



## Orange County Employees Retirement System

### Request for Proposal For System Governance

**April, 2010**

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## Section 1: Introduction

The Orange County Employees Retirement System (OCERS) is seeking a consultant to review and recommend modifications to current system governance policies and practices. The selected consultant will be responsible for reviewing existing governance policies for completeness, auditing for proper implementation, considering possible changes, and communicating any findings and suggestions with the Board of Retirement in an open session.

## Section 2: Project Background

In 2001, with Board governance playing a key role in determining system portfolio performance, the OCERS Board adopted a wide ranging set of governance policies documenting a shared understanding of their primary governance and fiduciary management principles and how they intended to apply them to specific and unique situations.

At the end of 2009 the OCERS Board approved the engagement of a consultant to work with the Board in revisiting those policies, recognizing that nearly a decade had passed since their adoption and that it was time to review present policy and procedures to ensure effective and efficient processes are in place.

At that same meeting the OCERS Board also approved staff moving from an Annual Business plan model to a multi-year Strategic Plan model for calendar year 2011, to be supported by the benchmarking services of CEM beginning in 2011, with the first benchmarking report available in early 2012.

## Section 3: Orange County Employees Retirement System

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937, and provides members with retirement, death, disability, and cost-of-living benefits. There are 38,932 members served by OCERS, of which 12,246 members are retirees. The Board of Retirement consists of nine members, of whom four are appointed by the County's Board of Supervisors, four are elected by the members of OCERS, and the County's Treasurer is an ex-officio member. There is also an elected alternate member.

The Board of Retirement is responsible for establishing policies, regulations and guidelines for the investment of the assets of the pension fund.

OCERS' portfolio, currently valued at \$7.5 billion, is invested in a well-diversified and comparatively conservative allocation strategy. The fund realized a positive return of 18.51% for the year 2009.

There are two subcommittees, each comprised of four members of the Board of Retirement, that meet at least four times per year to assist in providing direction on OCERS investments:

- **Investment Committee:** oversees OCERS assets invested in domestic and international fixed income and equities, absolute return strategies, TIPS and commodities.
- **Private Markets Committee:** oversees OCERS assets invested in real estate, private equity, timber and other illiquid private market investments.

Additionally the entire OCERS Board meets three times a year for 2-day reviews of the OCERS portfolio. At the end of the third 2-day Portfolio Review meeting, the Board will have heard presentations from each of the 40+ money managers presently hired to invest the portfolio.

As it pertains to this RFP, there is a Governance Committee, consisting of four members of the Board of Retirement, charged with the initial responsibility of reviewing all governance policies and making recommendations to the full Board.

#### Section 4: General Information

All terms, conditions, requirements and procedures included in the RFP must be met for a response to be qualified as responsive. A submission that fails to meet any material term, condition, requirement or procedure of this RFP may be deemed unresponsive and disqualified. OCERS reserves the right to waive or permit cure of non-material errors or omissions. OCERS reserves the right to modify, amend or cancel the terms of the RFP at any time.

#### Section 5: OCERS' Point of Contact

From the date this RFP is issued until the governance consultant is selected and the selection is announced, vendors are not permitted to communicate for any reason with any OCERS staff or Board member regarding this procurement, except through the Point of Contact named herein. For violation of this provision, OCERS shall reserve the right to disqualify the offending vendor from further participation in this procurement.

| The Point of Contact for questions and all matters relating to this RFP is: |  |
|---|--|
| <b>Name:</b>  | Steve Delaney  |
| <b>Title</b>  | CEO  |
| <b>Address:</b>   | 2223 E. Wellington Ave., Suite 100<br>Santa Ana, CA 92701  |
| <b>Telephone:</b>   | (714) 558-6222   |
| <b>Email:</b>   | <a href="mailto:sdelaney@ocers.org">sdelaney@ocers.org</a> |

Proposals are due by 5:00 PM on May 7, 2010, and are to be delivered to OCERS office, marked to the attention of the above-listed Point of Contact. It is the responsibility of the vendor firm to ensure that the proposal arrives at or before the time and date written herein.

## Section 6: Vendor Questions Regarding RFP

Vendors may submit questions regarding this RFP in writing to the Point of Contact named in Section 5 through April 30, 2010. Email is the preferred method of communication. All written questions must include the name of the firm and the person submitting the question(s). A compilation of all questions and answers, along with any RFP addenda, will be posted on OCERS website: [www.ocers.org](http://www.ocers.org), no later than May 3, 2010.

## Section 7: Scope of Work

OCERS seeks administrative governance overview and suggestions for best practices, as follows:

1. Review current Board governance policies to ensure continued effectiveness both as documented and implemented.
2. Recommend best practices in clarifying roles of Board and staff in administration of plan with special focus on investment of fund portfolio.
3. Guidance in determining if the Board of Trustees would be better served to meet twice a month: Once for administrative purposes, and separately for investment purposes – in lieu of the current Portfolio Review meetings held three times annually.
4. Guidance with implementation of a multi-year strategic planning process.
5. Guidance with integrating benchmarking into that multi-year strategic planning process.

## Section 8: Vendor Response

Respondents to this RFP should submit responses in the following manner:

- A. One (1) paper copy
- B. One electronic copy in either Microsoft Word or Adobe Acrobat formats
- C. Responses must be received prior to the deadline listed in Section 4

## Section 9: System Governance Proposal

Proposals must include the following information, in any order:

- A. Description of your firm, services and qualifications for this project
- B. Names and qualifications of the individuals in your organization who would be leading the project
- C. Framework of services for each deliverable of the project
- D. Timeline

- E. References
- F. Breakdown of Fees and Expenses
- G. A clear itemization of any options that are not included in the fees and expenses provided in Section 8G

## Section 10: Review and Evaluation of Proposals

OCERS will convene a review panel, including the Chief Executive Officer, to evaluate all proposals. The Chief Executive Officer will make the final selection. One or more of the respondents may be requested to make an oral presentation to the review panel and/or the Chief Executive Officer.

## Section 11: Right to Reject Proposal

By submitting a proposal, vendors acknowledge that they have read this RFP, understand it, and agree to be bound by its requirements unless clearly and specifically noted in the response submitted. OCERS reserves the right without prejudice to reject any and all responses.

## Section 12: Incomplete Responses

If the information in the firm’s response is deemed to be insufficient for evaluation, OCERS reserves the right to request additional information or to reject the submittal outright. False, incomplete or unresponsive statements in connection with a submittal may be sufficient for its rejection. The selection of the fulfillment of the requirements will be determined by OCERS and such judgment shall be final.

## Section 13: Schedule of Events

| Deliverable                        | Date    | Time       |
|------------------------------------|---------|------------|
| Release of RFP                     | 4/5/10  |            |
| Questions from vendors due         | 4/30/10 | 5:00PM PST |
| Answers to vendor questions posted | 5/3/10  |            |
| RFP Submission deadline            | 5/7/10  | 5:00PM PST |
| Vendor Selection (est.)            | 5/14/10 |            |

OCERS reserves the right to modify this schedule at any time.