



*Strength. Service. Commitment.*

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

REQUEST FOR PROPOSAL

DEDICATED ADVISOR SERVICES

FOR INVESTMENT PROGRAM OUTSOURCING

April 20, 2010

**SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION**  
**REQUEST FOR PROPOSAL**  
**DEDICATED ADVISOR SERVICES CONSULTING SERVICES**

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## I. INTRODUCTION

This Request for Proposal (RFP) is being released by the San Diego County Employees Retirement Association ("SDCERA") to solicit proposals from qualified organizations to provide dedicated advisor services for investment program outsourcing.

### CALENDAR OF EVENTS

RFP for Dedicated Advisor submitted	May 3, 2010
Deadline for Intent to bid notification	May 6, 2010
Deadline for bidders questions	May 10, 2010
Answers to questions will be made available	May 13, 2010
Proposal due date	May 28, 2010
Presentations to SDCERA	TBD
Recommendation to Board and consideration	TBD

## II. GENERAL INFORMATION

### No Contact

No contact with SDCERA Board members, staff or consultants relating to the RFP will be allowed during the pendency of this RFP other than communications expressly permitted by this RFP. Any contact relating to the RFP with any SDCERA Board members, staff or consultants shall be grounds for disqualification. Bidders violating the communications prohibition may be disqualified, at SDCERA's option.

### Notice of Intent

Each interested party should send a brief Notice of Intent to propose to this RFP only via e-mail to [SDCERA.AdvisorSearch@EnnisKnupp.com](mailto:SDCERA.AdvisorSearch@EnnisKnupp.com) on or before 5:00 p.m. on May 6, 2010. The Notice must include the title of the RFP to which you intend to respond, the single point of contact at your firm responsible for the RFP response and the telephone and e-mail information for this individual.

### RFP Inquiries

Written questions will be accepted only via e-mail at [SDCERA.AdvisorSearch@EnnisKnupp.com](mailto:SDCERA.AdvisorSearch@EnnisKnupp.com). All questions must identify the RFP section and page number to which the question refers. Written questions to the above e-mail address will be accepted until 5:00 pm on May 10, 2010. Answers to questions will be made available by May 13, 2010 and sent to all bidders via email.

### **Contract Period**

The term of the contract will be for a three (3) year period. SDCERA may, in its sole discretion, terminate the contract at any time during that term. SDCERA may, in its sole discretion, extend the contract up to two additional years. The decision to exercise contract extension(s) will be subject to review by SDCERA and satisfactory negotiation of terms (including a price acceptable to both SDCERA and the selected firm).

### **Errors and Omissions**

If a Proposer discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, please immediately notify SDCERA of such error by e-mail at [SDCERA.AdvisorSearch@EnnisKnupp.com](mailto:SDCERA.AdvisorSearch@EnnisKnupp.com) and request clarification or modification of the document.

If it becomes necessary to revise any part of this RFP or if a more exact interpretation of provisions of this RFP are required prior to the due date for proposals, a supplement will be distributed. If such addenda issuance is necessary, SDCERA reserves the right to extend the due date of proposals to accommodate such interpretations or additional data requirements.

If the Proposer fails to notify SDCERA of a known error or an error that reasonably should have been known prior to the final filing date for submission, the Proposer shall assume the risk. If awarded the contract, the Proposer(s) shall not be entitled to compensation or time by reason of the error or its late correction.

### **General**

There is no expressed or implied obligation for SDCERA to reimburse responding firms for any expenses incurred in preparing proposals. SDCERA reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected.

### **Limitations**

This RFP does not commit SDCERA to award a contract. SDCERA reserves the right, in its sole discretion, to accept or reject any or all responses, to negotiate with any or all firms considered, or to cancel this RFP in whole or in part.

Proposers may be requested to clarify the contents of their proposal. Other than to provide such information as may be required by SDCERA, no Proposer will be allowed to alter its proposal or to add new information after the RFP due date.

A proposing firm may be required to participate in negotiations and to submit any price, technical or other revisions to its proposal which may be required for such negotiations. A successful Proposer will be required to enter into a mutually agreeable written contract with SDCERA.

