


AMENDMENT OF SOLICITATION / MODIFICATION OF CONTRACT		1. Solicitation Number CFOPD-20-R-037		Page of Pages 1 Attachments	
		2. Amendment/Modification Number Amendment No. 1	3. Effective Date See Box 16C	4. Requisition/Purchase Request No.	5. Solicitation Caption OPEB Outsourced Chief Investment Officer (OCIO)
6. Issued by: Office of the Chief Financial Officer Office of Contracts 1100 4 th Street SW Suite E610 Washington, DC 20024			7. Administered by (If other than line 6)		
8. Name and Address of Contractor (No. street, city, county, state and zip code) ALL POTENTIAL OFFERORS		X	9A. Amendment of Solicitation No. CFOPD-20-R-037		
Code _____ Facility _____			9B. Dated (See Item 11) May 12, 2020		
			10A. Modification of Contract/Order No.		
			10B. Dated (See Item 13)		
11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS					
<input checked="" type="checkbox"/> The above numbered solicitation is amended as set forth in item 14. The hour and date specified for receipt of Offers <input type="checkbox"/> is extended. <input checked="" type="checkbox"/> is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning a <u>1</u> written copy of the amendment: (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) BY separate letter or fax which includes a reference to the solicitation and amendment number. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such may be made by letter or fax, provided each letter or telegram makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.					
12. Accounting and Appropriation Data (If Required)					
13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS , IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14					
A. This change order is issued pursuant to (Specify Authority):					
B. The above numbered contract/order is modified to reflect the administrative changes.					
C. This supplemental agreement is entered into pursuant to authority of:					
D. Other (Specify type of modification and authority) Administrative					
E. IMPORTANT: Contractor <input type="checkbox"/> is not <input checked="" type="checkbox"/> is required to sign this document and return 1 copy to the issuing office.					
14. Description of Amendment/Modification (Organized by UCF Section headings, including solicitation/contract subject matter where feasible.) The above referenced solicitation to provide an OPEB Outsourced Chief Investment Officer (OCIO) is hereby amended to reflect the following changes (Attachment A) and response to inquiries received (Attachment B). ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED					
Except as provided herein, all terms and conditions of the document is referenced in Item 9A or 10A remain unchanged and in full force and effect.					
15A. Name and Title of Signer (Type or print)			16A. Name of Contracting Officer		
			Drakus Wiggins		
15B. Name of Contractor (Signature of person authorized to sign)		15C. Date Signed	16B. District of Columbia  (Signature of Contracting Officer)		16C. Date Signed 05/27/20

Attachment A

The following changes are hereby incorporated into the solicitation.

1. **Section L.2.1 is hereby revised to extend the deadline for questions to June 2, 2020, 2:00pm.**
2. Section F.3.2 is revised to replace reference to “I.30” with “I.31”.
3. Delete Section G.2 Payment and replace with G.2 as follows:

G.2 INVOICE PAYMENT

- G.2.1 The District will make payments to the Contractor, upon the submission of proper invoices, at the prices stipulated in this contract, for supplies delivered and accepted or services performed and accepted, less any discounts, allowances or adjustments provided for in this contract.
- G.2.2 The District will pay the Contractor on or before the 30th day after receiving a proper invoice from the Contractor. The District reserves the right to conduct post payment reviews or audits.
- G.2.3 Unless otherwise specified in this contract, and with presentation of a properly executed invoice:
- a) Payment will be made on completion and acceptance of each item for which the price is stated in the Pricing Schedule in Section B,
 - b) Payment will be made on completion and acceptance of each percentage or milestone of work in accordance with the prices stated in the Pricing Schedule in Section B, or
 - c) Payment may be made on partial deliveries of goods and services accepted by the District if the Contractor requests it and the amount due on the deliveries warrants it as determined by the District.

4. Delete the entire section titled “Section G.3 STATEMENT SUBMITTAL”.
5. Replace Subsection G.3.1 of Section G.3, INVOICE SUBMITTAL as follows to correct the invoice instructions:

- G.3.1 The Contractor shall submit proper invoices no more than on a monthly basis. Invoices shall be prepared and submitted to the COTR.

