

Deferred Compensation Plan BOARD REPORT 11-66

Date: October 6, 2011
To: Board of Deferred Compensation Administration
From: Staff
Subject: Investment Management Services Request for Proposal

*Board of Deferred
Compensation Administration
Eugene, Canzano, Chairperson
John Mumma, Vice- Chairperson
Cliff Cannon, First Provisional Chair
Tom Moutes, Second Provisional Chair
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Robert Schoonover
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Recommendation:

That the Board of Deferred Compensation Administration approve and authorize release of the attached Request for Proposal for Investment Management Services pending final review as to form by Board Counsel.

Discussion:

At the May 17, 2011 Board meeting, the Board approved a proposal from staff regarding implementing the balance of remaining changes to the investment menu. The second phase of implementation involves establishing the DCP Mid-Cap, DCP Small-Cap, and DCP International Funds.

To implement this phase the following procurements must take place in 2012:

- Active Growth Mid-Cap Manager
- Active Value Mid-Cap Manager
- Active Growth Small-Cap Manager
- Active Value Small-Cap Manager
- Active Developed Markets International Manager
- Active Emerging Markets International Manager
- Active Small-Cap Markets International Manager

The Board's Consultant, Mercer Investment Consulting (Mercer) and staff have been working together to draft one RFP for all investment mandates. Currently, Mercer maintains a database (Mercer Global Investment Manager Database) which serves as a repository for investment manager products and services. It is expected that all or virtually all firms that can provide the investment management services sought in this RFP already have information contained within the database. However, the database is an "open architecture" system, meaning any firm not presently in the database may elect to add information regarding their investment management services at any time.

There are numerous data points that are contained within the database. Firms may self-update those data points electronically or submit/update their information on paper to Mercer.

To meet the Plan's obligations for transparency of the criteria upon which the evaluation is based, the data points to be considered are all identified in the RFP. Mercer will then review all of the data received and evaluate candidate firms based on the review/rating methodology as drafted in Section 5 of the RFP.

This RFP has already been reviewed by the Personnel Department's Administrative Services Division (ASD) but has not yet been reviewed by the Board's legal Counsel. As a result, staff is recommending that the Board's approval of this document be conditioned upon final approval/modification of the RFP as to form by Board Counsel. It is anticipated, however, that any changes should be minor, since the general language used in this document is relatively identical to language in the recently issued RFP for Fund Custodian Services.

Additionally, staff has worked with ASD and the City Attorney's Office to obtain exemptions for certain general contracting requirements for this RFP. So far, staff has been informed by Public Works Contract Administration that exemptions have been granted for the Living Wage Ordinance (LWO), Equal Benefits Ordinance (EBO), Contractor Responsibility Ordinance (CRO), Slavery Disclosure Ordinance (SDO), and the First Source Hiring Ordinance (FSHO). This will simplify the proposal submission process for any institutional providers. Mutual fund providers will not need to submit a response to the RFP because mutual fund products do not involve contracts between the City and the fund provider. All eligible mutual fund products in the Mercer database will be considered as part of this search process.

Below is a schedule developed by staff that details anticipated steps for the upcoming procurements. The transfer of all funds is tentatively scheduled for November 1, 2012, however, due to the size of the project and the inherent variables that go along with the review and development process, the implementation date will need to remain fluid.

Procurement Schedule Implementation of Investment Menu Changes November 1, 2012			
Days Remaining	Date	Activity	Status
469	7/21/2011	Meeting with Mercer Investment Consulting (Mercer)	Completed
461	7/29/2011	Meeting with Personnel Department Administrative Services Division (ASD)	Completed
458	8/1/2011	Meeting with Board Counsel	Completed
428	8/31/2011	1 st Draft RFP Due from Mercer & Staff	Completed
392	10/6/2011	Review of RFP Completed by Personnel Department ASD & Board Counsel	Completed
380	10/18/2011	Board reviews RFP for Approval	
352	11/15/2011	Final Board approval of RFP (if necessary)	
	11/15/2011	Issue RFP	
286	1/20/2012	RFP Due Date	
185	4/30/2012	Mercer & Staff Complete Review of RFP Responses	
170	5/15/2012	Board Meeting - Selection of Vendors	
162	5/23/2012	Special Board Meeting (if necessary)– Selection of Vendors	
155	5/30/2012	Special Board Meeting (if necessary) – Selection of	

		Vendors	
134	6/20/2012	Staff & Mercer Complete First Draft of Contracts	
58	9/4/2012	Review of Draft Contracts by Personnel Department ASD & Board Counsel Completed	
44	9/18/2012	Board Reviews Contracts for Approval	
16	10/16/2012	Final Board Approval, if not adopted at previous meeting	
8	10/24/2012	Receive Contracts Signed by Vendors	
3	10/29/2012	Contracts Signed by Board Chair and Board Counsel, submitted to City Clerk	
0	11/1/2012	Funds Transferred	

Staff will continue to update the Board on the progress of the investment menu implementation.

Submitted by: _____
Natasha Gameroz

Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez