



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

OHIO DEFERRED COMPENSATION

REQUEST FOR PROPOSALS FOR AN INVESTMENT CONSULTANT

Issue Date: September 28, 2011

Written Question Deadline: October 19, 2011

Proposal Deadline: November 16, 2011 at 4:00 p.m.
Ohio Deferred Compensation
Paul Miller
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Columbus, OH 43215-4623

RFP Contact: Paul Miller
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Description: The Ohio Deferred Compensation Program is requesting proposals for an Investment Consultant to provide a comprehensive range of investment advisory services.

A copy of this RFP can be obtained from the Ohio Deferred Compensation employer website at www.OhioDC.org. Until the expiration date of this solicitation, Vendors are responsible for checking this website for additional information and/or addendums. RFPs can also be obtained from Ohio Deferred Compensation, 257 E. Town St., Ste 400, Columbus, OH 43215-4623. If you have any questions, please call (614) 466-7245.

Written questions regarding the substance of the RFP or Scope of Services must be submitted via email to the contact listed above no later than the Written Question Deadline indicated above.

One original and five hard copies, sealed proposals, and one electronic copy are due prior to the Proposal Deadline indicated above and must be delivered to Ohio Deferred Compensation, located at 257 E. Town St., Ste 400, Columbus, OH 43215. Late proposals will not be accepted – NO EXCEPTIONS.

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ATTACHMENT A: INVESTMENT POLICY

ATTACHMENT B: STABLE VALUE OPTION INVESTMENT POLICY

**OHIO DEFERRED COMPENSATION
REQUEST FOR PROPOSALS**

I. CALENDAR OF EVENTS

9/28/11	Release of Request for Proposal
10/12/11	Deadline for letter of intent
10/19/11	Deadline for receipt of written questions regarding this RFP
10/26/11	Responses to all written questions by Ohio DC
11/16/11 (4:00 p.m.)	Deadline for receipt of completed proposals
1/17/12	Committee/Board meeting to hear finalist presentations
2/14/12	Board meeting to finalize vendor selection (if necessary)

Ohio Deferred Compensation reserves the right to amend the calendar of events as needed.

II. INTRODUCTION

The Ohio Public Employees Deferred Compensation Board (Board) is seeking proposals for an Investment Consultant (Consultant) to provide a comprehensive range of investment advisory services to the Ohio Public Employees Deferred Compensation Program (Program). The Consultant will provide investment consulting services to the Board beginning April 1, 2012.

The Board currently contracts with Hewitt EnnisKnupp (Hewitt) for these consulting services, and their contract expires on March 31, 2012. Hewitt will be allowed to respond to this Request for Proposal (RFP).

The Program utilizes qualified consultants to provide independent, objective, and creative input in the process of fulfilling its fiduciary responsibilities. The Consultant will be expected to offer research, analysis, advice, and recommendations with respect to:

- Investment Policy Services
- Investment Management Structure
- Investment Manager Supervision Services
- Performance Evaluation Services and Reports
- Management Selection Services
- Research and Education

The Board operates through its Executive Director and staff, and references to the Board in the RFP should generally be construed as such for day-to-day operations and reporting. The Board meets six times per year, in alternating months, plus an annual strategic planning meeting. The Consultant will attend the regularly scheduled Board meetings and any special meetings when investment options are to be discussed, including the strategic planning meeting.

The Background and General Information section that follows provides a brief description of Program operations. The Scope of Services section is not an exhaustive list of the services currently performed, and the Consultant should evaluate the services needed based on its knowledge and experience in providing investment consulting services to a defined contribution plan in the public sector market place.

Visit the Program's participant website at www.Ohio457.org to view more general information about the Program.

III. BACKGROUND AND GENERAL INFORMATION

The Program is an eligible deferred compensation plan and is administered in accordance with Section 457 of the Internal Revenue Code. A public employer deferred compensation plan is a voluntary fringe benefit that can be established by a state or a political subdivision of a state. The Program provides supplemental benefits, since nearly all public employees in Ohio are covered by one of the State authorized pension systems and not by Social Security.

The employer and participating employees enter into contractual agreements whereby the employees agree to have part of currently earned income deferred until some future date. The deferred income is invested as directed by the employee. The deferred income and resulting earnings are not taxed until received by the employee – usually after retirement.

The Program is a separate legal entity and is not considered a component unit of the State of Ohio. All assets of the Program are held in trust for the exclusive benefit of participants and their beneficiaries. The Program's current *Comprehensive Annual Financial Report*, which includes statistical information regarding Program participation, is available at the Program's employer website www.OhioDC.org.

Currently, about 1,800 different public employers throughout Ohio participate in the Program. Total Program assets exceed \$8 billion. Additional participant statistics are shown below.

	Total Participant Accounts	Active Participants	Average Annual Deferral
2010	199,900	108,100	\$4,100
2009	196,000	109,200	\$4,200
2008	193,400	115,400	\$4,000

Enrollment, education, and customer service is provided by Nationwide Retirement Solutions (NRS). The Board has contracted through June 30, 2014 with NRS to be the exclusive enrollment, education, and customer service provider for the Program. As of July 2011, NRS employs 46 dedicated employees to conduct Program activities, including 15 full-time licensed salaried Field Account Executives, who are geographically located throughout Ohio. NRS has 19 licensed telephone representatives, 3 administrative support employees, 4 retirement planning specialists, and 5 management employees.

As the exclusive enrollment agent for the Program, NRS representatives contact potential Program-eligible employers to determine interest in the Program. Existing Program employers are contacted regularly to schedule presentations, provide written materials, and provide Program specific information to employer payroll officers.

As the Program's educator and enroller, and in consultation with Program staff, NRS develops, writes, designs, prints, and distributes all promotional and educational materials. NRS is also responsible for providing the participant transactional based automated telephone system and transactional website at www.Ohio457.org.

The Program is a unique organization, because NRS does not perform recordkeeping or select investment options. Participant information and activity is forwarded from NRS to the Program office, and daily recordkeeping is maintained in-house on the Program's computer systems. The Board is responsible for selecting, monitoring, and terminating Program investment options based on the recommendations of the Consultant and staff.

Current Investment Line-up

As a self-directed plan, participants are required to make investment allocation decisions. NRS provides educational guidance about the importance of diversification, and provides a risk questionnaire and asset allocation tool. Neither NRS nor the Program currently offers investment advice to participants. The Program offers a broad selection of investment options to participants, allowing them the opportunity to create diverse portfolios to meet their individual needs. The current investment offerings include:

Retail Mutual Funds:

Templeton Foreign
Vanguard International Growth
Vanguard Total International Stock Index
FPA Capital
Hartford Small Company
Vanguard Small-Cap Index
Vanguard Capital Opportunity
Dodge & Cox Stock
Fidelity Contrafund
Fidelity Growth Company
Janus Twenty
Vanguard Institutional Index
Dodge & Cox Balanced
PIMCO Total Return
Vanguard Total Bond Market Index

Private Label Options:

Stable Value Option
LifePath Retirement
LifePath 2015
LifePath 2020
LifePath 2025
LifePath 2030
LifePath 2035
LifePath 2040
LifePath 2045
LifePath 2050

The Program's Stable Value Option more than \$4 billion in assets, which are managed by six different professional money managers and guaranteed by five different book value wrappers. Due to the complexity of this investment option, the Program has contracted with DB Advisors to serve as the overall stable value administrative manager.

