November 14, 2019

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: FIN-83-2019]

On October 16, 2019, the Department of Finance received your access to information request for the following:

“Decision/Direction Note "Award of Contract for Investment Management and Investment Consulting Services for the Pooled Pension Fund" dated August 8, 2019.”

The Department of Finance is pleased to advise that access has been granted in part (see attached) to the above requested information.

It is important to note the following when reviewing the attached:

- If some of the information contained within the responsive record was disclosed, it would reveal advice, recommendations or analysis developed by the Department of Finance. As such this information has been severed pursuant to section 29.(1)(a) of the Access to Information and Protection of Privacy Act, 2015.

- It is reasonable to expect that if some of the information contained within the responsive record is released, it would disclose considerations related to criteria or instructions developed for the purpose of contractual or other negotiations. As such, this information has been severed and page 19 of the attached has been removed, pursuant to section 35.(1)(f) of the Access to Information and Protection of Privacy Act, 2015.

- For further details on the exemptions applied, please refer to https://www.assembly.nl.ca/Legislation/sr/statutes/a01-2.htm#27.
Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the Access to Information and Protection of Privacy Act (the Act).

A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner  
2 Canada Drive  
P. O. Box 13004, Stn. A  
St. John’s, NL A1B 3V8

Telephone: (709) 729-6309  
Toll-Free: 1-877-729-6309  
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

Please be advised that responsive records will be published following a 72-hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please feel free to contact the undersigned by telephone at 709-729-2082, or by email at bethbartlett@gov.nl.ca.

Sincerely,

Beth Bartlett, CIAPP-C  
ATIPP Coordinator

Attached
Title: Award of Contract for Investment Management and Investment Consulting Services for the Pooled Pension Fund

Decision/Direction Required:
- Approval is requested to award the contract in response to the Request for Proposals (RFP) for investment management and investment consulting services to support the Newfoundland and Labrador Pooled Pension Fund (NLPPF).

Background and Current Status:
- On February 25, 2019, a Request for Proposals (see Appendix A) was issued. It included an invitation to provide investment management and investment consulting services for a five-year period with an option to extend for a further five-year period.

- The purpose of the RFP is to retain an investment management/consultant firm to perform various pension investment related services in relation to the NLPPF. The RFP is seeking proposals from qualified vendors to provide services to the Fund and support to the Pension Investment Committee (PIC).

- Currently, Russell Investments is the investment consultant for NLPPF and has been since 1986. Russell provides oversight of the current five investment managers.

- The RFP was developed by Department of Finance representatives, in consultation with PIC.

- The Department of Finance is the lead agency responsible for contracting investment related services and day-to-day administration of the NLPPF.

- Aligned with the new Public Procurement Act, the RFP was issued as an open call and posted to the website of the Public Procurement Agency on February 25, 2019.

- The deadline for submission of proposals was April 10, 2019, at 12:00 noon.

- The deadline for submission of questions was March 19, 2019. Questions were received from several vendors; responses were posted on the PPA website by the posted deadline.

- Once notified, the successful proponent will work with the Department to develop a transition plan to move from the existing investment management structure to the new model. The successful proponent will be expected to meet with the Department to provide a transition plan shortly after the awarding of the contract.

Analysis:
- A total of twelve proposals were received from the following proponents:
  - Eckler
  - Proteus
  - Provident
  - Manulife
  - AON
- BNY Mellon
- Phillips Hager & North (PH&N)
- Russell Investments
- Northern Trust
- Vestcor
- Bivium Capital
- SEI

- An Evaluation Committee comprised of senior departmental officials lead the evaluation process. A senior officials committee made up of knowledgeable representatives from the Department of Finance assessed all proposals according to the Guidelines for the Evaluation of Proposal Submissions under the new Public Procurement Policy.