6. Delete “Section G.4 RESERVED”.
7. Section L.3.3 Price Proposal, is amended to add the following for the respective attachments to be included with the Offeror’s Price Proposal:
 - 4) J.5 Office of Local Business Development Equal Employment Opportunity Information Report and Mayor’s Order 85-85
 - 5) J.6 Department of Employment Services First Source Employment Agreement
 - 6) J.7 Department of Employment Services First Source Employment Plan
8. Section L.13 is deleted in its entire and replaced as follows to comply with the procurement rules under CFO Order Number 15-14.

L.13 PROCUREMENT PROTESTS

Any actual or prospective Offeror or contractor, who is aggrieved in connection with the solicitation or award of a contract, must file a protest with the Contracting Officer. A protest that is not based on the language or requirements of a solicitation or otherwise based on facts which are apparent on the face of a solicitation must be submitted within five (5) business days after the protestor knows or should have known of the facts that serve as the basis for the protest.

A protest that is based on the language or requirements of a solicitation or is otherwise based on facts which are apparent on the face of the solicitation shall be filed with the Contracting Officer no later than five (5) business days before the date responses to the solicitation are due.

Attachment B

The following are responses to inquiries received.

Question 1. This solicitation notes that it will be exempt from the CBE Act. With hiring CBE and MWBE a point of emphasis for city contracts, does OFT have any plans to support CBE/MWBE through the investment manager selection process or by other means?

Response 1. As noted in the question, OCIO services are exempt from the CBE Act. However, OFT may consider supporting CBE/MWBE through the manager selection process. Our intent is to seek out best in class service providers.

Question 2. To be considered for the OCIO position, bidders must have at least a ten-year history as an OCIO, and currently manage at least \$30bn in assets.” Does this mean that the investment consultant must have OCIO assets of at least \$30bn?

Response 2. Yes, in accordance with Section L.3.2.3.II.1-2, the Offeror shall demonstrate the firm meets the requirements of Section C.3.3, “The Contractor shall, at minimum, have a ten-year operating history as provider of discretionary OCIO services and have current, and maintain, discretionary OCIO services assets under management of at least \$30 billion.” The Offeror’s information in response to Section L.3.2.3.II is an evaluation factor of award.

Question 3. C.8.3 Reporting Requirements: It is a requirement of our due diligence process that the third-party investment managers we would use to implement the portfolio are GIPS compliant. However, our firm cannot claim GIPS compliance on OCIO performance, as our investment approach is highly customized in nature. (Only about 20% of OCIO providers currently claim compliance.) We would be happy to provide specific details about our comprehensive performance & reporting processes in our response. With that said, would the OFT consider working with an OCIO provider that does not claim GIPS compliance?

Response 3. The requirement as noted in Reporting Requirements, Section C.8.3 states that “the Contractor shall calculate and present the investment performance of the Plan that complies with CFA Institute Global Investment Performance Standards (GIPS).” According to the CFA Institute, a firm may claim compliance with GIPS only after all of the required elements of GIPS are met. OFT requires the Contractor to be in compliance with GIPS.

Question 4. C. 11.3.B New OCIO Model IPS Requirements: Under a typical 3(38) agreement, our team will work with the client to form a mutually agreed upon IPS that contains parameters around asset allocation and permissible asset classes and sub asset classes. On a go-forward basis, the District would execute the hiring and firing of managers directly according to the IPS and investment guidelines. These guidelines would typically be reviewed with the OFT annually. Is this the type of arrangement the OFT is looking for?

Response 4. Yes. The investment policy statement (“IPS”) will act as the primary document governing the relationship between the Contractor and OFT and addressing key areas such as strategic asset allocation. The Contractor will have discretion in the context of the IPS. Nevertheless, OFT may require regular and more frequent reporting and notifications as to any material changes.

Question 5. H.2 Subcontracts: Under a typical 3(38) agreement, our team would have the discretion to select third party investment managers to invest a client’s portfolio assets. Can you confirm if these third-party investment managers are considered subcontractors as it pertains to this provision, and if so, if the OFT requires their consent before the District would engage with the managers on the OFT's behalf?

Response 5. The District is seeking to award an OCIO. Any third-party that the awardee plans to utilize to perform work required in the contract on the awardee’s behalf as the OCIO will be considered its subcontractor. Investment managers are not “sub-contractors” in the context of this contract.

Question 6. Can you advise on the current schedule of capital commitments to alternatives managers?

Response 6. Currently, the Plan has no exposure to private markets and thus no schedule of capital commitments. Refer to the most recent OPEB annual report for fiscal year 2019 for details on current asset allocations and investments. Click on the following link for the report: <https://cfo.dc.gov/node/1473351>.