The Board has adopted separate investment policies for the Stable Value Option and the other investment options (mutual and commingled funds). These investment policies provide guidance on selecting, monitoring, and replacing investment managers. Copies of these policies are attached.

IV. GENERAL CONDITIONS AND CONTRACT REQUIREMENTS

This section states the minimum requirements of a contract to provide the services described in this RFP. It is not expected that any services would be sub-contracted by the Consultant.

Ohio DC makes no representations or warranties, expressed or implied, as to the accuracy or completeness of the information in the RFP and nothing contained herein is or shall be relied upon as a promise or representation, whether as to the past or the future. The RFP does not purport to contain all of the information that might be required to evaluate the RFP and any recipient hereof should conduct its own independent analysis of Ohio DC and the data contained or referenced herein. Ohio DC does not anticipate updating or otherwise revising the RFP. However, this RFP may be withdrawn, modified, or re-circulated at any time at the sole discretion of Ohio DC.

Ohio DC reserves the right, at its sole discretion and without giving reasons or notice, at any time and in any respect, to alter these procedures, to change and alter any and all criteria, to terminate discussions, to accept or reject any response, in whole or in part, to negotiate modifications or revisions to a response and to negotiate with any one or more respondents to the RFP.

Ohio DC is not and will not be under any obligation to accept, review, or consider any response to the RFP and is not and will not be under any obligation to accept the lowest offer submitted or any offer at all. Ohio DC is not and will not be under any obligation to any recipient of, or any respondent to, the RFP except as expressly stated in any binding agreement ultimately entered into with one or more parties, either as part of this RFP process, or otherwise.

This RFP is not an offer but a request to receive a response. Ohio DC will consider a response as an offer to develop an agreement based on the contents of the response. Respondents agree that the contents of their responses are valid for one year from the date of submission.

Amendments to RFP

The Program reserves the right to issue amendments to this RFP or to provide any additional information or responses to questions received prior to the deadline for submission of proposals. In the event it becomes necessary to amend any part of this RFP, the Program will provide copies of the amendment to all Consultants.

Bid Requirements

- (1) All proposals become the property of the Program and will not be returned to the Consultant. All proposals submitted are subject to the laws of the State of Ohio regarding public access to such documents and are, therefore, not confidential.
- (2) Failure to adequately furnish information specifically required in this RFP might disqualify a proposal.
- (3) All Consultants must agree to honor the cost proposals for a period of six months from the date of submission.
- (4) The Program will notify all unsuccessful Consultants within seven days following final contract negotiation.

- (5) This RFP and Consultant responses submitted in the selected proposal will become part of the resulting contract and binding through the contract term, except as otherwise amended by mutual agreement.
- (6) The selected Consultant will have three weeks after written notice of selection to execute the necessary contract with the Program. Failure to execute the contract within this time might result in removal as the selected firm.

Contract Term

It is expected that the contract shall have a term of five years with a beginning date of April 1, 2012 and an ending date of March 31, 2017. The Program reserves the right to contract for a single five-year term or a three-year term plus two one-year extensions.

Contract Revisions

Revisions to the contract during the contract period or any extensions shall be by mutual agreement.

Miscellaneous Provisions

The following provisions shall be included in the contract between the parties:

- (1) The Program may terminate the contract if any significant or substantial change occurs in the ownership or control of the Consultant
- (2) The Consultant will acknowledge that it is a fiduciary with respect to the Scope of Services provided in this agreement.
- (3) The Consultant may not subcontract the furnishing of any significant work or services under the contract without the express written approval of the Program.
- (4) The Consultant shall notify the Program in writing within 15 days of any significant changes in the firm's organizational structure or staffing, and will make no changes in the assigned Consultant team without the express written approval by the Executive Director.
- (5) If, during the contract term, the Consultant, or any subsidiary, principle owner (10% or more), affiliate or sub-contractor is involved as plaintiff or defendant in any litigation that is related to your firm's servicing of the Program, this fact shall be promptly disclosed to the Program.
- (6) The Consultant shall be authorized to do business in the State of Ohio prior to the contract initiation day. The Consultant shall comply with all applicable laws, including licensing requirements of the State and Federal government and with applicable accreditation and other standards of quality generally accepted in the field of the Consultant's activities.
- (7) The officers, employees, and agents of the Consultant will act in an independent capacity concerning the terms of the contract and will neither act nor be considered as employees of the Program or of any political subdivision thereof. The Consultant also agrees that it will abide by Program policies and practices regarding the security of participant data.

- (8) The Consultant shall agree that it will not use any information concerning individual Program participants, information collected under the contract, or other Program data for any purpose other than to fulfill its duties under the contract. Any exceptions must be requested in writing, and the Consultant must receive written approval from the Executive Director before using such data for any other purpose.
- (9) If at any time during the existence of the contract the Consultant fails to observe or perform any term, condition, stipulation, agreement, provision, or obligation of the Consultant hereunder or becomes insolvent or if an application or petition in bankruptcy is filed by or against the Consultant, the Consultant shall be in default of the contract without any demand, notice, or putting in default, as time is of essence to the Consultant's satisfactory observance and performance thereof, and any failure by the Consultant with respect thereto shall constitute an active breach of the contract.
- (10) The Consultant must subscribe to the Ohio Ethics laws regarding business conducted with a State Board.
- (11) The Program may terminate the agreement without cause by providing 60 days written notice to the Consultant.
- (12) Any provision of any contract arising hereunder is severable if that provision is in violation of the laws of the State of Ohio or the United States, or becomes inoperative due to changes in State or Federal law, or applicable State or Federal regulations.
- (13) Neither the benefits nor the burden of the contract will be assigned or delegated by the Consultant either in whole or in part or in any other manner without the written consent of the Program. Any assignment, pledge, sub-contract, or hypothecation of right or responsibility to any person, firm, or corporation shall be fully explained and detailed in the proposal.
- (14) The contract shall be subject to and governed by the laws of the State of Ohio.
- (15) The Consultant agrees that Consultant, any subcontractor, and any person acting on behalf of Consultant or subcontractor, will not discriminate, by reason of race, color, religion, gender, sexual orientation, age, handicap, national origin, or ancestry against any citizen of this state in the employment of any person qualified and available to perform the work under this Agreement. The Consultant further agrees that Consultant, any subcontractor, and any person acting on behalf of the Consultant or subcontractor shall not, in any manner, discriminate against, intimidate, or retaliate against any employee hired for the performance of work under this Agreement on account of race, creed, color, religion, gender, sexual orientation, age, handicap, national origin, or ancestry.