### **Right of Rejection/Criteria for Evaluation**

Notwithstanding any other provisions of this RFP, SDCERA reserves the right to reject any or all proposals or to waive any informality in a proposal. Please note that the proposal accepted will not necessarily be the low bidder. SDCERA will consider each firm's experience, detailed responses to each section of the RFP, work with similar clients on related projects, interviews and presentations.

Non-responsive proposals include, but are not limited to, those that:

- Are irregular or not in conformance with RFP requirements and instructions.
- Are conditional, incomplete, indefinite or ambiguous.
- Have no signature or an improper one.
- Are not submitted on time.

SDCERA may waive minor informalities or irregularities in a proposal that are merely a matter of form and not substance and the correction of which would not be prejudicial to other proposals.

While joint proposals will not be disqualified, SDCERA's preference is to consider proposals from entities in their individual capacity. Additionally, proposals from fund-of-funds that contemplate a solution comprising products predominantly or entirely managed by the organization will not be considered.

### **Preparation of Responses**

A response to this RFP must be prepared and submitted according to the specifications in this RFP, both for content and sequence. Failure to adhere to these specifications may be cause for rejection of the proposal. Any correction and resubmission done by a firm submitting a proposal shall be done prior to the bid submission deadline.

### **Submission Deadline for Proposals**

The bidder must submit nine copies and one electronic copy sent via email of the proposal and any other related information by 5:00 p.m. on May 28, 2010 to be considered. Proposals received after these deadlines will be considered for evaluation solely at the discretion of SDCERA if they are determined to be in the best interests of SDCERA. Completed proposals must be submitted to:

#### **Submit 8 hard copies and one electronic copy to:**

Brian White  
Chief Executive Officer  
SDCERA  
2275 Rio Bonito Way, Suite 200  
San Diego, CA 92108-1685  
Email: [bwhite@sdcera.org](mailto:bwhite@sdcera.org)

#### **Submit 1 hard copy and one electronic copy to:**

Steve Voss  
Principal  
Ennis Knupp & Associates  
10 S. Riverside Plaza, Suite 1600  
Chicago, IL 60606  
Email: [SDCERA.AdvisorSearch@EnnisKnupp.com](mailto:SDCERA.AdvisorSearch@EnnisKnupp.com)

All proposals shall be firm and the terms may not be withdrawn for a period of 120 days following the due date for submission. Proposal copies will not be returned and become the sole property of SDCERA upon submission.

No telegraphic, fax, or telephone responses will be accepted. Any proposal received after the due date will not be considered. Any late proposals will be returned, unopened, to the Respondent, upon request, within thirty (30) days of filing.

### **Proposal Review**

Upon review of the completed proposals by SDCERA, those firms which merit further consideration may, in SDCERA's sole discretion, be contacted and given an opportunity to make an oral presentation of their qualifications and expertise.

### **Notice to Proposers Regarding Confidentiality and the California Public Records Act**

All responses to this RFP become the property of SDCERA and will be kept confidential until such time as a recommendation for award of a contract has been announced. Thereafter, submittals are subject to public inspection and disclosure under the California Public Records Act. If a respondent believes that any portion of its submittal is exempt from public disclosure, such portion may be marked "confidential." SDCERA will use reasonable and legally permissible means to ensure that such confidential information is safeguarded to the extent that SDCERA concludes that the information is in fact exempt from public disclosure, but SDCERA will not be held liable for inadvertent disclosure of such materials, data and information. Information marked "confidential" in their entirety will not be honored and SDCERA will not deny public disclosure of all or any portion of submittals so marked.

By submitting information with portions marked "confidential", the bidder represents it has a good faith belief that such material is exempt from disclosure under the California Public Records Act and agrees to reimburse SDCERA for, and to indemnify, defend and hold harmless SDCERA, its officers, fiduciaries, employees and agents from and against: (a) any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to SDCERA's non-disclosure of any such designated portions of a proposal if disclosure is deemed required by law or court order. The bidder specifically agrees to indemnify SDCERA for attorney fees and legal cost incurred by SDCERA in the protection of any material marked confidential. Additionally, SDCERA may request that the bidder directly defend any action for disclosure of any information marked confidential.

### **III. BACKGROUND**

The San Diego County Employees Retirement Association is an independent governmental entity established pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31450, et seq. Within the framework of this law, SDCERA administers a comprehensive program of retirement benefits, disability benefits, death benefits, and retiree health care benefits for eligible employees of San Diego County and other participating agencies. Currently there are approximately 22,920 active and deferred members and 13,735 retired members.