Question 7. 3(38) Clarification: We understand you seek a 3(38) full fiduciary. Can you please clarify is this is Discretionary Investment Manager or Plan level fiduciary? The toggle here is - does the asset owner want to make the decisions on asset allocation (with the OCIO’s advice of course) or does the asset owner want the OCIO provider to make the asset allocation decisions, using the IPS as the guidelines.

Response 7. The investment policy statement (“IPS”) will act as the primary document governing the relationship between the Contractor and OFT and addressing key areas like strategic asset allocation. The Contractor will have discretion in the context of the IPS. As noted in General Requirements Section C.3.2, “the Contractor shall serve in a fiduciary

capacity in the interest of the members and beneficiaries of the Plan and shall acknowledge in writing its fiduciary status, without qualification.”

Question 8. Please confirm if the OCIO provider will have the opportunity to edit and negotiate the contract aligned more for an OCIO mandate, that also complies with all Federal laws, including ERSIA. Or must all terms, provisions and attachments in the RFP be accepted without edit even if not relevant to an OCIO mandate? For example, a majority of Section E does not relate to an investment management mandate, H.2 (Subcontracts) is not relevant under a 3(38) OCIO mandate, and Section J.1 (Attachment 1 – Wage Determination) does not seem to apply to this mandate as the “fair wages” for various occupations does not represent positions held in investment management services.

Question 9. Offerors may propose exceptions; however, the District may seek award of a contract on the basis of initial written proposals received, without discussion. Therefore, each proposal must contain the Offeror’s best terms from the standpoint of price, legal and technical abilities and other factors.

Question 10. Can you please direct us to the laws governing the Plan and what IRC section it relates to?

Response 10. The government of the District of Columbia established the District’s Annuitants’ Health and Life Insurance Employer Contribution Trust Fund October 1, 1999 under the Annuitants’ Health and Life Insurance Employer Contribution Amendment Act of 1999, effective March 7, 2000 (D.C. Law 13-54; D.C. Official Code § 1-621.09).

Subchapters XXI, Health Benefits, and XXI-A, Other Post–Employment Benefits Fund Advisory Committee, of Title 1, Chapter 6 of the D.C. Official Code. The code citations can be found at: <https://code.dccouncil.us/dc/council/code/sections/1-621.09.html>.

Question 11. Please confirm that despite not being regulated under ERISA that the Plan will accept compliance with ERISA and its PTEs as compliance with the law governing the Plan.

Response 11. As noted in Background Section C.2.10, “The District hereby warrants and represents that the Trust Fund is not subject to the Employee Retirement Income Security Act of 1974.”

Question 12. Section C.2.6: Can you tell us if there will be a Third-Party consultant after conversion to OCIO?

Response 12. A Third-Party consultant is not anticipated at this time, but it is under consideration.

Question 13. Section C.6.11: Regarding excess return targets – 3-year rolling periods – can you tell us where the plan is now? Have those targets been met? What are the OFT actions if not met?

Response 13. Refer to the most recent OPEB annual report for fiscal year 2019 which details performance.

Question 14. Section C.7.2: Regarding the optimization of various investment vehicles – are commingled funds or separate accounts preferred?

Response 14. The decision related to the optimization of various investment vehicles will be at the discretion of the Contractor.

Question 15. Section H.7: Please confirm if it can be mutually agreed that the Contractor's (OCIO provider) background check processes will be operative and the only process by which the Contractor will comply.

Response 15. The District will respond to proposed alternative language should the District decide to conduct discussions prior to award. However, the District may seek award of a contract on the basis of initial written proposals received, without discussion. Therefore, each proposal must contain the Offeror's best terms from the standpoint of price, legal and technical abilities and other factors.

Question 16. Section I.13.a and b.8/9: For an OCIO investment mandate, if the Contractor does not have the ability or power to comply with including contract clauses in subcontractors agreements does this preclude the Contractor from responding to the RFP or can this be negotiated?

Response 16. Offerors may propose exceptions; however, the District may seek award of a contract on the basis of initial written proposals received, without discussion. Therefore, each proposal must contain the Offeror's best terms from the standpoint of price, legal and technical abilities and other factors.

