

SANTA BARBARA RFP FOR GENERAL INVESTMENT CONSULTANT QUESTIONS & RESPONSES

1. When was the last asset/liability study completed?

Response

The most recent asset/liability study was completed in March 2011.

2. What were the major recommendations? Were they adopted by the Board?

Response

The asset/liability study recommended:

a) That the Board select a strategic risk allocation framework in which the portfolio would be allocated to various risk buckets.

b) That the Board establish a global equity framework for the portfolio.

The above two items have been adopted by the Board.

3. Do you anticipate any future changes to the plan manager structure? Do you anticipate adding or decreasing exposures to any asset classes in particular?

Response

The Board is likely to add two new asset classes to the portfolio: commodities and timber. Please see the old and new asset allocation policies listed in the request for proposals. The manager structure is expected to change accordingly.

4. How frequently do you update the Investment policy statement? When was the last revision? What was revised?

Response

The investment policy statement is reviewed annually or more frequently if needed. The most recent review occurred in November 2010 and resulted in the following revisions:

a) New asset allocation ranges

b) New manager mandates due to the addition of new managers

c) An updated rebalancing policy.

5. Are any of the investment managers currently on performance watch, or are there any manager additions or terminations anticipated?

Response

Yes, Batterymarch Financial Management, Inc., one of the SBCERS's emerging market equity managers, is on the watch list. No additions or terminations from the watch list are anticipated at this time.

6. Will you confirm that PCA is the incumbent investment consultant?

Response

Yes, Pension Consulting Alliance is the incumbent investment consultant.

7. How long has the current consultant been in place? Is there any reason why the current consultant is not able to continue in such capacity?

Response

Pension Consulting Alliance has been in place since 1991 and is not precluded from bidding in this current RFP.

8. What is the reason for the current investment consulting RFP? Is the Board dissatisfied with any of the current arrangements?

Response

The last RFP for investment consulting services was issued in 2007. In keeping with best practices and the Board's fiduciary duties to its members, the Board is undertaking a genuine search for an investment consulting firm that will best meet the needs of SBCERS for the future.

9. What are the top three challenges facing the Board?

Response

The Board has not formally identified any challenges facing the Board or SBCERS. The Board expects however that it faces challenges similar to those faced by other public retirement systems in the current investment environment.

10. What is the current investment consulting fee for the general consultant?

Response

SBCERS wishes not to disclose this information.

11. We would appreciate some additional consideration on one of the minimum requirements that was listed in the draft RFP. Item # A.2 states

“The primary consultant assigned to the this account must have a minimum of seven (7) years experience providing domestic and international investment consulting services to public and/or private pension plans, the last three years of which must have been with present firm, or team.”

Is there any leeway on the three years experience with the current proposing firm? If the proposed team has worked together at a prior firm for over three years will this satisfy the requirement?

Response

The Board would be prepared to entertain a proposal from a firm under the circumstances described. Upon reviewing the proposal, however, the Board reserves the right to determine that the above exception is a cause for concern.

12. If the RFP is to rehire or replace your current general investment consultant, what prompted the search? Is the incumbent consulting firm allowed or encouraged to rebid? How long has the incumbent consultant been with your plan?

Response

Please refer to responses to questions 6 – 8.

13. Will the general consultant be involved in the real estate or private equity investment decisions?

Response

Yes, the general consultant will be expected to be involved in the real estate and private equity investment decisions from a total fund asset allocation policy perspective. SBCERS retains specialty consultants with discretionary investment authority to advise the Board on the structure of the real estate and private equity portfolios and on specific investments within the real estate and private equity portfolios.

14. Do you anticipate making any changes to the asset allocation of the fund? Are you considering any new asset classes?

Response

Please refer to responses to questions 2 and 3.

15. What is the most important investment issue your fund is currently facing?

Response

Please refer to response to question 9.

16. Please provide a copy of your 2011-2012 regular monthly meeting schedule, which the investment consultant would be expected to attend.

Response

The investment consultant would be expected to attend each board meeting, which is typically held on the fourth Wednesday of each month, though this may change year-to-year. At the January meeting, the Board determines a meeting schedule for the upcoming year. Please see the current year's meeting schedule below.

2011 Board meeting schedule:

Board 2-day retreat Jan.19-20	Aug.31
Feb.23	Sep.28
Mar.23	Oct.26
Apr.27	No meeting in November 2011
May.25	Dec.14
Jun.22	Board 2-day retreat Jan.25-26.12
Jul.27	

17. When was the last asset liability study conducted? What does the fund expect with regards to future contributions and distributions?

Response

The most recent asset/liability study was completed in March 2011. The fund currently has a slight negative cash flow, but it is expected that the fund will become cash flow positive due to an expected increase in employer contributions.

18. What strategic decisions are currently pending with the current consultant that the new consultant would likely become involved with?

Response

The new consultant would be expected to become involved in completing and implementing the results of the most recent asset/liability study. In addition, the consultant would be expected to assist in the Board's annual structural review of all asset classes and managers.

19. Is the RFP intended to be a due diligence process, or is the RFP intended to result in a change in consultants?

Response

Please refer to responses to questions 7 and 8.

20. Is the current consultant being considered as part of this process?

Response

Please refer to response to question 7.

21. What are the annual fees for the existing contract that the System is paying to its current consultant? Are there project-related fees associated with the current arrangement that are not part of the base fee?

Response

SBCERS wishes not to disclose the current fee. However, fees for special or ad hoc projects are not included in the current base fee arrangement. The current base fee also includes a set number of investment manager searches, beyond which additional fees would apply.

22. In your review process, what investment consulting firm characteristics will you be emphasizing?

Response

At this time, the Board has not agreed upon any particular firm characteristics to be emphasized in the search.

23. Do you have a preliminary schedule of the monthly meetings?

Response

Please refer to response to question 16.

24. When was the last time each fund performed a liability-based asset allocation study? What is the funded status of the defined benefit fund?

Response

Please refer to response to question 1 and 17.

25. What issues are under current consideration by the staff and/or committee? What strategic decisions are currently pending that the new consultant, should you determine to make a change, would likely become involved with?

Response

Please refer to responses to questions 9 and 18.