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# DEFERRED COMPENSATION PLAN BOARD REPORT 05-29



Date: October 4, 2005

To: Board of Deferred Compensation Administration

From: Staff

Subject: Consulting Services RFP

Recommendation:

That the Board of Deferred Compensation Administration approve the selection of Mercer Investment Consulting as the provider for Deferred Compensation/Pension Savings Plan consulting services, pending negotiation and agreement on final contract terms and conditions, and authorize the Board Chairperson or Vice-Chairperson to execute the contract.

Discussion:

Staff has completed a review of responses received to the Board's Request for Proposal (RFP) for Plan consulting services. As a result of that review, staff is recommending that Mercer Investment Consulting be selected as the provider.

By way of background for this RFP, the previous long-term contract (three years) with Mercer expired 12/31/04. Prior to expiration of that contract the City had issued an RFP and received two responses. Although Mercer's proposal was scored superior on technical services requirements, both proposals failed to meet City Standard Provisions requirements. As a result, a decision was made by the Board to execute a short-term contract with Mercer for less than \$100,000 and to re-issue the RFP. The current short-term contract with Mercer expires 12/31/05.

The Board directed staff to issue a new RFP, which it did 7/21/05. Responses were due 9/7/05. Three proposals were received from the following firms: Mercer, Arnerich Massena & Associates, and The Segal Company. All three firms were deemed to have met City Standard Provision and other general requirements of the RFP.

Staff reviewed and scored the responses using the rating criteria and weights as detailed in the RFP. Scoring results are summarized as follows:

Rating Factor	Arnerich Massena	Mercer	Segal
RFP DEVELOPMENT (20 Points Maximum)	10	17	9
CONTRACT DEVELOPMENT & REVIEW (20 Points Maximum)	7	16	5
PLAN DESIGN (20 Points Maximum)	11	17	6
INVESTMENT PERFORMANCE REVIEW (20 Points Maximum)	14	16	10
LEGISLATIVE & TECHNICAL RESOURCES (20 Points Maximum)	7	20	15
TRANSITION SERVICES (10 Points Maximum)	7	10	2
FEES (30 Points Maximum)	28	20	22
PERSONNEL/CLIENT HISTORY (30 Points Maximum)	22	30	26
ORGANIZATIONAL COMPETENCE & RELIABILITY (30 Points Maximum)	27	21	27
TOTAL--->	<b>133</b>	<b>167</b>	<b>122</b>

Mercer rated highest based primarily on its strong background working with Section 457 plans specifically. Although both of the competing proposals exhibited certain strengths in certain areas, Mercer’s proposal demonstrated a much broader, more comprehensive range of strengths relative to the specific needs of the Plan. Details regarding staff’s observations and scoring question-by-question are provided in the attached evaluation summary.

Although staff is recommending selection of Mercer’s proposal, there is some concern regarding its proposed fee structure, which rises over the course of the three-year contract term. Partly as a result of this, staff is currently giving consideration to the possibility of issuing future, more narrowly tailored RFPs for specific projects related to the administration of the Plan (possibly including communications or investment design projects). This would be consistent with the growing complexity of the Plan’s needs, and may assist the Board over the long term in managing costs for services that bridge responsibilities of the Plan Administrator and Plan Consultant. Staff hopes to explore these concepts with the appropriate Board Committee(s) and the full Board in the near term.

For the purposes of this RFP, however, Mercer’s proposal was clearly the strongest and demonstrated a superior ability to meet the broad range of consulting needs of the Plan. Staff therefore recommends that the Board approve Mercer’s selection as the provider for Deferred Compensation/Pension Savings Plan consulting services, pending negotiation and agreement on final contract terms and conditions, and authorize the Board Chairperson or Vice-Chairperson to execute the contract.

Submitted by: \_\_\_\_\_  
 Steven Montagna

Approved by: \_\_\_\_\_  
 Maryanne Keehn