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DEFERRED COMPENSATION PLAN BOARD REPORT 08-32



Date: August 7, 2008

To: Board of Deferred Compensation Administration

From: Staff

Subject: Consulting Services/Investment Management Services RFP Review Committees

Recommendation:

That the Board of Deferred Compensation Administration approve (a) the designation of Personnel Department staff members Steven Montagna and Maryanne Keehn as members of the review committee for the Board's Request for Proposal for Deferred Compensation Plan/Pension Savings Plan Consulting Services; and (b) the designation of Steven Montagna and Mercer Investment Consulting Principal Susan A. Dalton as members of the review committee for the Board's Request for Proposal for Deferred Compensation Plan Investment Management Services.

Discussion:

Consulting Services RFP Response Results - Staff released the Board's Request for Proposal for Consulting Services on June 12, 2008. Responses were due on August 6, 2008. Four firms attended the pre-bid conference held on July 9th, and two of these firms (Mercer Investment Consulting and ABG Consultants) submitted responses.

Of the two firms attending the pre-bid conference but not submitting proposals, one indicated it was not competing because it could not comply with the City's Standard Provision requirements with respect to insurance/liability, and the other indicated it was not bidding because of the City's Minority Business Enterprise/Women's Business Enterprise (MBE/WBE) requirements. A third firm did not attend the pre-bid conference but submitted a proposal. The proposal was deemed non-responsive because attendance at the pre-bid conference was identified in the RFP as mandatory.

Standard Provision submissions for both proposing firms are presently under review. Assuming compliance, the proposals can be evaluated on their merits.

Review Committees - When staff originally submitted this RFP to the Board for approval there was some discussion regarding construction of review committees. Staff had recommended that the committees include staff from LACERS, Fire/Police Pensions and DWP in the interest of applying some of the City's broader expert resources to the review process. However, a question arose at the meeting regarding whether potential conflicts of interest might exist if the Board approved review committees that included members of the retirement/pension plan managers' staffs.

Given the limited response to the RFP staff does not find that it will be necessary to create the complex review committee structure initially envisioned. However, the Board should be aware that the Plan's counsel, Deputy City Attorney Richard Bobb, reviewed this matter with Deputy City Attorney Renee Stadel, who is responsible for providing guidance to City departments regarding City ethics issues. Mr. Bobb and Ms. Stadel indicated to staff that having Board members actively involved in the specific selection of a review committee, in particular where the retirement plan managers might be designating members of their staff to serve on the committee, would be problematic and likely contrary to the spirit, if not the letter, of Mayor's Executive Directive provisions barring City commissioners from participating in contracting. Mr. Bobb indicated that an exception existed for Personnel Department staff in that those staff were already functioning in their designated capacity providing professional administrative support to the Plan.

Given this information, and also given the modest response to the RFP, staff is proposing that the review committees for each of the three subject areas include Personnel Department staff members Steven Montagna and Maryanne Keehn. As was the case with the Board's previous RFP for Plan administrative services, each review committee member will complete a "Conflict of Interest & Evaluation Confidentiality Certification" (sample attached). Staff will generate an analysis and scoring results for each evaluated category and submit a recommendation to the Board once the review process is complete.

Investments RFP – The RFP for Investment Management Services for a Russell 2000 Index Fund and Mid-Cap Index Fund was issued on June 6. Responses were due August 6th, 2008. Two firms attended the pre-bid conference held on July 9th, and both of these firms (State Street Global Advisors and Vanguard) submitted proposals for both fund categories. A third firm did not attend the pre-bid conference but submitted a proposal. The proposal was deemed non-responsive because attendance at the pre-bid conference was identified in the RFP as mandatory.

Standard Provision submissions for both proposing firms are presently under review. Assuming compliance, the proposals can be evaluated on their merits. Vanguard proposed a fund in the Russell 2000 category that is not a Russell 2000 Index Fund; as a result, that portion of their response should be deemed non-responsive.

Review Committee - Given the similarly modest response to this RFP, staff is proposing that the review committee include Personnel Department staff member

Steven Montagna and Mercer Investment Consulting Principal Susan A. Dalton. Each committee member would also complete a "Conflict of Interest & Evaluation Confidentiality Certification" for this review process. Staff and Mercer will generate an analysis and scoring results for each evaluated category and submit a recommendation to the Board once the review process is complete.

Given the modest response to this RFP in both categories, it is possible that staff/Mercer would recommend that the Board consider alternative means of selecting an investment manager for this category. That analysis will follow the Standard Provisions review.

Submitted by:

Steven Montagna

Approved by:

Maryanne Keehn