

# Deferred Compensation Plan BOARD REPORT 15-11

Date: February 6, 2015

To: Board of Deferred Compensation Administration

From: Staff

Subject: Proposed Amendment to Increase Contract Ceiling for Mercer Investment Consulting (“Mercer IC”)

*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  
Linda P. Le  
Wendy G. Macy  
Robert Schoonover*

## Recommendation:

That the Board of Deferred Compensation Administration authorize the Board Chairperson to execute an amendment to the Board’s contract with Mercer Investment Consulting (“Mercer IC”) increasing the contract ceiling amount from \$375,000 to \$450,000.

## Discussion:

The City’s Deferred Compensation Plan currently has a contract with Mercer Investments Consulting (“Mercer”) for Plan Administration, Investments, and Communications Consulting (City Contract C-122866). Within that contract are two sub-components of services: Mercer IC, for plan administration and investment services, and Mercer US, for communications services. The cumulative three-year Mercer IC contract ceiling amount is **\$375,000**. The cumulative three-year Mercer US contract ceiling amount is **\$75,000**. Mercer’s Contract C-122866 with these two sub-components expires June 30, 2015.

Due primarily to the extensive number of investment management searches completed during 2014 and pending in 2015 (including the FDIC-Insured Savings provider, Stable Value Fund, active bond/equity manager, and passive bond/equity manager fund searches), staff anticipates expenditures for Mercer IC will exceed the existing contract ceiling amount of \$375,000 before the contract expires on June 30, 2015. Staff’s review of the anticipated costs of pending and future projects indicates that an additional allocation of \$75,000 to the Mercer IC contract ceiling amount is appropriate to ensure that the City’s Plan can complete and pay for all required services. **This would require increasing the contract ceiling amount for Mercer IC from \$375,000 to \$450,000.**

It should be noted that no expenditures have been made or are anticipated to be made under the separate Mercer US (communications services) contract amount of \$75,000. Staff primarily utilizes Empower Retirement for communications projects, but included a communications component in the Mercer contract as an option for additional creative resources if the need should arise. However, because Mercer IC and Mercer US are separate entities with separate contract ceiling amounts, these unused funds cannot be “shifted” within the contract and it is necessary to amend the contract and specifically increase the ceiling amount for Mercer IC.

The table below provides an overview of the Mercer IC contract, current and anticipated expenditures, and the recommended adjusted contract ceiling amount:

Firm	Contract Term	Contract Ceiling Amount	Expenditures through 12/31/14	Estimated Expenditures through 06/30/15	Recommended Adjusted Contract Ceiling Amount
Mercer IC (Plan Admin & Investments)	July 1, 2012 – June 30, 2015 (3 years)	\$375,000	\$346,720	\$90,000+	\$450,000

The Plan only pays for actual services performed. Thus, the City’s Plan is not required to pay up to the full \$450,000 ceiling amount should actual costs come in somewhat below that amount.

In addition, increasing the contract ceiling amount will not impact the estimated annual expenditures for contractual services as adopted in the Board’s budget for calendar year 2015. As reported last month in Board Report 15-03, estimated annual expenditures for contractual services in 2015 are \$185,000. Staff continues to expect that for the calendar year actual expenditures will remain at or below budget.

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

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