General management of SDCERA is vested in a group of trustees, known as the Board of Retirement. The Board of Retirement includes nine members, four are appointed by the County's Board of Supervisors, three are elected by the active employee members and one is elected by the retired members, and the County of San Diego Treasurer/Tax Collector is an ex-officio member. The Board of Retirement employs an in-house staff and a number of external consultants and advisors to assist it in the administration of SDCERA's benefit programs. Existing consultants include: Ennis Knupp & Associates (generalist consultant), Albourne America (hedge fund and private equity consultant), and Townsend (real estate consultant). Additionally,

Integrity Capital, serves as the System's outsourced CIO / Portfolio Strategist. Current market value of plan assets is approximately \$7.3 billion.

Please see SDCERA's Statement of Investment Policy noted as Exhibit 1.

## **PURPOSE**

The SDCERA Board of Trustees seeks the efficient implementation of its Statement of Investment Policy.

## **V. SERVICES TO BE PROVIDED**

1. Implementation of Board-approved Statement of Investment Policy
2. Recommendation of external investment managers, for Board approval, to invest SDCERA assets
3. In-house management of securities, ETFs, and various derivatives for the sole benefit of SDCERA
4. Adherence to risk budget and on-going monitoring and reporting of same
5. On-going reporting of tactical trends within the SDCERA total fund
6. Regular reporting of performance of total fund and underlying strategies
7. Open relationship with the Board of Retirement, SDCERA executive team and other staff as appropriate, custodian bank, and SDCERA consultants

## **VI. MINIMUM QUALIFICATIONS AND REQUIREMENTS**

Respondents to this RFP must observe the following in preparation and submission of a proposal:

### **Proposal Contents**

To be eligible for evaluation, a proposal must adhere strictly to the format set forth below. Each of the required sections identified must be addressed and specifically labeled. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.

<u>Section</u>	<u>Title</u>
1	Cover Letter
2	Table of Contents
3	Technical Proposal
4	Additional Data and Attachments

The content and sequence of the proposal will be as follows:

### **1. Cover Letter**

A maximum one-page cover letter must be included. This page must include the name of the bidder firm, the address and telephone number of the firm's office in or nearest San Diego, California, the name and telephone number of the firm's representative who is designated as primary liaison to SDCERA, the name and telephone number of the representative who is authorized to bind the firm in contract, and a statement that the proposal is a firm and irrevocable offer for 120 days beyond the due date for submission.

## **2. Table of Contents**

Immediately following the cover letter, there will be a comprehensive Table of Contents of the material included in the proposal. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.

## **3. Technical Proposal**

### **Requirements**

The objective of the technical proposal is to allow SDCERA to evaluate how well the firm seeking to provide dedicated advisor services to SDCERA meets the qualifications, competency, and capacity requirements of this RFP.

The technical proposal should demonstrate not only the qualifications of the firm, but the particular staff to be assigned to this engagement.

The technical proposal should address all the points outlined in the RFP. It should be written simply and economically, providing a straightforward, concise description of the proposer's capabilities.

## **VII. EVALUATION AND SELECTION**

### **Evaluation Criteria**

A selection Committee of the Board with the support of Senior staff will evaluate the proposals and make a recommendation to the Board for approval. The Evaluators will consider the following factors:

1. Breadth of experience, expertise, capabilities of the firm
2. Quality and depth of the expertise and its prior capability in providing similar services
3. Experience/expertise of assigned personnel
4. Proposed scope of services
5. Proposed fee schedule
6. Information provided by client references
7. Overall organization, completeness, responsiveness and quality of proposal, including cohesiveness, conciseness, and clarity of response
8. Presentations and interviews

Following an initial screening of all proposals, SDCERA may, in its sole discretion, carry forward a small group of proposals for further review and consideration. This further review and consideration process may include reference checks, interviews and requests for further information. Each firm's willingness or unwillingness to accept the contract terms offered by SDCERA will be factored into the committee's evaluation process.

## HISTORY, OWNERSHIP AND EXPERIENCE

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### VIII. QUESTIONNAIRE

1. Based on your understanding of the scope of services, please describe how you would approach this relationship. (Please keep your response to two pages or less.)
2. Please use the table below and complete requested information.