Any exceptions or modifications to the foregoing provisions shall only be effective upon mutual written agreement signed by both parties.

V. SCOPE OF SERVICES

The principal duty, function, and responsibility of the Consultant are to act in the capacity of investment Consultant to the Board acting in the sole interest of the Program participants. The following list is not intended to be exhaustive, but rather illustrative of the types of services required by the Board:

(1) Investment Policy Services

- a. Conduct an annual comprehensive review and analysis of the Program's investment policies and recommend changes, if appropriate. Advise the Executive Director and the Board with respect to the overall investment policy.
- b. Monitor asset class diversification, management style diversification, and active vs. passive investments, and make manager or fund option recommendations, when appropriate.
- c. Monitor conformance of investment options and managers with stated policy and managers' guidelines.
- d. Recommend modifications to policy statements, manager guidelines, and investment objectives, as required.

(2) Investment Management Structure

- a. Periodically evaluate the appropriate number and type of investment managers, and investment options employed.
- b. Assist the Executive Director in supervising transfers of assets among managers, when required.

(3) Investment Manager Supervision Services

- a. Provide recommendations with respect to investment manager selection, retention, and termination decisions.
- b. Evaluate investment managers' requests to modify their approach (e.g., to use futures, options, pooled investment vehicles, securities lending, etc.) and make recommendations concerning appropriateness.
- c. Periodically interview and review capabilities of investment managers referred by the Board or staff.

(4) Performance Evaluation Services and Reports

- a. Prepare and present standard quarterly evaluation reports, including the information specified in the investment policies for all managers retained by the Board. The evaluation reports will provide a comprehensive, understandable commentary on investment manager performance, recomputed appropriate policy portfolio (benchmark) rates of return, and an analysis of investment manager data for

correctness. In addition, provide expert market commentary and trend analysis.

- b. Annually (currently at the September Board meeting) prepare a more detailed evaluation report and recommendations for the Stable Value Option.
- c. Annually (currently at the March Board meeting) prepare a more detailed evaluation report and recommendations for all other investment options.

(5) Investment Manager Selection Services

- a. Research, coordinate, and recommend investment options and investment managers.
- b. Review investment manager agreements and negotiate fees, terms, and conditions.
- c. Evaluate other investment managers as referred from time to time by the Executive Director or Board.

(6) Regular Attendance of Meeting

- a. Attend bi-monthly Board meetings and annual strategic planning meetings as directed. Typically, attendance is needed at four regular Board meetings to present quarterly and annual reports. Attendance might be required at other regular or special Board meetings or the annual strategic planning meeting.

(7) Research and Education

- a. Proactively advise the Board and staff of new investment vehicles and techniques, or major changes in existing practices within the industry, and upon request, prepare a comprehensive analysis and make recommendations concerning those developments.
- b. Respond in an agreed-upon and timely manner to Board and staff inquiries between meetings.
- c. Provide assistance on special projects as needed.

(8) Consultation with Staff

- a. Be available to consult with the Board, the Executive Director, or the Executive Director's designee by telephone and in person, as required, in connection with conduct of the investment program.
- b. In addition, the Consultant may, from time to time, provide other services depending on the requirements of the Board.

(9) Other Services

- a. Please describe any additional services that you plan to provide as part of the Scope of Services.

VI. EVALUATION CRITERIA AND SELECTION PROCESS

Representatives of the Board and the Board office will screen the written proposals. The Staff may present a Consultant with questions about its proposal. The Consultant's response to the Program's question(s) shall also be submitted in writing and shall be incorporated as part of the proposal. The finalists might be invited to an oral interview. Each investment Consultant selected for a final interview should be prepared to fully discuss and substantiate any aspects of their proposal. The Board will select the Consultant that it believes will best meet the needs of the Program.

The successful proposal will demonstrate a clear understanding of Board investment requirements, a well-reasoned strategy for success, and a proven capability to perform the required services with distinction. Evaluation of each Consultant will include, but not be limited to the following:

- (1) Quality of the Consultant's proposal as an indicator of its probability for success.
- (2) Relevant investment advisory and consulting experience with large defined contribution plans in the public sector.
- (3) Experience and demonstrated success as indicated in its listing of current major clients.
- (4) Independence from any activities that could result in a conflict of interest.
- (5) Professional qualifications, knowledge, and experience of employees to be assigned to this account.
- (6) Experience in developing, tailoring, and monitoring appropriate investment policies.
- (7) Documented success in developing an investment management structure for a client's specific needs.
- (8) Experience, methodology, and database to monitor the universe of potential investment managers.
- (9) Concise reports that document investment manager's performance.
- (10) Sound philosophy and research for evaluation and selection of investment managers.
- (11) Consultant's overall research and advisory capabilities.
- (12) Significant consideration will be given to the proposed fee structure and estimated costs, but price will not be the primary determining factor.

VII. TECHNICAL PROPOSAL

The technical proposal must contain the following information. Please structure your responses in the same order as this outline.

- (1) General Information Regarding your Firm
 - a. Give a brief history of your firm, including the year the organization was founded.
 - b. Describe the organization of the firm and the range of services it provides, its underlying philosophy or mission statement as investment advisory Consultant, and any organizational aspects that uniquely qualify the firm for this assignment. Describe the broadest range of services you provide to clients.
 - c. Describe all of your firm's lines of business and the approximate contribution of each business to your organization's total revenue. If your firm is an affiliate or subsidiary of an organization, state what percentage of the parent firm's total revenue your affiliate or subsidiary generates.
 - d. Describe the ownership structure of your organization giving specific details with regard to your parent, any affiliated companies, or any joint ventures, including any ownership the firm or any entity under its control might hold in other investment firms.
 - e. Describe any significant developments in your organization within the last three years, such as changes in ownership, personnel reorganization, and staff departures.
 - f. Describe any near-term changes in your organization's basic ownership structure or any other significant changes in your organization that you anticipate.
 - g. State whether your firm, its parent, or any affiliate is a Registered Investment Adviser with the SEC under the Investment Company Act of 1940. If not, state your fiduciary classification.
 - h. State whether your organization or an officer or principal has been involved in any business litigation or other legal proceedings relating to your consulting activities within the last five years. If so, provide an explanation and indicate the current status or disposition.
 - i. State whether your firm or an affiliate manages money for clients or provides other services that could be considered a conflict of interest. Include whether your firm or its parent or an affiliate are broker/dealers. State whether you trade client accounts through your own broker/dealer. State whether your firm accepts soft-dollars as a method of payment for services provided.
 - j. Certify that the firm is an independent financial advisor, neither engaged in the sale of services to investment managers, nor sale of investments to fund sponsors.
 - k. Describe any circumstances specifically related to your investment consulting activities under which your firm, its officers, or employees receive direct or indirect compensation from investment managers.

