

Deferred Compensation Plan BOARD REPORT 11-33

Date: May 9, 2011
To: Board of Deferred Compensation Administration
From: Staff
Subject: Consulting Services RFP

*Board of Deferred Compensation
Administration
Eugene Canzano, Chairperson
Richard Kraus, Vice-Chairperson
Sangeeta Bhatia
Cliff Cannon
Tom Moutes
John R. Mumma
Michael Perez
Robert Schoonover
Maggie Whelan*

Recommendation:

That the Board of Deferred Compensation Administration (a) approve and authorize the release of the attached Consulting Services Request for Proposal (RFP), subject to final approval as to form by the Office of the City Attorney; (b) approve creation of a Review Committee consisting of Plan staff members as identified in this report; and (c) approve execution of the attached procurement disclosure form for all Board members and staff.

Discussion:

The Board contracts for consulting services for assistance in a number of different areas related to administration of the Plan, including investment performance review and regulatory guidance. The contract with the incumbent provider, Mercer Investment Consulting, is a three-year contract expiring December 31, 2011.

The Plan presently utilizes consulting services in three broad areas: **Investment Consulting**, **Plan Administration Consulting**, and **Communications Consulting**. In the previous 2008 Request for Proposal (RFP) for consulting services, the Board “unbundled” its provider search for consulting services. The term “unbundling” means breaking apart the RFP into the afore-mentioned broad consulting categories and permitting prospective vendors to propose for any category they choose but not obligating them to propose for all three. This was done to provide opportunities for more competitive outcomes and identifying more “best-of-class” providers.

Staff is recommending that the Board employ a similar approach with this RFP. This does not obligate the Board to enter into multiple contracts, but rather provides the opportunity to do so should such an outcome be found to be in the best interests of the Plan and its participants.

Staff is further recommending that this RFP include another important component of the 2008 RFP - use of a performance test as part of the vendor evaluation. Performance tests provide the opportunity to obtain a stronger assessment of the consultant’s skills and breadth of experience as these are typically utilized by the Board and by staff, although without being done in the context of an open-ended “finalist interview” which can skew an RFP evaluation away from its stated objectives. In the 2008 RFP, performance tests took the form of an oral mock question-and-answer inquiry regarding a specific consulting topic. The specific topics

were not revealed until the time of the test. The assessment of the oral performance tests did not influence the assessments of the written responses to RFP questions. Staff is recommending an identical approach with this RFP.

However, in the 2008 RFP, the performance test was used in the Plan Administration and Communications components only. Staff is proposing that in the current RFP it be expanded to include the Investment component as well.

A review of the RFP draft by the City Attorney’s Office is still pending. The focus of that review is on those portions of the document relating to process, general contracting requirements, and proposal submission. Staff is therefore recommending that the Board approve the RFP subject to final review and approval by the City Attorney as to form.

Review Committee – A Review Committee must be designated by the Board to evaluate the results of the RFP responses. Staff is recommending that the Board authorize the creation of a two-person Review Committee consisting of staff members Steven Montagna and Natasha Gameroz. These individuals are in the best position to conduct the evaluation since they regularly interact with the consultant.

Procurement Disclosure Form – The Board has been discussing but not yet adopted operational bylaws governing the Plan. Included within those bylaws are provisions regarding the conduct of Board members and staff during procurement processes. Although it is expected that those bylaws will be adopted shortly, staff is recommending that the Board approve the attached procurement disclosure form to be completed by all Board members and staff involved in the review and decision-making process for this RFP.

Timing – The RFP is expected to be released in the month of June, with responses due in August and a recommendation tentatively scheduled for the Board’s November meeting.

Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez