



MEMORANDUM

To: Honorable Gina Raimondo
Rhode Island General Treasurer

Date: August 27, 2012

From: Pension Consulting Alliance, Inc.

cc: K. Goodreau, J. Pratt, A. Emkin, J. Burns

RE: **Investment Manager Searches: ERSRI**

On May 23, 2012 the Rhode Island SIC adopted several policy changes designed to diversify portfolio risk. As a result the Fixed Income portfolio was restructured and several new investment strategies were introduced to the portfolio. The Core Fixed Income portfolio was restructured using two existing ERSRI investment managers. The other changes adopted by the SIC will require the issuance of RFPs to identify and evaluate investment products in the marketplace.

The entire project will entail issuance of four Request for Proposals (RFP) and an evaluation of 105-115 manager proposals.

All manager searches will include the following:

RFP Review Committee:

- General Treasurer's Investment Staff
- PCA investment manager research teams based in New York City and Portland
 - General Investment Consulting research
 - Infrastructure Consulting research *dme*

RFP design and issuance: PCA with input from investment and legal staff

- Scope of services
 - Minimum requirements
- Technical proposal
- Scoring criteria and weighting

Proposal analysis and final report to SIC

- Proposals review and scoring
- Preliminary Manager interviews – Investment Staff and PCA (in Providence)
 - On-site manager visits if necessary
- Final report to the SIC with manager recommendations

*25K for me
mgr search
completed
Jan 2013
bank loan
high yield
mgr. Search*

Below is a summary of the four RFPs:

Agency Mortgage-backed Securities: (1.5% of Fund --- \$110 million)

- Hire 1 firm
- Potential Proposals: 20-25
- Board knowledge: good
- Degree of difficulty: Medium

Master Limited Partnerships – MLPs: (2% of Fund --- \$150 million)

- Hire 1-2 firms
- Potential Proposals: 15
- Board knowledge: limited – (new asset)
- Degree of difficulty: Medium

Equity Infrastructure: (3% of Fund ---- \$225 million)

- Hire 5-8 firms
- Potential Proposals: 30+
- Board knowledge: limited – (new asset)
- Degree of difficulty: Difficult

Short duration High Yield / Bank Loans (5% of Fund ---- \$365 million)

- Hire 3-4 firms
- Potential Proposals: 40-45
- Board knowledge: Some
- Degree of difficulty: Difficult

*done
billed: 25,000
paid for 1/21/13*



Implementation Process for each Product Search:
Background / Education
<ul style="list-style-type: none">• Investment class background<ul style="list-style-type: none">○ Investment 101
Policy discussion
<ul style="list-style-type: none">• Role of the product in the Rhode Island portfolio• Rhode Island Portfolio's unique needs or approach
RFP Scope
<ul style="list-style-type: none">• Define product characteristics criteria• Minimum requirements
RFP Process timeline:
<ul style="list-style-type: none">• Issue RFP• Staff / Consultant RFP Analysis• Recommendation to SIC• Manager interviews SIC• SIC decision

Proposed RFPs Implementation Timelines:

Agency Mortgage-backed Securities	
Background / Education	Not necessary
<ul style="list-style-type: none"> • Policy discussion / recommendation 	Done
<ul style="list-style-type: none"> • RFP Scope 	Done
RFP Process timeline:	
<ul style="list-style-type: none"> • Issue RFP 	September 10, 2012
<ul style="list-style-type: none"> • RFP Due 	October 1, 2012
<ul style="list-style-type: none"> • Staff / Consultant RFP Analysis 	
<ul style="list-style-type: none"> • Recommendation to SIC 	November 2012
<ul style="list-style-type: none"> • Manager interviews SIC <ul style="list-style-type: none"> ◦ SIC manager selection 	December 2012
Account funding	1Q 2013

Master Limited Partnerships (MLPs)	
Background / Education	September 2012
<ul style="list-style-type: none"> • Policy discussion / recommendation 	
<ul style="list-style-type: none"> • RFP Scope 	
RFP Process timeline:	
<ul style="list-style-type: none"> • Issue RFP 	October
<ul style="list-style-type: none"> • RFP Due 	
<ul style="list-style-type: none"> • Staff / Consultant RFP Analysis 	
<ul style="list-style-type: none"> • Recommendation to SIC 	December
<ul style="list-style-type: none"> • Manager interviews SIC <ul style="list-style-type: none"> ◦ SIC manager selection 	January 2013
Account funding	1Q – 2Q 2013

Equity Infrastructure

Background / Education	October 2012
<ul style="list-style-type: none">• Policy discussion / recommendation• RFP Scope	
RFP Process timeline:	
<ul style="list-style-type: none">• Issue RFP	November
<ul style="list-style-type: none">• Staff / Consultant RFP Analysis	
<ul style="list-style-type: none">• Recommendation to SIC	February 2013
<ul style="list-style-type: none">• Manager interviews SIC	March 2013
<ul style="list-style-type: none"><ul style="list-style-type: none">○ SIC manager selection	
Account funding	2Q-3Q 2013

Short Duration High Yield / Bank Loans

Background / Education	November 2012
<ul style="list-style-type: none">• Policy discussion / recommendation• RFP Scope	
RFP Process timeline:	
<ul style="list-style-type: none">• Issue RFP	December 2012
<ul style="list-style-type: none">• Staff / Consultant RFP Analysis	
<ul style="list-style-type: none">• Recommendation to SIC	March 2013
<ul style="list-style-type: none">• Manager interviews SIC	April 2013
<ul style="list-style-type: none"><ul style="list-style-type: none">○ SIC manager selection	
Account funding	3Q 2012



Cost Proposal:

The entire project will cover a nine month to one year period.

- Four investment manager searches (\$25K per search)
- Evaluation of 105-115 investment manager proposals
- PCA will manage the search process in concert with the Rhode Island General Treasurer's Investment Staff
- RFP Search Process Report
- Investment manager recommendation(s) to the SIC
- Assist with manager contract negotiations
- Manager guideline development

The proposed PCA fee for the entire project is \$100,000, which includes a 10% bundled fee discount. The fee is all in and includes all travel expenses.