- Three proposals did not meet the required deadline as stated in the RFP. All remaining proposals were reviewed to ensure that the mandatory requirements of the RFP were met. It was determined that two proposals did not meet the mandatory criteria. All remaining seven proposals addressed the content of the RFP, and its stated requirements and criteria and were evaluated using the criteria below to determine the preferred proponent.

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Maximum Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant experience, knowledge and qualifications of proposed firm and its team members</td>
<td>40</td>
</tr>
<tr>
<td>Project comprehension and clarity of the proposal</td>
<td>35</td>
</tr>
<tr>
<td>Cost</td>
<td>25</td>
</tr>
<tr>
<td><strong>Maximum Total Score</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

- After a thorough and vigorous review of all proposals, including presentations from the top four, the Evaluation Committee recommends that the contract be awarded to Russell Investments (see Appendix C for a summary of the evaluation results).

- Russell currently has 17 Canadian defined benefit pension fund clients for which they provide combined investment management and consulting services. Several of Russell's Canadian clients are long-term clients ranging from 11-28 years.
• It is important to note that for evaluation purposes, the proponents were requested to quote a fee in basis points for the five-year period and to use the current mix of assets in calculation of the fees. This fee is subject to change depending on the asset mix selected upon completion of a new asset-liability study.

• This analysis and recommendation was presented to PIC and received approval on June 25, 2019.
Prepared/Approved by: J. Butt / T. Heffeman/D. Hanrahan
Ministerial Approval: Received from Hon. Tom Osborne

July 31, 2019

Appendices:
Appendix A: Request for Proposal
Appendix B: RFP Questions and Answers
Appendix C: Summary of Evaluation Results
Appendix A: Request for Proposal
REQUEST FOR PROPOSALS

INVESTMENT MANAGEMENT AND INVESTMENT CONSULTING SERVICES

GOVERNMENT OF NEWFOUNDLAND AND LABRADOR

DEPARTMENT OF FINANCE

February 25, 2019
1.0 INTRODUCTION

The Department of Finance, Government of Newfoundland and Labrador, invites proposals for the provision of investment management and consulting services.

It is noted that this Request for Proposals (RFP) is not an invitation or an offer of contract. Any use or reliance upon this RFP is subject to the terms and conditions contained within this document.

The purpose of this RFP is to retain an investment management/consultant firm to perform various services noted throughout the document.

2.0 BACKGROUND

On July 1, 1980 the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created under the authority of the Pensions Funding Act for the purpose of providing for the funding of pension plans administered by the Province. The Fund was originally established to finance benefits under five Government sponsored pension plans; however, as a result of Government's pension reform initiative, the assets of the Public Service Pension Plan and the Teachers' Pension Plan were carved out of the Fund in 2015 and 2016, respectively. The Fund is currently comprised of the assets of the Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

The Fund operates in accordance with the Newfoundland and Labrador Pension Benefits Act, 1997 and the Income Tax Act. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund and the Minister has appointed the Pension Investment Committee (PIC) to review, monitor, administer and supervise all investment activities of the Fund. All investments are managed by external providers and monitored by internal staff and the PIC.

As detailed in the Fund's statements, the market value of the Fund as of December 31, 2017, was $219.3 million. Custodial and administrative services for the Fund are performed by CIBC Mellon Global Securities Services, as agent for the Trustee.

The table below outlines the current asset mix of the Fund, as well as the target long-term asset mix policy. The asset mix policy is reviewed annually and is subject to change.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Current Asset Mix</th>
<th>Target Asset Mix</th>
<th>Target Asset Mix Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Equities</td>
<td>26%</td>
<td>25%</td>
<td>20% - 30%</td>
</tr>
<tr>
<td>Global Equities</td>
<td>54%</td>
<td>55%</td>
<td>50% - 60%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>20%</td>
<td>20%</td>
<td>15% - 25%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The Pension Investment Committee's annual reports and the Fund's financial statements can be accessed through the following link: http://www.fin.gov.nl.ca/fin/publications/
seek, either orally or in writing, explanations and/or additional information concerning any of the Proposals. The procurement is subject to provisions of the Canadian Free Trade Agreement and the Atlantic Procurement Agreement.