Question 17. Affirmative Action Plan: In different parts of the RFP there are references to the requirement of an Affirmative Action Plan. If the Contractor does not have a specific AAP and if an AAP is not required in the state in which the Contractor is registered – does that disqualify them from responding? If the Contractor has a strong and established EEO Policy – is this sufficient for the requirement?

Response 17. Offerors must complete and submit Attachment J.5 (see Attachment A, Item 5) in regard to the District of Columbia Government's Equal Opportunity Obligations. The District's Office of Human Rights (OHR) will review the submission for compliance. OHR may be reached at (202) 727-4559 or ohr@dc.gov.

Question 18. Section I.31.2: Re: First Source Employment Agreement – Please confirm this requirement is relevant to an investment management mandate. Please also confirm this means that only jobs specifically hired to perform this OCIO contract, and only this contract must be sourced through the First Source Registry and that the Contractor would just have to allow them to apply and let them go through the process if they are qualified.

Response 18. Section I.31 is applicable to the resultant contract. Offerors must complete and submit Attachments J.6 and J.7 (see Attachment A, Item 5). The District's Department of Employment Service's (DOES), will review the forms for acceptance. DOES may be contacted at (202) 724-7000 or does@dc.gov.

Question 19. On the pre-bid call, a question was asked regarding item 3 of section C.8 "Reporting Requirement." Please confirm OFT's response to Contractor compliance with Global Investment Performance Standards (GIPS).

Response 19. See Response 3.

Question 20. Regarding C.3 – item 3 - "The Contractor shall have current and maintain discretionary OCIO services assets under management of at least \$30 billion." Will contractors with under \$30 billion in OCIO AUM still be considered or is this a strict minimum?

Response 20. See Response 2.

Question 21. Regarding C.10 – item 6 - Does OFT have a specific Risk Management/Portfolio Analytics platform in mind? If not, will you provide additional detail about the type and frequency of data you prefer to have access to and in what format?

Response 21. There is no specific platform. As noted in Technology Requirements Section C.10.1, "The Contractor shall utilize a reliable, integrated, and robust technology platform with proprietary or third-party applications for various services under the Contract, such as risk management, asset allocation, manager search, performance reporting, and liability-driven investment (LDI)." The Contractor should provide sufficient detail as to the rationale for their platform applications as well as demonstrate the utility of those applications for the various services required.

Question 22. For all inclusive pricing under Section B.3 and B.4, is OFT looking for fixed fees throughout the lifetime of the relationship (given that each additional year beyond the first appears to be optional)? How would OFT propose an adjustment to future fees based on underlying product fee changes, whether up or down, based on manager selection or asset class changes under the annual review process?

Response 22. Section B.4 seeks fixed total annual fee for the base and option years, if exercised. Offerors must determine an appropriate fee schedule based on its cost structure. Offerors should provide sufficient underlying detail (e.g., advisory fee, product fee,

implementation fee, other fees, etc.). It is envisioned that the new investment policy statement will incorporate both public and private market asset classes.

Question 23. The first requirement under Section C.3 and C.4 asks for OCIO services to include transitioning to OCIO model. In addition to the advisory services during the transition period, is OFT looking for transition management services (i.e. the actual buying and selling securities to move from current managers to the proposed portfolio) to be included in fees under B.4? Typically transition management services are an additional one-time fee.

Response 23. Offerors must include its cost for transitioning OFT to OCIO model in its annual fee. Offerors should provide sufficient underlying detail (e.g., advisory fee, product fee, implementation fee, other fees including transition management fees).

Question 24. Section C.9 makes reference to a 3(38) fiduciary relationship and the use of Prohibited Transaction Exemptions (PTE) that may be used as part of OCIO services. Are the Plan and Trust subject to ERISA? Or is the preference that the OCIO provider follows ERISA-like rules when managing the assets?

Response 24. As noted in Background Section C.2.10, “The District hereby warrants and represents that the Trust Fund is not subject to the Employee Retirement Income Security Act of 1974.”

Question 25. Section C.9.4 makes reference to ongoing fiduciary due diligence requirements. Can you please expand on what some of these requirements are?

Response 25. The Contractor will conduct investment and operational due diligence and conduct periodic on-site due diligence visits of the Plan’s investment managers and investment partners. The Contractor will ensure compliance with laws and regulations, investment policies, and manager mandates, and assess organizational stability and ensure proxies are voted, etc.

