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Memorandum

TO: PERS Board

FROM: Sparb

DATE: September 10, 2009

SUBJECT: Defined Contribution/Deferred Comp RFP's

At the last meeting we discussed the RFP for technical assistance to prepare and analyze a request for proposal for recordkeeping and investment services for the PERS 457 plan and 401(a) defined contribution plan which was issued in August. The due date for responses was Sept 4, 2009. We received the following six proposals:

1. The Segal Company
2. SST Benefits Consulting
3. GBS
4. Deloitte
5. Hay Group
6. Buck Consultants

The Segal Company worked with the board when the original RFP launching the Companion Plan was issued and Deloitte did the work when the RFP was last released. Staff has completed its review and offers the following ratings, observations, conclusions and recommendations.

Ratings:

See attached explanation of the rating process. For the technical review the following are the ratings:

	Technical Score	
	Ranking	Points
Segal	1	63.63
Deloitte	2	61.63
SST	3	54.25
Hay	4	53
GBS	5	48.75
Buck	5	48.75

Segal was the highest rated proposal in the technical analysis. GBS and Buck were tied for last.

For the cost review the following are the findings:

	Cost		
	Ranking	Points	Fees
GBS	1	30	19,250
SST	2	26.25	22,000
Segal	3	9.625	60,000
Hay	4	9.2	62,771
Buck	5	8.89	65,000
Deloitte	6	7.81	73,900

GBS received the most points for the lowest cost proposal. Deloitte had the highest cost proposal.

The combined total of points for technical and cost is:

	Technical	Cost	Total
SST	54.25	26.25	80.5
GBS	48.75	30	78.75
Segal	63.63	9.625	73.25
Deloitte	61.63	7.81	69.44
Hay	53	9.2	62.2
Buck	48.75	8.89	57.63

SST has the most combined points followed by GBS and then Segal.

The firms' estimated number of hours on the effort is:

	Hours
Deloitte	302
Segal	185
Hay	142
GBS	125
SST	80
Buck	0

(Buck did not break this out as requested)

Deloitte is allocating the highest level of effort to the project with SST having the lowest.

Observations (limited to top three based on total score):

SST:

1. The number of hours bid is very low and seems to underestimate the level of effort required when compared to the other proposals. As you will note, Deloitte proposed 302 hours and is the highest. For the other 3, the average number of hours proposed is 150 (the average of the other 3 reporting is half that of Deloitte). The level of effort proposed by SST is close to one-half the average of the other three (without Deloitte) and almost 75% less then Deloitte.
2. Their proposal and sample report concentrated on reviewing investment costs, but did seem to place the same level of intensity on other administrative components.
3. SST did not have a CFA on the project (not required). They did have two registered investment advisors assigned.
4. SST enclosed a signed agreement.

GBS

1. GBS staffing was very limited. Only one resume was included for review.
2. They proposed a process of first assessing the list of potential vendors and then only sending the RFP to those they thought (with our concurrence) would meet our requirements, thereby limiting our potential pool to 5-7 vendors. This would be a significant change from our past practice of sending to all firms that may be eligible as well as those that request an RFP and based upon responses then reducing the number to 3 for detailed analysis.
3. The number of hours proposed (125) was at the low end of the average for the middle three.
4. Their average cost per hour was $154, the lowest of those calculated.
5. GBS enclosed a signed agreement.

Segal

1. Their total hours are slightly higher then average (185).
2. Their average cost per hour is $324, the second highest of the 5 reporting.
3. They had a good cross section of staff proposed including a CFA.
4. Segal enclosed their contract, not NDPERS. not include a signed agreement

Conclusion

To get a perspective of the proposals, staff did the following analysis of the rankings for technical proposal, cost, total and hours (the lowest average rank is the best).

	Technical	Cost	Total	Hours	Avg Rank
Segal	1	3	3	2	2.25
Deloitte	2	6	4	1	3.25
SST	3	2	1	5	2.75
Hay	4	4	5	3	4
GBS	5	1	2	4	3
Buck	6	5	6		

Since Buck did not provide the requested information on hours we could not include them in this analysis. Segal's average score ranked the highest based upon an average of the four categories.

Concerning the overall review, PERS staff has reservations with the SST proposal due to the low number of hours proposed. Also we have some concerns with the limited attention given to the administrative review. For the GBS proposal we are concerned with the approach they propose for issuing RFP's and evaluating the proposals. The approach they propose is significantly different from the one we have used and outlined in the RFP. We have no significant concerns with the Segal response.

Recommendation: Based upon the above assessment we would recommend Segal.

SECTION 4 - PROPOSAL REVIEW

Proposals will be evaluated in a three-step approach. The first step will be done by a review team composed of PERS staff and will be an initial screening of each proposal to determine if it is sufficiently responsive to the RFP to permit a valid comparison and meets the minimum qualifications of having completed past projects similar to the efforts requested herein. The qualifying factor will be on a Yes/No basis. The proposal will be dropped from consideration if a majority of viewers respond "No".

The proposals that pass the initial screening will then be reviewed by the same review team. Each individual will review the proposal for all areas but price. Every proposal will be awarded points for specified areas by the reviewers. Points for price are awarded automatically. Following is the weighting factor for each area:

- Technical Approach 25 Point
- Prior Experience 10 points
- Staffing 15 Points
- Sample product 15 points
- Organization 5 points
- Pricing 30 points