5.0 MANDATORY CRITERIA

The successful Respondent must meet the required criteria and possess the necessary knowledge, skills and experience to supply Investment Management and Consulting Services. The required mandatory criteria include the following (please see Section 7.0 'Response Requirements' for detailed response requirements):

1. The proposal must be received no later than April 10, 2019. Refer to Section 8.0 for location.
2. The Respondent must have provided investment management and consulting services to other pension plans/investment funds that have a similar-sized asset value as the Newfoundland and Labrador Pooled Pension Fund.
3. The Respondent must have at least three years of experience providing the specified services and the senior executives must have a minimum of five years of relevant investment experience.
4. The Respondent must be a business operation with physical office facilities, a diversified client portfolio, research database and staff of at least five people.
5. The Respondent must provide a minimum of three client references.

6.0 NATURE AND SCOPE OF SERVICES

The Service Provider shall deliver comprehensive investment and consulting services to the GNL, which shall include advising the GNL on investment policy matters and exercising discretion in implementing the investment policies approved by the GNL and managing the day-to-day administration of the investment function. The Service Provider shall report to the PIC, but will functionally work closely with GNL staff. The Service Provider shall serve in a fiduciary capacity and shall acknowledge in writing its fiduciary status, without qualification. In all cases, the Service Provider and its representatives shall offer advice that is solely in the interest of the members and beneficiaries of the Fund. The Service Provider shall assist the PIC by providing strategic and sound investment advice of all aspects of the Fund in order to achieve the Fund's short and long-term goals. Specific services to be provided include, but are not limited to, those listed below.

6.1 Investment Policy, Asset Allocation and Risk
   a) Conduct an asset liability study at the outset of the engagement, and at least every three years thereafter, which shall include, but is not limited to, recommending methodologies, assumptions, an asset mix and asset classes for consideration, and alternative asset allocations.
   b) Ensure that the investment portfolio is managed in such a way as to optimize performance while mitigating risk.
   c) Develop and implement innovative and alternative investment strategies, diverse asset mix of investments and options for increased market returns with consideration given to volatility.
   d) Upon engagement, and, at least annually thereafter, conduct a review and analysis of the Fund's investment policies, recommending changes, if appropriate.
   e) Provide compliance verification to the Statement of Investment Policy and Procedures.
   f) Provide advice and recommendations on various other investment policy issues.
   g) Monitor changes in capital markets, economic conditions, and other relevant factors on an ongoing basis to assess their impact on the Fund, and advise the PIC accordingly.
personnel, and other areas that may be relevant to GNL on a timely basis.

f) Obtain information from investment managers and partners in order for the Fund to comply with regulatory and/or other requirements.

g) Provide education and advice to the PIC and staff on such topics as governance, best practices and compliance, as required.

h) Provide the PIC or staff access to research, including proprietary research and report on any developments regarding the pension industry or any other matter that may be informative for the PIC.

6.6 Other Services

a) Propose appropriate custodial arrangements and assist with searches for custodians and other vendors, as required.

b) Provide other services typically provided in Service Provider relationships for institutions of a similar size and complexity to GNL.

c) Carry out any other duties or provide any other services that may be specified in, or required by, the Fund’s SIP&P.

d) Be an independent and objective resource for all questions or issues concerning administration, custody, managers, specialty mandates, market conditions and related topics pertinent to the Fund.

e) Exercise the care, skill and diligence that can reasonably be expected of a prudent expert and adhere to the CFA Institute’s Code of Ethics and Standard of Professional Conduct.

7.0 RESPONSE REQUIREMENTS

It is important that Respondents provide complete information with their proposal so it can be readily understood and evaluated. Respondents are requested to provide the information set out in this section in the format set out below. Qualifying proposals are those that clearly demonstrate a thorough understanding of the RFP, and its stated requirements and criteria. The Department may disqualify proposals that do not demonstrate this understanding and do not specifically address requirements and criteria as specified throughout. All proposals will be treated in a strictly confidential manner.