Question 26. Current confidentiality requirements in Section I.16 appear to be one-way only and provide protection only to the client. Would CO and OFT be amenable to similar considerations applying to them?

Response 26. The District will respond to proposed alternative language should the District decide to conduct discussions prior to award. However, the District may seek award of a contract on the basis of initial written proposals received, without discussion. Therefore, each proposal must contain the Offeror’s best terms from the standpoint of price, legal and technical abilities and other factors.

Question 27. Could you expand on the reason for transitioning to an OCIO Model?

Response 27. The District has chosen to implement an OCIO model in order to allow for more flexibility than currently available and to act more quickly to market opportunities

(such as private markets). Additionally, the District is looking to improve the returns of the fund through more asset diversification and a broader investment platform. The District believes the OCIO model will enhance our ability to access best in class investment managers who would generate alpha and provide access to a wider array of investment options.

Question 28. Your description of the asset allocation (C2.6) does not include private markets, but C11.3.D talks about pacing schedules for private markets. Does the fund have an interest in private markets? If so, are there any restrictions to the asset classes?

Response 28. Currently, the Plan has no exposure to private markets and thus no schedule of capital commitments. Refer to the most recent OPEB annual report for fiscal year 2019 for additional information about the fund and current asset allocations. The investment policy statement (“IPS”) will act as the primary document governing the relationship between the Contractor and OFT and addressing key areas like strategic asset allocation and approved asset classes. It is envisioned that the new IPS will incorporate both public and private market asset classes.

Question 29. Could expand more on the 3(38) responsibilities? A 3(38) ERISA manager is typically for non-public retirement systems and not public OPEBs.

Response 29. As noted in Background Section C.2.10, “The District hereby warrants and represents that the Trust Fund is not subject to the Employee Retirement Income Security Act of 1974.” As noted in General Requirements Section C.3.2, “the Contractor shall serve in a fiduciary capacity in the interest of the members and beneficiaries of the Plan and shall acknowledge in writing its fiduciary status, without qualification.”

Question 30. You mentioned during the pre-proposal call, it was mentioned that the CFO office would still want to oversee manager hiring and termination. Can you expand on the roles between the OCIO and OFT?

Response 30. The OCIO and OFT will jointly craft a new investment policy statement (“IPS”) during the transition period. The new IPS will act as the primary document governing the roles, responsibilities and relationship between the Contractor and OFT and address key areas like strategic asset allocation and manager hiring and termination. The Contractor will have discretion in the context of the IPS.

Question 31. Who is your current investment advisor? What prompted the interest in an OCIO model?

Response 31. Segal Marco is the current investment advisor to the Plan. Refer to the most recent OPEB annual report for fiscal year 2019 for detail on the current investment advisor and investment managers.

The District has chosen to implement an OCIO model in order to allow for a more flexible and nimble investment process than currently available. Additionally, the fund assets have not performed as well as the District would have expected over the last several years. The District is looking to improve the returns of the fund through more asset diversification and a broader investment platform. The OCIO model shall enhance the District's ability to access best in class investment managers and provide access to a wider array of investment options.

Question 32. Do you have a set schedule for meetings with the OFT or the advisory committee that the OCIO would be expected to attend?

Response 32. There is no set schedule. At a minimum the Contractor would meet with OFT for quarterly update meetings and support OFT at the Advisory Committee meetings semi-annually. During the Transition Period, there may be a need for more frequent meetings.

Question 33. Is there a budget for this mandate/contract?

Response 33. Yes, based on market research, OFT has budgeted for an estimated annual cost of approximately \$295,000. However, Offerors are expected to submit a price proposal based on its specific business model and proposal.

Question 34. Will there be an external overseer of the OCIO/3(38) manager?

Response 34. A Third-Party consultant to oversee the OCIO/3(38) manager is not anticipated at this time, but it is under consideration.

Question 35. Will you share your current manager roster?

Response 35. Refer to the most recent OPEB annual report for fiscal year 2019 for detail on the current managers in the Plan and their performance.

Question 36. Do you have any upcoming large inflows or outflows?

Response 36. Currently, the Plan has no exposure to private markets and thus no schedule of capital commitments. Refer to the most recent OPEB annual report for fiscal year 2019 for details on current asset allocation and investments.

The District anticipates that approximately \$53.6 million in additional funds (the actuarially determined contribution) will be deposited into the Trust Fund during the fiscal year ending September 30, 2021.