- I. Provide the number of institutional retainer clients by asset size in each of the following categories:

Size (In Millions)	Corporate Funds		Public Pensions		Endowments/ Foundations
	DB	DC	DB	DC	
\$0 – 50					
\$51 – 500					
\$501 – 1,000					
\$1,001 – 5,000					
Over \$5,000					

- m. Provide a brief description of your experience consulting to defined contribution plans and on the design of their investment options.
- n. Provide a current list of five (5) comparable clients, including name, contact, telephone number, asset values, number of years the client has retained your firm, and the products or services the client uses. The Program may choose to contact any of these clients as references.
- o. List all significant public fund clients and what percentage of your business those contracts represent.
- p. List the number of your firm's professional and support employees involved in:
1. Performance Evaluation
 2. Marketing
 3. Client Consultation
 4. Research (by area)
 5. Computer Programming
 6. Support Services
 7. Manager Search (by asset class)
- q. Provide the resumes of all principals, other professionals, and support personnel expected to be assigned to this account. Include their length and type of experience in pension consulting/advising services, length of employment with current firm, and any specialty expertise they possess.
- r. Describe the typical client load for your Consultants. Estimate the proportion of available time that the Primary Consultant assigned will spend on this account and the number of other clients for whom they are/will be primary.
- s. Provide a copy of your firm's ethics policy.
- t. Describe the insurance coverage for your firm, including coverage amount, deductible, and A.M. Best rating of insurance carrier. Include the amounts of general errors and

omission liability insurance coverage and fiduciary liability insurance coverage against acts of fraud and dishonesty.

(2) Investment Policy Services

- a. Please outline your process for each of the following:
 1. Development of client overall investment management policy as well as investment policy for any specific asset classes.
 2. Development of client risk management policies (i.e., policy regarding use of derivatives, securities lending, etc.).
- b. Outline your process for maintaining and providing a continuous review of your clients' investment policy, investment strategy, and investment options.
- c. Describe your view on active management versus indexing.
- d. Describe your firm's experience with stable value investments and how you have assisted clients, given the current stable value environment.

(3) Investment Management Structure

- a. Discuss in detail your performance attribution analysis as it relates to individual portfolios and to each individual asset class (domestic equity, fixed income, international equity, etc.).
- b. Describe your process of reviewing investment manager compliance with investment objectives and guidelines.

(4) Manager Supervision Services

- a. Describe your firm's methodology and sources of data for analyzing and evaluating a potential manager's performance. Discuss benchmarks and comparisons with other managers. Describe how risk is factored into this analysis. Discuss any quantitative attribution analysis that is performed.
- b. Comment on your firm's computer and analytical capabilities. Describe the databases and analytical tools that you have developed to support your efforts.
- c. Provide a sample performance report.

(5) Performance Evaluation Services and Reports

- a. Detail the data sources you utilize for analyzing and evaluating your client's portfolio(s) performance.
- b. Describe the process and types of reporting and analysis you can provide on investment performance. Provide the normal number of business days required to complete quarter-end reports.
- c. Describe your process for recommending manager termination.

(6) Investment Management Selection Services

- a. Describe your firm's process for the evaluation and selection of investment managers. Include how your firm evaluates an investment manager's personnel and organization; investment philosophy; investment styles and products; research and/or quantitative modeling capabilities; financial condition; assets under management; type of client service; and responsibility.
- b. Describe your firm's databases for investment manager searches. Describe, by style subgroups, how many managers are in each database. Describe the level of detail in your databases for potential managers. Describe how often the databases are updated; the sources of information; and how clients become aware of changes to the database. Describe how you verify the data collected from external sources and how often your staff visits each manager in the database.
- c. Please provide quantitative information, preferably for each major asset class, demonstrating the value added by your firm's investment manager recommendations compared to a broad universe of comparable investment managers.
- d. State whether managers are required to pay your firm either hard dollar or soft dollar fees to be included in your database. If so, describe how you control conflicts of interest. In addition to performance information, describe the other types of data available in your database. Describe whether you charge investment managers any direct or indirect fees when they are successful in manager searches that you conduct on behalf of your clients. If so, describe these fees.
- e. If your firm also provides portfolio management or brokerage services, describe how conflicts of interest between the research and the portfolio management and/or brokerage functions are prevented.
- f. Describe how your firm provides value beyond the provision of raw data. Describe any proprietary quantitative models that address style considerations. Describe whether your staff possesses the direct experience in working with investment managers that enables them to provide a broad institutional perspective.
- g. Describe your firm's process for monitoring managers in the database with respect to administrative conditions such as staff turnover, mergers, and financial soundness. Describe how your clients are informed of new information of this type, and whether clients have continuing access to databases for updates/changes in status of their currently retained managers.

(7) Research and Education

- a. List the areas in which you provide research/advice, indicating those in which you feel especially qualified. Provide titles of all research reports published within the past 24 months. Briefly describe your current/ongoing activities in each area and the resources devoted to them.
- b. In your view, describe the top challenges facing public defined contribution plans today and briefly frame those issues.

(8) List any exceptions or proposed modifications to the General Conditions and Contract Requirements section of this RFP. If all of the Miscellaneous Provisions are acceptable, please confirm in your proposal that your firm accepts all these provisions.

VIII. COST PROPOSAL

A cost proposal must be prepared and submitted with your firm's service proposal under separate sealed cover. Your cost proposal must include total projected fees charged to the Program, for each of the year of the anticipated contract, based on the projected services you have proposed. The cost proposal should be detailed and complete in all respects and provide all the information the Program would need to calculate the fees that would be paid to your firm based on the variables contained within the proposed fee structure.

If the Program decides to significantly change the level of service from those proposed, the cost proposal must provide a sufficient itemized breakdown, so that the Program can determine the effect on the total proposed cost. Compensation to the Consultant will be paid quarterly in arrears. Once the Consultant is selected, the fees may be further negotiated, but in no case will the fees be higher than contained in the proposal for the Scope of Services defined in Section V. Any fees for additional services must be by mutual written agreement.

- (1) Describe in detail your proposed fee arrangement for the services proposed including a definition of all elements that make up your proposed compensation arrangement.
- (2) Describe the separate costs to perform manager searches, and whether that cost is built into your base fee arrangement or will be billed as those services are needed.
- (3) Include in your cost proposal the type and amount of extraordinary one-time start-up costs your firm will incur to transition service responsibility from the current Consultant and to begin your servicing of the Program.
- (4) Describe in your cost proposal the cost to present the results and findings to the staff and Program as required in this proposal including any travel, printing, postage, or other miscellaneous costs.