Firm Name	
Contact Information: <ul style="list-style-type: none"><li>• Address</li><li>• Phone</li><li>• email</li></ul>	
Inception of firm	
Proposed Relationship Lead <ul style="list-style-type: none"><li>• Name(s)</li><li>• Years with firm</li><li>• Years of investment experience</li><li>• # of existing client relationships</li></ul>	
Staff <ul style="list-style-type: none"><li>• # investment professionals</li><li>• # backoffice professionals</li></ul>	
Does your firm offer non-discretionary services (yes/no)?	

## HISTORY, OWNERSHIP AND EXPERIENCE

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3. Please provide a description of your firm's history and ownership including the following:
  - a) Years in business, current and historic ownership, and an organizational chart of key services lines and staff
  - b) Brief description of firm's lines of business and general business model and philosophy
  - c) Anticipated changes in ownership
  - d) Cite any joint-ventures or relationships with outside entities or affiliates
4. Is your firm a registered investment advisor with the SEC? Please provide form ADV parts I and II as an appendix to your proposal.
5. Is your firm or its parent/affiliate a broker/dealer? If yes, please provide the nature of brokerage services provided to clients.
6. Has the firm, or any officers and principals of your organization, been involved in any litigation relating to investment activities during the past five years? If so, please provide a brief explanation and indicate the current status of the proceedings.
7. Describe procedures that you have in place to maintain confidentiality and security of client data and information. Also, describe your data back-up and disaster recovery procedures.
8. Is your firm covered by errors and omissions insurance? Please describe level of coverage.
9. List all relevant third-party relationships, including prime brokers, fund administrator, futures clearing firms, auditor, and legal counsel. For each, provide name of entity, primary contact with appropriate contact information and inception date of the relationship.

HISTORY, OWNERSHIP AND EXPERIENCE

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10. Please use the table below to illustrate your client base and services offered. Please provide this information as of December 31, 2009.

Client Type	Non-discretionary traditional consulting clients	Outsourcing / dedicated advisor clients	Fund-of-Funds	Other (please specify)	Total
	Count / Aggregate assets	Count / Aggregate assets	Count / Aggregate assets	Count / Aggregate assets	Count / Aggregate assets
Public					
Corporate					
Endowments & Foundations					
Other (please specify)					
Total					

## HISTORY, OWNERSHIP AND EXPERIENCE

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10. In the table below, please provide a description of your three largest outsourcing clients.

Client (Please cite mandate size)	Inception of relationship	Investor Type (Public, corporate, E&F, other)	Brief description of scope of relationship, including level of discretion
Client 1			
Client 2			
Client 3			

11. Please submit three references. Include fund name, asset size, and contact information.

HISTORY, OWNERSHIP AND EXPERIENCE

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12. Please use the table below to illustrate changes in your business.

Client Type	2007	2008	2009
	# of clients / Aggregate assets	# of clients / Aggregate assets	# of clients / Aggregate assets
Non-discretionary traditional consulting clients			
Outsourcing / dedicated advisor clients			
Fund-of-Funds			
Other (please specify)			

13. Please use the table below to breakdown your firm's revenue base.

Client Type	2007	2008	2009
Non-discretionary traditional consulting clients			
Outsourcing / dedicated advisor clients			
Fund-of-Funds			
Other (please specify)			
Total	100%	100%	100%

## SERVICES AND APPROACH

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1. Does your firm provide its service on a discretionary or non-discretionary basis? Please explain.
2. Describe the level of variability across your clients' investment programs with mandates similar to the one considered by SDCERA.
3. Does your firm have in-house asset management capabilities? Please describe.
4. Please describe your risk management capabilities and comment on resources committed to risk management.
5. Is it customary for your firm to develop asset allocation and related policy or for you to adopt a client's pre-existing asset allocation a policy?
6. Describe your firm's resources, capabilities and process for developing asset allocation.
7. Does your firm make tactical adjustments around policy targets? If so, what is the process used?
8. Describe how your firm develops its capital markets return expectations.
9. What process does your firm employ to measure the risk tolerance of your clients?
10. Describe the process and specific methodology that would be used for review and assessment of number of managers and manager structure.
11. Does your firm have access to in-house or external legal advisors? How are they used?