Your response should be provided in the same sequence of topics as below. Refer to Section 8.0 for Contact information.

1. Cover Letter
   Identify the RFP description. Identify your company’s name, address, telephone number, fax number and email address. Identify the company representative responsible for your proposal. The letter must confirm that your company is in compliance with the Personal Information Protection and Electronic Documents Act, SC 2000, c.5, and Regulations thereto, as amended. The letter must be dated and signed.

2. Response to Relevant Categories
   Please include a Table of Contents and address the questions below using a concise form of presentation. If necessary, Respondents may use appendices to supplement their responses.

3. References
   Provide a minimum of three (3) reference letters with appropriate contact information as evidence of previous experience providing similar services. References may be for contracts currently being performed or where work has been completed. References will be contacted as part of the review process. The list of references should exclude any references from the Department of Finance.
7.3 Conflicts of Interest (2 page maximum)

1. Are there any actual, perceived or potential conflict of interest issues your firm would have in servicing the Department? If so, describe them.

2. Does your firm have any written policies or procedures to address conflicts of interest, including (but not limited to) the payment of fees or other consideration from other clients, relationships, or entities that may compromise your fiduciary duty to your clients? If so, please provide a copy.

3. If a conflict of interest does exist, what is your policy and procedure with respect to disclosure to the client? If a written notification is furnished to clients alerting them of any conflict of interest, please furnish a sample copy of this notification.

4. List and describe any professional relationship you have had with the Department during the past three years.

5. Are there any circumstances under which your firm or any individual in your firm receives compensation, finder's fees or any other benefit from investment managers or third parties? Are there any circumstances under which your firm, or any individual in your firm pays compensation, fees or any other benefit to investment managers or third parties? If yes, please describe in detail.

7.4 Consulting Team (3 page maximum)

1. How many investment management and investment consultant professionals does your firm have? Discuss the ways you manage growth, including any limits to the client/consultant ratio.

2. Describe how your professionals are compensated and any incentives used to enhance the likelihood that these individuals will continue employment with the firm.

3. Identify those professionals who will work directly on the Department's account. For each professional, provide a biographical sketch including title, functional responsibility at the firm and for this assignment, experience (particularly as it relates to the services to be performed under this RFP) and academic background. Describe the current responsibilities of each professional, including number of accounts/funds that are being managed, client responsibilities, etc. You may include biographies for all consultants listed in your proposal.

4. State whether the individuals assigned to the work have any responsibilities other than providing investment management and investment consulting services, and if so, specify such responsibilities.

5. Describe your firm's succession planning in the event that key personnel in this assignment should leave the firm or become incapacitated.

6. Describe your approach to client service and provide examples of how current or previous clients with similar needs to the Fund are serviced. Include in this description your firm's procedure for ongoing presentations and communicating with clients, indicating how often you would meet and what types of issues would be discussed.
12. Describe the type of investment vehicles used. Do you recommend proprietary products?

13. Are your investment portfolios standard and/or custom designed? What are the advantages of your approach?

14. How will our organization’s investment goals, risk tolerance and investment constraints factor into your processes?

15. What are your views regarding the inclusion of active and passive investments in an investment portfolio?

16. Describe how your firm researches, monitors and recommends allocations to alternative investments.

17. Describe your view of tactical/dynamic portfolio management.

18. What is your firm’s approach to multi-asset investing? How is this approach unique to your firm?

19. Describe your approach to risk management and risk management processes. Do you employ the same or similar processes for all of your investment management or investment consulting clients? How do you respond to changes in client needs?

20. Please outline the systems, metrics and processes your firm uses to manage and monitor risk. Provide a sample of the reports you provide to clients.