Consultants must submit their proposed fees in the format prescribed below for a single five-year contract term and a three-year contract term with the potential for two one-year extensions. Please clearly detail any additional or optional fees that would be payable, along with the services they cover.

Five-Year Contract	Annual Fees
Year 1	\$
Year 2	\$
Year 3	\$
Year 4	\$
Year 5	\$
Total	\$

Three-Year Contract	Annual Fees
Year 1	\$
Year 2	\$
Year 3	\$
Total	\$
Year 4 - Extension	\$
Year 5 - Extension	\$
Grand Total	\$

IX. INSTRUCTIONS FOR SUBMITTING PROPOSALS

(1) Letter of Intent

Consultants intending to submit a proposal should send an email expressing their intent to the attention of the RFP Coordinator by October 12, 2011 at RFP@OhioDC.org. You will receive an acknowledgement by return email.

Send your letter of intent to RFP@OhioDC.org.

(2) Questions Concerning the RFP

Questions regarding this RFP must be submitted in writing by mail, email, or fax not later than October 19, 2011 and addressed to:

Executive Director
Ohio Deferred Compensation Program
257 East Town Street, Suite 400
Columbus, OH 43215-4623

EMAIL: RFP@OhioDC.org

FAX: 614-728-2601

Questions and answers will be put in writing and distributed to all firms that have expressed their intent to respond by October 26, 2011. No verbal responses are to be relied upon.

(3) Transmittal Letter

The responding firm's proposal must be accompanied by a transmittal letter, signed by an individual authorized to bind the firm and including the following statement: "The information presented in this proposal by (Firm Representative) is correct to the best of our knowledge and belief as of the date submitted. The individual executing this document on behalf of (Firm Name) is authorized to execute documents of this nature under the scope of his/her employment responsibilities."

(4) Submission Format

A responding firm's proposal must be recorded on Standard 8 1/2" X 11" white paper. The proposal must be accompanied by a transmittal letter on the firm's official letterhead, and be signed by an authorized officer of the firm.

Technical and price proposal are to be mailed together in one package, but the technical and price proposals must be bound separately. **There shall be no reference to the price of services in the technical proposal.**

All costs of developing the proposals will be borne by the Consultants. Except as provided below, the proposals and all related materials will become the property of the Program and will be subject to the Ohio Sunshine Laws.

Issuance of this RFP does not constitute a commitment by the Program to award a contract. The Program reserves the right to reject any or all proposals received in response to this RFP or to cancel this RFP if it is in the best interests of the Program. In the event that the Program rejects a proposal prior to review of the cost proposal, the sealed cost proposal will be returned to the Consultant.

(5) Deadline for Submission of Proposal

The original and five copies of the complete proposal package must be received in the Program's office by November 16, 2011 by 4:00 p.m. to be considered. In addition, one electronic version of the technical and price proposals must also be received by this deadline. Proposals received after this date and time will be returned unopened.

Please send the original and five copies to:

RFP Coordinator
Ohio Public Employees Deferred Compensation Program
257 East Town Street, Suite 400
Columbus, OH 43215-4623

Please send the electronic copies to RFP@OhioDC.org.

NOTE: Packages (envelopes) must be clearly marked "CONSULTANT PROPOSAL." Cost proposals must be separately sealed and clearly marked "COST PROPOSAL." Consultants must submit their fees in the format and manner prescribed in the Cost Proposal section. Once the Consultant is selected, the fees may be further negotiated, but in no case will the fees be higher than contained in the proposal.

It is the responsibility of the Consultant to insure that proposals arrive on or before the prescribed time. **NO LATE PROPOSALS WILL BE ACCEPTED.**

Modifications to the proposal may be submitted prior to the date and time specified for receipt of responses. Copies of the modifications must be submitted as specified for the actual proposal above. Modifications must have "Modification - Firm Name" marked in the lower left-hand corner of the envelope.

(6) Questions by the Staff

The Staff may present a Consultant with questions about its proposal. The Consultant's response to the Program's question(s) shall also be submitted in writing and shall be incorporated as part of the proposal.

Ohio Deferred Compensation reserves the right, in its sole discretion, to reject any and all proposals submitted, and to waive as to any prospective Consultant or as to all prospective Consultants, any informality or irregularity in a proposal or proposals or any failure to conform to the instructions in the RFP.

Ohio Public Employees Deferred Compensation Program
Investment Policy
Adopted 12/17/96
Last Revised 3/15/2011

- I. **General.** The purpose of this statement is to establish the investment policy for the management of the assets of the Ohio Public Employees Deferred Compensation Program (the Program), excluding the Stable Value Option. This policy will be reviewed annually by the Program's investment consultant. Any changes the consultant recommends will be discussed with the Program's staff ("staff") and presented to the Board for final approval. In addition, the consultant will be evaluated annually concerning their work on the mutual fund investment options. The consultant's evaluation will determine if the consultant will be considered for future investment reviews.

It is the intention of the Board that the assets of the Program shall be maintained in compliance with all applicable laws governing the operation of the Program. Practices in this regard include, but are not limited to, the following:

- Program investment options shall be selected and monitored with the care, skill and diligence that would be applied by a prudent professional investor, acting in a like capacity and knowledgeable in the investment of retirement funds.
- All transactions undertaken on behalf of the Program shall be for the sole interest of participants and beneficiaries.
- The Board, in consultation with the retained investment consultant and staff, will select and retain funds after satisfactory review of such factors as the investment experience of the underlying manager, the suitability of the investment approach used, the investment record and the other components as listed in Section V.
- Participants will be provided the opportunity to obtain sufficient information to make informed decisions with regard to the investment alternatives available under the Program.

- II. **Distinction of Responsibilities.** The Board, in consultation with its staff and investment consultant, is responsible for the selection and monitoring of the investment options and service providers of the Program. Participants are responsible for the allocation of their assets among the investment options of the Program. The staff and retained service providers are responsible for the safekeeping of securities, settlement of trades, collection of income and administrative reporting. The investment managers are responsible for immediately communicating any material changes in the process, philosophy, management and performance of the underlying investment options and voting all proxies in the best interests of participants.

- III. **Investment Objectives and Program Structure.** The objective of the Board is to offer a sufficient range of investment options to allow participants to diversify their balances and construct portfolios that reasonably span the risk/return spectrum. The Board will continue to re-evaluate the investment option structure to focus on diversification, low cost and simplicity while minimizing possible duplication.