**STAFF AND DEDICATED ADVISOR TEAM**

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1. Please provide a breakdown of your firm’s staff using the following table (if individuals play multiple roles, provide breakdown on a full time equivalent basis):

	Count	Average years of industry experience	Average years with firm
Client facing / relationship management			
Manager Research Professionals <ul style="list-style-type: none"> <li>• Traditional marketable securities</li> <li>• Hedge Funds</li> <li>• Private Equity</li> <li>• Real Estate</li> <li>• Other (specify)</li> </ul>			
Quantitative Research / Risk Management Professionals			
Backoffice / Operational Professionals			
Total Staff			

2. Please submit your firm’s organizational chart.
3. Given the nature and size of this mandate would your firm require additional staffing resources to meet the scope of services?
4. If additional resources are required, over what time period would you seek to be fully staffed?
5. Provide detailed biographical information, including years with the firm, for each member of the proposed team. What is the average number of clients per senior advisor? Do consultants in your firm specialize by clientele in any way? Where would your team be located? Describe the team’s ability to participate in ad hoc meetings with SDCERA senior management, Board and consultants.

## INVESTMENT RESEARCH

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1. Describe your due diligence/search process for selecting managers. Discuss what attributes, including risk levels, you feel are most important when conducting a search for or selecting an investment manager.
2. How often does your staff visit with money managers both in-house and on-site?
3. Describe your capabilities and experience in the area of alternative investments. Do you now use these asset types with current clients?
4. How many investment management firms / general partners (not individual products) did your firm evaluate during each of the last three years?

	2007	2008	2009
Traditional Marketable Securities			
Hedge Funds			
Private Equity			
Real Estate			
Other (please specify)			

5. What portion of your firm's operating budget is related to investment manager research and due diligence?

## INVESTMENT RESEARCH

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6. How many managers are included in your database and what percent of these have you actively evaluated?

	Marketable Securities	HFs	Private Equity	Private Real Estate	Other (please specify)
Manager Count					
% evaluated					

7. Under separate cover, please provide one sample manager due diligence document for each of the following (include one negative manager assessment):

- a) Marketable securities manager
- b) Hedge fund manager
- c) Private equity GP

8. What external manager databases do you use? Please cite each and describe purpose / function.

9. How is data on investment managers obtained? How do you verify that the manager data is accurate?

10. What is the firm's policy regarding ongoing evaluations (other than performance) of the investment management firms that are managing client assets? How is that policy monitored for compliance?

11. How do you handle legacy managers that you inherit from new clients? Describe differences between liquid and illiquid managers.

12. What kind of communication or evaluation is provided when a manager has a material change, such as an ownership change or significant departures? How quickly is this communicated to the client and in what form?

13. Do you monitor your success in selecting managers? How?

## FUND AND MANAGER PERFORMANCE REPORTING

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1. Does your firm provide total fund asset class level risk attribution and risk budgeting?
2. Provide a copy of a sample performance report.
3. Do you subcontract the preparation of reports to another firm?
4. What is the frequency in which you issue performance reports?
5. How soon following the end of a reporting period will you have performance reports available?
6. Describe your compliance and monitoring systems in detail. What information is made available to clients?

## CONFLICTS OF INTEREST

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1. Are managers required to pay your firm to be included in your database? If so, how do you control conflicts of interest?
2. Please indicate how your firm maintains its independence from the investment management community (managers, brokers, custodians, etc.). Are there any circumstances under which your firm, its officers, or employees receive direct or indirect compensation (hard dollars, soft dollars or commission recapture participation) from investment managers? If so, describe in detail.
3. Do you receive any fees or any form of remuneration from any sources other than your investment advisory clients? If yes, please explain.
4. Disclose any potential conflicts of interest, or appearance of conflict, which might arise if you were selected to run the SDCERA portfolio.
5. Does your firm have a written conflict of interest policy and are all staff members required to attest to its compliance annually?

## FEE STRUCTURE

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1. Please provide a fee quote (in basis points) for the requested services.
2. Would you entertain a performance-based fee? If yes, please describe your proposed structure.
3. In addition to the fees quoted above are there any other ways in which your firm would generate revenue from a relationship with SDCERA? If yes, please disclose.