



## Investments Committee Report 20-01

Date: January 14, 2020

To: Investments Committee

From: Staff

Subject: Investment Management Services and Stable Value Fund Management Services  
Requests for Proposals

Investments  
Committee

Raymond Ciranna  
*Chairperson*  
Hovhannes Gendjian  
Thomas Moutes  
Lita Payne

### **Recommendation:**

That the Investments Committee (Committee) recommend to the Board of Deferred Compensation Administration (Board) approval and release of draft Requests for Proposals (RFPs) for (a) Deferred Compensation Plan (DCP) Investment Management Services and (b) Stable Value Fund Investment Management Services.

### **Discussion:**

#### **A. Background**

At the Board's June 19, 2019 meeting, the Board directed staff to draft revisions to the DCP Investment Management Services and Stable Value Fund Investment Manager Services RFPs to include an evaluation process aligning with the Board's established mutual fund search process. The Board also asked staff to work with the City Attorney's Office and Office of Contract Compliance to identify all non-applicable provisions of the City's general contracting requirements for the investment of DCP funds. At its July 16, 2019 meeting, the Board approved staff's proposed process to administer parallel mutual fund and institutional product searches for all DCP investment mandates. This report provides the Committee with drafts of the revised RFPs and a review of their key features.

#### **B. Requests for Proposals**

**Investment Manager Services RFP** – A draft Investment Manager Services RFP for the Board's review is provided as **Attachment A**. Section 5 of the RFP establishes a new process for evaluating the RFP that is in alignment with the Board's established mutual fund review process. After a preliminary review by Personnel staff to ensure each proposal is complete and

complies with the City's contracting requirements, an analysis and evaluation of all proposals as well as results of mutual fund searches will be provided to the Committee by DCP staff and the DCP's investments consultant, Mercer Investments (Mercer). Based on an evaluation of the review criteria identified in Section 5.1 of the RFP, the Investments Committee will make its recommendations to the full Board, which will make the final selection decisions.

Section 3.3 of the RFP includes the questionnaire proposers are required to complete. Staff has been able to streamline the RFP to remove questions from the questionnaire soliciting information already available through Mercer's open database of investment funds. The questions included in the RFP's questionnaire are those either not included in the open database or relate to the City's contracting requirements.

The City's standard procurement process includes a considerable number of requirements not applicable to investment management services. Staff worked with the City Attorney's Office and Office of Contract Compliance to determine which, if any, ordinances and general contracting requirements are not applicable and can be exempted from the DCP's investment-related contracts. Section 3.2.4 of the RFP indicates which requirements may be exempted according to exemptions set forth within the applicable ordinance. The exempted requirements include the following:

- Equal Benefits Ordinance (PSC-26.B.)
- Living Wage Ordinance (PSC-28)
- Service Worker Retention Ordinance (PSC-29)
- Contractor Responsibility Ordinance (PSC-31)
- Slavery Disclosure Ordinance (PSC-33)
- First Source Hiring Ordinance (PSC-34)
- Restriction on Campaign Contributions and Fundraising (PSC-37)
- Border Wall Disclosure
- National Rifle Association Disclosure
- Business Inclusion Program (PSC-32) (subject to Mayor's Office approval)

**Stable Value Fund Investment Manager RFP** – A draft Stable Value Fund Investment Management RFP is provided as **Attachment B**. This RFP includes the same evaluation process framework used in the Investment Manager RFP. Similarly, the Stable Value Fund Investment Management contract may be exempted from the same requirements as the Investment Management Services RFP.

The proposer questionnaire for the Stable Value Fund Investment Manager RFP is more comprehensive than the questionnaire for the Investment Management Services RFP because Mercer's open database of investment funds does not include stable value funds. The questionnaire is included in Section 3.3 of the RFP and requests information about each proposer's: organizational background and strength; regulatory and contractual actions taken

against their firm; investment experience, approach, and performance; how a portfolio transition would be managed; administrative reporting; fees; and performance guarantees.

### Mutual Fund Search and RFP Schedule

The Committee's evaluation process will occur over the course of a series of meetings, the total number and pace of which will need to be flexible based upon the unique considerations of what will need to be evaluated for each investment mandate, as well as the availability of Committee members, the consultant, and staff. Generally, staff anticipates that the Committee will conduct preliminary reviews of search results for each mandate at an initial meeting and, if additional information or analysis is requested, conduct at least one subsequent review. Tentatively, staff expects that meetings will occur no less frequently than monthly but may occur more often if resources allow. For the first review meeting, priority will be given to the Small-Cap Growth Fund and the Stable Value Fund.

The following project plan summary provides the proposed timeline for the development, issuance, review, and decision-making for the Investment Manager and Stable Value Fund manager searches:

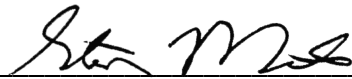
Month	Action	Status
February 2020	Board review/approval of RFPs	Upcoming
March 2020	Release RFPs	Upcoming
April 2020	RFP responses due	Upcoming
May 2020	Review process launched	Upcoming

Staff recommends that the Committee recommend to the Board of Deferred Compensation Administration approval and release of draft RFPs for (a) Deferred Compensation Plan (DCP) Investment Management Services and (b) Stable Value Fund Investment Management Services.

Submitted by:

  
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Daniel Powell, Senior Personnel Analyst I

Approved by:

  
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Steven Montagna, Chief Personnel Analyst