The appropriate fund peer group and/or passive benchmark for each investment objective is as follows:

Investment Objective Type	Universe/Peer Group	Current Offerings(s)	Benchmark
Diversified Fixed Income	Core Plus Fixed Income Mutual Fund Strategy	PIMCO Total Return	Barclays Capital Aggregate
Indexed Fixed Income	Not Applicable	Vanguard Total Bond Market Index	Barclays Capital Aggregate
Balanced	Managed Balanced Fund Universe	Dodge & Cox Balanced	60% S&P 500/40% Barclays Capital Aggregate
Indexed U.S. Large Company Stock	Not Applicable	Vanguard Institutional Index	S&P 500
Large Company Blend Stock	Large Cap Blend Mutual Fund Strategy	Fidelity Contrafund	S&P 500
Large Company Value Stock	Large Cap Value Mutual Fund Strategy	Dodge & Cox Stock	Russell 1000 Value
Large Company Growth Stock	Large Cap Growth Mutual Fund Strategy	Fidelity Growth Company Janus Twenty	Russell 1000 Growth
Medium Company Stock	Medium Company Mutual Fund Strategy	Vanguard Capital Opportunity	Russell 2000 Growth Russell Mid-Cap Growth
Small Company Value Stock	Small Cap Value Mutual Fund Strategy	FPA Capital	Russell 2000 Value
Small Company Growth Stock	Small Cap Growth Mutual Fund Strategy	Hartford Small Company	Russell 2000 Growth
Indexed U.S. Small Company Stock	Not Applicable	Vanguard Small Cap Index	MSCI U.S. Small Cap 1750
Targeted Maturity Asset Allocation	Other Investment Vehicles with Similar Investment Strategy	LifePath Funds	Blended benchmark comprising Barclays Capital Aggregate Bond Index, Wilshire 5000 Index, MSCI EAFE Index, and Salomon Brothers 3-Month T-Bill Index
Indexed Non-U.S. Stock	Not Applicable	Vanguard Total International Stock Index	MSCI All Country World Index ex-U.S. IMI Index
Non-U.S. Stock	International Equity Mutual Fund Universe	Templeton Foreign Vanguard International Growth	MSCI All Country World Index ex-U.S. Index

- IV. Investment Risk.** Investment risk will be limited by appropriate diversification both within and between asset classes. A depressed sector of the investment market may lead to a negative return on a specific investment sector in any particular year. This could result in the value of participants' investment returns falling in any particular year. Participants bear the investment risk and reap the rewards in respect to the returns credited to their investment options. Fluctuations in investment returns directly affect investment benefits accruing to participants.
- V. Adding New Funds to the Offering.** All actively managed fund additions will be the result of an RFP with public notice or staff/consultant search and evaluation. The following fund search criteria will be used in evaluating a fund for inclusion in the Program.
- Maintain appropriate governance practices such as board oversight, relative transparency and appropriate incentives for key talent (governance rating)
 - Exhibits compelling aspects from a talent, process, trading, size, product fit, ownership and organizational perspective (manager research rating)
 - Have fund assets of at least \$100 million with at least five years of operating history
 - Fund must be no-load (no front-end or deferred sales charges), or be willing to waive the load or charges
 - The three- and five-year returns should at least equal the appropriate fund peer group median or passive benchmark identified in the table above for the appropriate category
 - Able to execute prior day pricing for trading matched with redemption fee policies (if relevant) within the parameters necessary to administratively recordkeep the investment alternative
 - Provide Program or an acceptable intermediary daily share/unit price
 - Offer recordkeeping reimbursement to Program or have competitive expense ratio
 - Agree to operational issues regarding receiving daily fund prices and receipt of daily transaction orders
 - Fund manager should have at least two years tenure with the fund unless there is team management, in which case, the average team tenure should be five years.

In rare cases, some of the above criteria can be waived as approved by the Board if few investment products are available related to a specific search or an investment manager qualifies under the policy that follows below.

Women and Minority-Owned, Ohio-Based and Emerging (WMOE) Business Enterprises. The Board of Trustees recognizes that the Ohio Public Employees Deferred Compensation Program is a public agency with a diverse membership that aspires to fully consider WMOE organizations for all of its service provider relationships. The Program=s Staff and consultant are requested to provide an assessment of the most qualified WMOE organizations that meet its criteria as approved by the Board of Trustees while conducting searches for service providers.

The Program=s Staff and consultant are asked to relax specific criteria, to the extent that the Program=s Staff and consultant are unable to find a representative list of WMOE enterprises that meet the criteria as approved by the Board. The candidate(s) that most closely meet the criteria and WMOE characteristics will be presented to the Board for final approval. The Board of Trustees requests that the Program=s Staff and consultant report fully what specific criteria were relaxed with reasons upon delivery of the search materials.

VI. Quarterly Review. A quarterly review of funds will include performance and other information as listed below.

- Fund assets
- Appropriate peer group and benchmark comparisons over various time periods
- Risk/reward analysis over five short- and longer-term periods
- Any recent change in fund manager or sub-advisor
- Style analysis
- Fund objective (and changes in fund objective)
- Expense ratio
- Portfolio turnover
- Largest sector in fund and its percentage of total assets
- Percent of fund held in foreign investments and in cash
- Current level of participation among Program participants (number of actively deferring/account holders, total current monthly deferrals, total funds in Program)
- Other pertinent information as available

VII. Fund Monitoring Policy. The Board acknowledges that, from time to time, there may be the need to replace an existing fund with a new investment option. The Board has developed the following Fund Monitoring methodology to help govern decisions to close an investment option.

The Board's considerations in the process will be based on the following key criteria:

- The fund has underperformed its benchmark over the most recent trailing five-year period
- The fund has underperformed its benchmark in three of four the most recent calendar quarters
- The fund's investment strategy and/or portfolio characteristics have materially diverged from its designated style
- Adverse change in a fund's portfolio talent
- Weak manager research rating
- Weak governance rating

The table below summarizes the status that will be applied in this methodology

Status		Number of Criteria Met	Generally Indicated Action
	GREEN	Less than 2	Active - No action required
	YELLOW	2 to 3	Active - On a closely monitored list
	ORANGE	4	Closed - All allocations to the fund must be stopped but accumulated balances may remain invested and a future closed out decision will be made in the near term (not to exceed 180 days)
	RED	Greater than 4	Closed Out - All invested balances must be moved to another active option

It is expected that funds would not be reactivated once a status change occurs and the process to Closed Out begins. However, the Board retains the discretion to review funds in the process as it may determine. If significant negative factors exist, accelerated status changes may be recommended. The Board reserves the right to close a fund at any time for reasons that may go beyond the fund monitoring policy such as material administrative and operational problems with a fund management company.

All fund status changes will be announced in the most appropriate issue of the newsletter. All changes will be followed up with a letter to every participant affected. Deadlines for completing a new allocation or transferring balances to another active fund will be communicated in this letter (approximately two months). The policy noted below will be utilized to help guide fund monitoring decisions.

