

New Definitions to Section 1-01(e)

City Retirement System or Retirement System. One of the defined benefit retirement plans that offers benefits defined by law for participating City employees. City Retirement System shall include pension related funds, such as the variable supplements funds, that provide non-pension benefits to City employees.

Investment Manager Search. A method of source selection for investment management services for the City Retirement Systems under which candidates for consideration of potential award of a contract are identified through the review and screening of industry databases, in accordance with procedures specified in these Rules.

Notice of Search. All documents, whether attached or incorporated by reference, used for notifying Investment Managers of the opportunity to participate in the Investment Manager Search method of procurement.

Investment Consultant. The investment consultant(s) engaged for the purpose of providing general investment consulting services to a City Retirement System.

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Section 3-15 INVESTMENT MANAGER SEARCH

(a) Policy. Notwithstanding any other provision of these Rules, the preferred method of procuring investment management services (“Investment Managers”) for the assets of the City’s Retirement Systems shall be the Investment Manager Search as described herein. Upon the demonstration of compelling circumstances and in accordance with these Rules, an alternative procurement method to procure investment manager services may be utilized with the approval of the CCPO.

(b) Notice of Search:

- (1) Content. Notices of Search shall include the following:
 - (i) the Retirement Systems participating in the search;
 - (ii) the asset class or classes for which Investment Managers are being sought;
 - (iii) the minimum requirements for eligibility;
 - (iv) the factors upon which Investment Consultant recommendations will be made after application of minimum requirements;
 - (v) the database(s) to be reviewed for purposes of identifying candidates for further consideration and the date on which review of the database(s) may commence;

- (vi) information regarding how to participate in the database(s);
- (vi) statement that the contract award will be made to the responsible Investment Manager(s) whose product is determined to be the most advantageous to the Retirement System, taking into consideration the price and such other factors or criteria that are set forth in the Notice of Search;
- (vii) the specific criteria and relative weight of each criterion or category of criteria that will be used by the Evaluation Committee to evaluate Investment Managers;
- (viii) statement of how price will be evaluated.

(c) Evaluation Process.

(1) Consultant Review. The respective Investment Consultant for each participating Retirement System shall independently review information posted in database(s) and/or widely-used industry databases, as identified in the Notice of Search, and provide a written report that identifies the Investment Managers that meet the minimum requirements set forth in the Notice of Search. The Investment Consultants shall provide to the Evaluation Committee a report confirming databases searched and a list of Investment Managers that meet the minimum requirements.

(i) Investment Managers meeting the minimum requirements shall be further analyzed by each participating Investment Consultant based on quantitative and qualitative factors used for institutional investment management services searches. Such factors shall include, but are not limited to, investment practices and analytics, organizational strength, regulatory history, and performance relative to appropriate indices and peer group, and such other factors consistent with industry standards for institutional investment management services and the Retirement System's investment policies and guidelines.

(ii) Following the analysis in (c)(1)(i) above, each participating Retirement System Consultant shall provide a written report describing the basis for its recommendations of qualified Investment Managers for further consideration by the evaluation committee.

(2) Evaluation Committee. An evaluation committee consisting of no fewer than three persons with knowledge, expertise, and experience sufficient to make a fair and reasonable evaluation shall be established. The ACCO shall require each member of the

evaluation committee(s) to submit a signed statement, in a format approved by the CCPO, agreeing to prohibitions on any conflicts of interest. The evaluation committee may include outside evaluators pursuant to section 3-03(g)(1)(b) of these Rules.

(i) Rating Sheets. Ratings sheets or other written evaluation forms shall be used to evaluate proposals and each evaluator shall sign and date his or her rating sheet. Initial ratings may be amended and the amended ratings recorded on amended ratings sheets. Copies of all initial and amended rating sheets or evaluation forms shall be maintained.

(3) Evaluation Committee Review. The evaluation committee shall establish a list of qualified Investment Managers recommended by the Investment Consultants for further review. The list of recommended Investment Managers shall be comprised of the Investment Managers that received multiple recommendations from the Investment Consultants (“Shortlist”). The evaluation committee shall then evaluate the Shortlist of Investment Managers in accordance with the evaluation criteria set forth in the Notice of Search. The evaluation committee may require Investment Managers on the Shortlist to submit information and documentation consistent with the evaluation criteria in the Notice of Search.

