



'10 OCT 14 A11:19

STATE PROCUREMENT OFFICE
NOTICE OF AND REQUEST FOR EXEMPTION
FROM CHAPTER 103D, HRS STATE OF HAWAII

- 1. TO: Chief Procurement Officer
- 2. FROM: Budget and Finance, Employees' Retirement System (ERS)

Department/Division/Agency

Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction: see attached	
4. Name of Vendor: PENSION CONSULTING ALLIANCE, INC. Address: 514 NW 11th Avenue, Suite 203 Portland, OR 97209	5. Price: \$ 146,000 See attached
6. See attached Term of Contract: From: upon date of approval To: 12/31/11	7. Prior Exemption Ref. No. n/a
8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State: see attached	
9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable: see attached	
10. A description of the agency's internal controls and approval requirements for the exempted procurement: A contract for services will be conducted under the supervision of Wesley K. Machida, Administrator of the ERS and is subject to final approval by the Board of Trustees of ERS.	

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:		
Name	Position	Involvement in Process
Wesley K. Machida	Administrator	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration

13. Direct inquiries to:	Department: Employees' Retirement System Contact Name: Wesley K. Machida Phone Number: (808) 586-1705 Fax Number: (808) 586-1677
--------------------------	---

Agency shall ensure adherence to applicable administrative and statutory requirements

14. *I certify that the information provided above is, to the best of my knowledge, true and correct.*

Aloymat Kawamui
 Department Head

10/13/10
 Date

Reserved for SPO Use Only

15. Date Notice Posted 10/15/10

The Chief Procurement Officer is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from the above posted date to:

Chief Procurement Officer
 State Procurement Office
 P.O. Box 119
 Honolulu, Hawaii 96810-0119

Chief Procurement Officer's comments:

This request is disapproved as it lacks justification for an exemption. Agency may use the applicable source selection method to expedite their needs, while affording other potential vendors the opportunity to compete. Although no written delegated procurement authority is required for a *Request for Exemption from Chapter 103D, HRS*, it is noted that Mr. Wesley Machida has not taken the appropriate required mandatory procurement training. As a reminder, individuals need to comply with the requirements of Procurement Delegation No. 2010-01 and Procurement Circular No. 2010-05, as appropriate prior to participating in procurement activities.

16. APPROVED DISAPPROVED NO ACTION REQUIRED

David J. [Signature] 2/10/2011
 Chief Procurement Officer Date

Vendor: Pension Consulting Alliance Inc.

Attachment to Notice of and Request for Exemption from Chapter 103D, HRS

3. Description of goods, services or construction:

The ERS would like to expand the role of Pension Consulting Alliance, Inc., ERS's General Investment Consultant, to include non-discretionary private equity consulting and to provide due diligence services for new investments beyond scope of ERS's discretionary private equity managers. The new services would be in addition to the current scope of services and include but are not be limited to: 1) developing an annual strategic plan for the Private Equity strategic class, 2) ensuring that the discretionary private equity managers implement their portions of the strategic plan in an appropriate and timely manner, 3) recommending and conducting due diligence on investment opportunities that lie outside of the discretionary private equity managers' scope/business mode, 4) conducting due diligence on equivalently-structured investment that may reside in other classes (e.g., real return), and 5) conducting other monitoring/partnership-related activities as required (e.g., represent the ERS on certain advisor board, etc).

"Private equity" involves the ownership of institutional limited partnerships or limited liability companies (LLC's) that purchase primarily unlisted securities in private companies.

5. Price:	6. Term of Contract:		Reference
	From	To	
\$975,000	1/1/2007	1/1/2010	Original Contract
\$115,000	4/16/2007	no change	Supplemental Contract No. 1*
No change	No change		Supplemental Contract No. 2**
\$***	12/1/2008		Supplemental Contract No. 3***
\$	12/31/2009	12/31/2011	Supplemental Contract No. 4****

* to conduct a study by 12/5/2007, on the innovation capital fund gap within the State of Hawaii. (one time fee)

** Acknowledgement of the contractor's changes of name from Pension Consulting Alliance, Inc. to Emkin Management Corporation and from Emkin Management Corporation to Pension Consulting Alliance, Inc.

***Applied cost savings due to change in scope of Contractor's oversight responsibilities and also, to reduce Contractor's (at their request) annual fee due to the State of Hawaii's poor economic conditions:

	2008 q4	2009	2010 (IF CONTRACT IS EXTENDED)	2011 (IF CONTRACT IS EXTENDED)
All inclusive Annual flat fee w/enhanced asset liability study and utilization of custodian's performance reporting capabilities	\$76,250	\$320,000	\$303,875	\$330,000

**** extend term

Proposed Price: **\$112,468.75 fee 4Q, 2010** **(\$ 75,968.75 + \$36,500 quarterly fees)**
 \$476,000.00 fee 2011 **(\$330,000.00 + \$146,000 annual fee)**

8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:

The ERS will be expanding its private equity program. The ERS Board of Trustees considered a number of models for appropriate oversight and decision making for the ERS's private equity program, including new forms of investments that lie outside of the scope/business models of its existing private equity investment managers, before determining that the most prudent and cost effective means of obtaining the necessary services at this time would be to expand the scope of its general investment consultant's responsibilities. Other models considered would either require the additional internal resources or the retention of additional investment managers or consultants. The former is not feasible at this time, and the later would cost considerably more than expanding the general consultant's responsibilities.

9. A description of the agency's internal controls and approval requirements for the exempted procurement:

The ERS has evaluated the qualifications of Pensions Consulting Alliance, Inc. (PCA) to perform the additional services and is satisfied that PCA is able to perform the additional services.

As part of its evaluation of the alternatives for private equity oversight, the ERS surveyed potential discretionary investment managers and non-discretionary investment consultants to determine what the "going rate" is for fees. The fees appear to be within the range for these services. Because PCA is already familiar with the ERS's overall investment program, and has personnel regularly attending meetings in Hawaii with the ERS's Trustees and staff, PCA would be able to provide the additional services in a more cost effective manner than a new vendor.

PCA's contract will terminate on December 31, 2011. At that time, the ERS plans to carve out private equity non-discretionary consulting services as a discrete set of services for pricing purposes and potentially for a separate contract.

LINDA LINGLE
GOVERNOR



'10 OCT 14 AM 11:19

STATE PROCUREMENT OFFICE
STATE OF HAWAII

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM
September 30, 2010

TO: Mr. Aaron S. Fujioka
Chief Procurement Officer
State Procurement Office

VIA: Ms. Georgina K. Kawamura
Director of Finance

FROM: Wesley K. Machida *Wesley K. Machida*
Administrator

SUBJECT: Request to Amend the Scope of Services and Compensation Amount for Investment Consultant Contract between Pension Consulting Alliance, Inc. (PCA) and the Employees' Retirement System (ERS) to include Non-discretionary Private Equity Consulting

We request your approval to amend the contract between the ERS and our investment consultant, PCA to include Non-discretionary Private Equity Consulting. Details of this request are described in the attached Notice of and Request for Exemption from Chapter 103D, HRS.

If you have any questions, please contact Wesley Machida, Administrator, at 587-5380.

APPROVAL

DISAPPROVAL

Georgina K. Kawamura

GEORGINA K. KAWAMURA
DIRECTOR OF FINANCE

10/13/10

Date

APPROVAL

DISAPPROVAL

AARON S. FUJIOKA
CHIEF PROCUREMENT OFFICER



Employees' Retirement System
of the State of Hawaii