VIII. Plan Fees. It is the intention of the Board to act in the best interest of participants. Practices in this regard include, but are not limited to, the following items related to revenue sharing arrangements:

- Revenue sharing should benefit the Program
- On a no less than annual basis, reaffirm that costs are “reasonable” and that revenue sharing arrangements offset fees that would otherwise be charged to participants

IX. Fund Mapping. When the Board decides to terminate an investment fund in the Program, participants will be granted an opportunity to direct their assets to the Program’s investment fund options prior to the investment fund termination. Assets that are not directed by participants will be transferred or “mapped” to the Program’s investment fund(s) that the Board deems appropriate.

The mapping factors that the Board will consider include, but are not limited to, the following:

Alignment of investment fund type, such as:

- Asset class (e.g., U.S. stock, non-U.S. stock, fixed income)
- Capitalization (e.g., large, mid, small)
- Style (e.g., value, growth)
- Maturity (short, intermediate, long-term)

Similar investment strategy, such as:

- Broad market vs. focused market
- Active vs. passive management
- Balanced vs. 100% stock or bond
- Equity income, growth & income, aggressive growth, etc.
- Diversified vs. concentrated
- Core vs. core-plus

Age-based that corresponds to the appropriate time period until reaching the age of 65 for each participant.

**Ohio Public Employees Deferred Compensation Program
Stable Value Option Investment Policy**

Adopted 12/16/97 and Revised Through 09/20/2011

The purpose of this statement is to establish the investment policy for the management of the Stable Value Option assets of the Ohio Public Employees Deferred Compensation Program ("Program"). The Board of Trustees assumes the responsibility for establishing this investment policy the purpose of which is to guide the investment of assets within the Stable Value Option. The investment policy describes the degree of investment risk the Trustees deem appropriate.

General

This policy will be reviewed annually by the Program's staff and investment consultant. Any changes the consultant recommends will be discussed with staff and presented to the Board for final approval.

In addition, the consultant will be evaluated annually concerning their work on the Stable Value Option. The consultant's evaluation will determine if the consultant will be considered for future investment reviews.

It is the intention of the Board that the assets of the Program shall be maintained in compliance with all applicable laws governing the operation of the Program. Practices in this regard include, but are not limited to, the following:

- Stable Value Option investment managers shall be selected and monitored with the care, skill and diligence that would be applied by a prudent professional investor, acting in a like capacity and knowledgeable in the investment of retirement funds.
- All transactions undertaken on behalf of the Program shall be for the sole interest of participants and beneficiaries.
- The Board, in consultation with the retained investment consultant and staff, will select and retain investment managers in the Stable Value Option after satisfactory review of such factors as perceived skill, trading practices, product importance, product fit, organizational and ownership structure and the investment record.

Investment Objective

The Stable Value Option seeks to provide a stable principal value and a high level of interest income by investing in a diversified portfolio of high quality investment contracts and other high quality fixed income instruments. Over longer periods of time, performance of the Stable Value Option is expected to exceed the iMoneyNet Money Fund Average by 150 basis points while meeting or exceeding the Stable Value Investment Association's (SVIA) peer group rate.

Investment Strategy

The Stable Value Option will invest in benefit-responsive GIC contracts, BIC contracts, "synthetic" GIC contracts, (collectively, "Stable Value Contracts"), short term investments, and other fixed income instruments that are provided by product issuers which meet the Stable Value Option's credit quality standards.

Within the Stable Value Option, investments will be segmented between a liquidity buffer, fixed maturity structure and an open maturity structure as defined below:

- Liquidity buffer – will accept ongoing contributions and transfers remitted to the Stable Value Option and provide the first source of liquidity for all Stable Value Option withdrawals. Within the liquidity buffer the Stable Value Option will primarily invest in short-term investment funds or money market instruments, but may also invest in high-

- quality buffer Stable Value Contracts that provide same day liquidity for withdrawals.
- Fixed maturity structure – will emphasize a laddered maturity structure of Stable Value Contracts to generate periodic cash flow that may be used to replenish the Liquidity Buffer. Stable Value Contracts in the Fixed maturity structure will pay qualified withdrawals on a net pro-rata basis after the depletion of the liquidity buffer.

Within the fixed maturity structure the Stable Value Option will invest primarily in investments which have average maturities at the time of issuance of between two and five years.

The fixed maturity structure will normally pursue a passive laddered maturity structure, whereby the dollar-weighted average duration of the structure will be no more than 3.5 years. In order to avoid the adverse impact of future reinvestment risk, the fixed maturity structure will target a fairly equal ladder of maturities.

- Open maturity structure – will emphasize both active and passive investment management benchmarked against the Barclays Capital Aggregate Bond Index or the Barclays Capital Intermediate Aggregate Bond Index. A passive core allocation will be maintained replicating the characteristics of the underlying index. An actively managed component will be benchmarked against the Barclays Capital Aggregate Bond Index or the Barclays Capital Intermediate Aggregate Bond Index with the selected managers exercising investment discretion with respect to yield curve positioning, sector allocation and security selection. The active managers will have investment discretion to utilize non-dollar investments as well as high yield investments within agreed upon constraints.

With respect to the open maturity structure, the duration of the underlying portfolios will be kept within +/-20% of the duration of the Barclays Capital Aggregate Bond Index or the Barclays Capital Intermediate Aggregate Bond Index.

- Stable value wrapper contracts used in the open maturity structure will pay qualified withdrawals on a net pro-rata basis after the depletion of the liquidity buffer.

Portfolio Structure and Rebalancing Policy

The Program's Staff shall, on an ongoing basis in accordance with market fluctuations and participant cash flow experience, rebalance the Stable Value Option portfolio so as to remain within the range of targeted allocations and the distributions among investment advisors. The table below summarizes these targets and permissible ranges.

Mandate	Asset Allocation Target	Permissible Ranges
Fixed Maturity	34%	20% to 40%
Open Maturity	65%	50% to 70%
Liquidity Buffer	1%	0% to 10%

It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be a material determinant of the crediting rate. As a result, a systematic decision rule based rebalancing procedure shall be implemented as discussed below.

- The Board of Trustees delegates to the Program's Staff, in consultation with the stable value roll-up manager, the responsibility for monitoring the Stable Value Option's asset allocation, implementing rebalancing and reporting their rebalancing activities to the Board at the annual Stable Value Option review.
- The Program's Staff, in consultation with the stable value roll-up manager, will make quarterly observations of the market values of each mandate and rebalance each back to their respective target allocations whenever that mandate falls outside the established range.
- The stable value roll-up manager will monitor the overall duration of the Stable Value Option and seek to keep the overall duration no more than 3.75 years with a cap of 3.5 years for the fixed maturity component. The stable value roll-up manager will notify staff if the duration of the Stable Value Option goes outside of this target range. Shorting Treasury futures may be utilized by the roll-up manager to help manage duration as deemed necessary.
- Rebalancing will first use normal cash flows where practical and secondarily be accomplished through reallocation of assets between mandates.
- Individual manager funding levels within the open maturity segment will remain at the discretion of the Program's Staff, in consultation with the stable value roll-up manager and investment consultant. Typically, investment manager assignments will be retained at target within a plus or minus three (3) percent threshold.

