS

None.

#### 12. NEXT MEETING DATE – December 16, 2008

#### 13. ADJOURNMENT

A motion was made by Shelley Smith, seconded by Kurt Stabel, to adjourn the meeting; the motion was unanimously adopted. The meeting adjourned at 11:20.

Minutes prepared by staff members Steven Montagna, Natasha Zuvich, and Ashley Stracke.