(i) Discussions with Investment Managers. The evaluation committee shall evaluate all Shortlisted Investment Managers and may elect to enter into discussions with those Investment Managers whose products are acceptable or are reasonably likely to be made acceptable for the purpose of arriving at a contract that will be most advantageous to the Retirement System(s), taking into consideration price and the other evaluation factors set forth in the Notice of Search.

(ii) Conduct of Discussions.

(A) Investment Managers shall be accorded fair treatment with respect to any opportunity for discussions and clarifications of information.

(B) The ACCO shall establish an agenda and schedule for conducting discussions.

(C) Auction techniques (revealing one Investment Manager’s price to another) and disclosure of any information derived from competing products are prohibited.

(D) Any oral clarification of a product shall be confirmed in writing by the Investment Manager.

(iii) Report to Retirement Systems. The evaluation committee shall provide the participating Retirement Systems or its delegee with a report summarizing the

evaluation of all firms on the Shortlist prior to the Retirement Systems making a determination on the award of contract(s).

(4) The Evaluation Process. Contract award(s), if any, must be made to the responsible proposer whose proposal is determined to be the most advantageous to the Retirement System(s), taking into consideration the price and such other factors or criteria that are set forth in the Notice of Search. In evaluating Investment Managers, only price and the criteria set forth in the Notice of Search may be considered. In considering price, methods such as ranking the Short-listed Investment Managers by price, evaluating price per technical point, or evaluating Short-listed Investment Managers in accordance with another combination of price and technical merit may be used. Such methods may result in selection of the highest technically rated Investment Manager over another technically qualified Investment Manager who offered a lower fee as a result of factors including, but not limited to, the selected Investment Managers' superior technical skill and expertise, product performance record, risk/return balance, investment strategy and/or portfolio fit.

(5) Best and Final Offers. Best and final offers are the revised and corrected final offers submitted by Investment Managers after discussions, if any, have been held. The ACCO shall establish a common date and time for the submission of best and final offers. Best and final offers shall be submitted only once unless the ACCO makes a determination that it is in the Retirement System's best interest to conduct additional discussions and/or require another submission of best and final offers. All best and final offers shall be recorded on the Register of Proposals and handled in accordance with the control procedures contained in Section 3-03(f)(9) of these Rules. Best and final offers shall be evaluated in accordance with this subdivision and the Notice of Search.

(d) Public Notice.

(1) Notices of Search. Notice of Notices of Search above the small purchase limits shall be published once in the City Record not less than twenty days before Investment Manager information is required to be entered into a database. Such notice shall include:

(i) Retirement System(s) names;

(ii) PIN;

(iii) title and/or brief description of the investment services being sought;

(iv) how interested investment managers may provide data to be included in identified databases, including date and time by which such data shall be submitted; and

(v) required minimum qualifications or eligibility requirements, if any.

(2) In addition to the publication requirements set forth above, Notices of Search shall be posted on the City's website in a location that is accessible to the public simultaneously with their publication. Notices of Search shall also be furnished to the Retirement Systems' Consultants. Notices of Search shall be made available electronically.

(3) Notice of Manager Selection.

(i) Frequency. Notice of Investment Manager selection exceeding the small purchase limits shall be published once in the City Record within fifteen days after registration of the contract.

(ii) Content. Such notice shall include:

(A) Retirement System name;

(B) PIN;

(C) title and/or brief description of the services procured;

(D) name and address of the Investment Manager;

(E) dollar value of the contract; and

(F) procurement method by which the contract was let.

(4) Manager Selection and Documentation of Award: as the ACCO shall make a determination showing the basis on which the contract award was made to the responsible Investment Manager whose product was determined to be the most advantageous to the Retirement System(s), taking into consideration the price and such other factors or criteria that are set forth in the Notice of Search. This determination shall be included in a Recommendation for Award. Each Recommendation for Award shall include at a minimum the following information:

(i) justification of the award;

(ii) if the award is for services for which there is price history, a price comparison of the proposed price versus previous price, if applicable, with the rationale for any increases supported by cost/price analysis data;

- (iii) reasons for multiple awards;
- (iv) any special terms and conditions included in the proposed contract via the use of cost/price analysis techniques;
- (v) affirmative finding of responsibility for the selected Investment Manager(s); and
- (vi) efforts to negotiate better value.

Upon determination of the most favorable product(s) and after obtaining all required approvals, the Contracting Officer shall award the contract to that Investment Manager.