Insurance and other Institution Diversification and Credit Quality Restrictions

The following diversification limits will apply to investments held within the Stable Value Option contracts at time of purchase.

- No one wrap contract issuer shall hold more than 25% of the Stable Value Option's assets. In addition, the Stable Value Option's allocation of assets to any issuer of general obligation contracts shall not exceed 5% of the Stable Value Option's assets.
- The Stable Value Option will seek to limit its exposure to insurance company general account contracts to no more than 25% of Stable Value Option assets.

Insurance companies must meet the following credit quality guidelines at time of purchase:

- Fitch, Moody's and Standard and Poor's ratings such that:
 - There are ratings from at least two of the three rating services;
 - The weighted-average of such ratings must be A- (A3 Moody's) or better; and
 - No rating shall be below A- (A3 Moody's)

Banks and other financial institutions must meet the following guidelines at time of purchase:

- Fitch, Moody's and Standard and Poor's ratings such that:
 - There is a A (A2 Moody's) or better senior unsecured dept rating from one of the three rating services;
 - The weighted-average of such ratings must be A- (A3 Moody's) or better; and
 - No rating shall be below A- (A3 Moody's).

Synthetic Contracts

Assets underlying each "synthetic" or separate account GIC contract must meet the following guidelines:

- Stable Value Option assets will be invested in Government, Government Agency, mortgage backed, asset backed and corporate debt securities. Mortgage backed securities would include collateralized mortgage obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), Commercial Mortgage Backed Securities (CMBSs), corporate debt securities would include private placements, and 144a securities.
- Securities rate below BBB/Baa3 may not exceed 10% of Stable Value Option assets. In addition, no more than 1% of the Stable Value Option's assets will be invested in any single high yield (below BBB) issuer.
- The average quality of the Stable Value Option structure will be A- (A3 Moody's) or better.
- No more than 5% of the Stable Value Option's assets within a portfolio will be invested with any one corporate issuer.
- No more than 20% of the Stable Value Option's assets within a portfolio will be invested in any single industry group.
- Investments in non dollar fixed income securities may not exceed 20% of the assets allocated to the Stable Value Option structure.
- In the event that any security is downgraded below these policy guidelines, or such downgrade causes a portfolio to fall out of compliance with these guidelines, the manager will notify staff and consultant about the development with a recommended next step. The manager will be encouraged to sell the security within an appropriate period of time taking into consideration liquidity and market conditions and an appropriate level of prudence to ensure the portfolio is not adversely affected.

Cash Investments

The Stable Value Option's cash investments fund must meet the following guidelines:

- Must be invested in money market instruments or commingled funds which invest in money market instruments which are issued by the U.S. Government or U.S. Government agencies, repurchase agreements which are collateralized by such securities, non-governmental securities rate P-1 by Moody's or A-1 by Standard & Poor's or their equivalents, or deposits with investment grade banks meeting the Bank Credit Quality Guidelines referenced above.

Manager Reporting Requirements

- Managers will provide a transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month, quarter, year-to-date, fiscal year-to-date, 1 year, 3 year, 5 year and since inception annualized returns gross and net of fees to the staff and its investment consultant by the 10th of the following month. In addition, a discussion of the portfolio's recent strategy and expected future strategy and demonstration of compliance with guidelines must be included in this package.

- Managers must reconcile quarterly accounting, transaction, and asset summary data with custodian reports and communicate and resolve any significant discrepancies with the custodian. Managers must also send a copy of the reconciliation to the staff by the 10th of the following month subsequent to quarter end.
- Managers will meet with staff as often as determined necessary by the Board. Managers will also provide the staff with proof of liability and fiduciary insurance coverage of the at least \$5 million, in writing, on an annual basis.
- The manager will keep the staff and Board apprised of relevant information regarding its organization, personnel and investment strategy. The firm will notify the Board and staff within one business day of any change in the lead personnel assigned to manage the account.

Women and Minority-Owned, Ohio-Based and Emerging (WMOE) Business Enterprises

The Board of Trustees recognizes that the Ohio Public Employees Deferred Compensation Program is a public agency with a diverse membership that aspires to fully consider WMOE organizations for all of its service provider relationships. The Program's Staff and consultant are requested to provide an assessment of the most qualified WMOE organizations that meet its criteria as approved by the Board of Trustees while conducting searches for service providers.

The Program's Staff and consultant are asked to relax specific criteria, to the extent that the Program's Staff and consultant are unable to find a representative list of WMOE enterprises that meet the criteria as approved by the Board. The candidate(s) that most closely meet the criteria and WMOE characteristics will be presented to the Board for final approval. The Board of Trustees requests that the Program's Staff and consultant report fully what specific criteria were relaxed with reasons upon delivery of the search materials.

Performance Guidelines and Manager Monitoring

On no less than an annual basis, the Stable Value Option's performance will be evaluated against the following two metrics:

- Provide a 1.5% return premium above the average money market fund as measured by the iMoneyNet Money Fund Average.
- Meet or exceed the SVIA total peer group crediting rate.

On a quarterly basis, the investment consultant will prepare for the Staff and Board a performance assessment of each individual manager employed, confirmation of compliance with individual manager guidelines and the asset positioning of the overall Stable Value Option. In addition, Staff, in conjunction with the investment consultant, will report to the Board material changes in underlying investment managers' talent, process, philosophy, and fee levels with recommendations for change as needed.

Fund Monitoring Policy

The Board acknowledges that, from time to time, there may be the need to replace an existing manager with a new investment option within the open maturity portion of the Stable Value Option. The Board has developed the following Fund Monitoring methodology to help govern decisions to terminate an existing manager.

The Board's considerations in the process will be based on the following key criteria:

- The manager has underperformed its benchmark over the most recent trailing five-year period

- The manager has underperformed its benchmark in three of the four most recent calendar quarters
- The manager's investment strategy and/or portfolio characteristics have materially diverged from its designated style
- Adverse change in investment talent
- Weak manager research rating
- Weak governance rating

The table below summarizes the status that will be applied in this methodology:

Status		Number of Criteria Met	Suggested Action
	GREEN	Less than 2	No action required
	YELLOW	2 to 3	Place on the Aclosely monitored list@
	ORANGE	4	No additional allocations to the manager but current allocations can be maintained
	RED	Greater than 4	The manager will be terminated and all invested funds re-distributed to existing managers or a new manager as determined through a search process