21. Please describe your asset/liability study process. How would you monitor the effectiveness of implemented strategies between asset/liability studies?

22. Outline your firm’s experience and capability with asset modelling.

23. What are your criteria for asset allocation within a portfolio? Have these criteria changed in the past 5 years? Why or why not? Is your firm willing to assume discretion for asset allocation decisions within the guidelines set by the PIC?

24. What strategies does your firm use to manage investment portfolio volatility?

25. Describe your rebalancing criteria and processes.

26. Describe your approach to benchmarking.

27. What factors other than performance weigh into your investment selections (e.g., environmental, social and governance factors)?

28. Include a sample of your standard reports and any other kinds of report samples. Is your reporting package customizable? Are there additional charges for customization of reports? Do reports include an executive summary? If so, please include a sample.

29. How does your firm present a discussion of risk in each quarterly performance report? How does your firm measure risk? What metrics are considered? Please provide a sample of your risk report.

30. Discuss the timing of reliable performance data and report availability. When are reports available after quarter end? Are daily performance numbers available? Is online performance information available?
Ms. Janice Butt  
Director, Pensions and Debt Management  
Department of Finance  
Main Floor, Confederation Building, East Block  
P.O. Box 8700  
St. John's, NL A1B 4J6  

Proposals received after this closing time or via facsimile (fax), e-mail, or other electronic formats will not be considered.

All proposals will be opened at the Department of Finance Board Room at 2:00 pm (NDT), April 10, 2019. The opening is intended to publicly record proposals received. Information within proposals will not be made public.

8.1 Inquiries and Communications

Written inquires and requests for clarification will be accepted up to 4:00 pm (NDT) on the questions deadline date specified in Section 4.0. Inquiries and requests for clarification received after this date, including inquiries regarding RFP status, will not be addressed. All inquiries and other communications with respect to this RFP are to be directed ONLY to the e-mail address: butt@ccv.nl.ca.

Verbal information or representations shall not be binding upon Government or the Department. Only changes, alterations, modifications or clarifications approved by the Department in writing are binding. In order to be valid, all such changes, alterations, modifications or clarifications shall be issued in the form of addenda and all such addenda shall become part of this RFP.

All questions and responses and other addenda that have been issued in relation to this RFP will be available on the Government Procurement website at www.gpa.gov.nl.ca/availabletenders.htm, or by contacting the Government Purchasing Agency. Proponents are responsible for ensuring that they have received all addenda pertaining to this RFP and shall be deemed to have received them through their submission of a Proposal in Response to this RFP.

9.0 EVALUATION OF PROPOSALS

Proposals received in response to this invitation will be evaluated by the Department of Finance's Evaluation Committee. The evaluation of Proposals will be based on the mandatory criteria, as described in Section 5.0 and the evaluation criteria as shown in the table below.
Appendix B: RFP Questions and Answers
Investment Management and Investment Consulting Services
Request for Proposals
Amendment #1 – Responses to Inquiries

1. Can you please advise if the Government of Newfoundland and Labrador is looking to hire a consulting firm for discretionary services only or if they would consider non-discretionary services for this bid opportunity?

This organization would consider non-discretionary services as a component of this bid opportunity.

2. Is RFP a periodic exercise that is undertaken every few years (e.g., 5 years) or this is an attempt to find a new investment firm because the decision has been made by PIC & GNL to find a new manager?

As detailed in the Background Section of the RFP, the Pooled Pension Fund has changed significantly since undergoing pension reform. As a result, the Pension Investment Committee has recognized that changes are required to the current investment strategy.

3. May we have a copy of the current PIC approved Investment Policy Statement.

We are not in the position to release the Statement of Investment Policies and Procedures (SIPP). If you are the successful proponent, we will provide a copy of the SIPP for review and discussion.

4. May we have a list of the current holdings?

With respect to our current holdings, please refer to the link included in the RFP on page 3.

5. Is there a targeted expected return or hurdle rate (exceeding the rate of inflation) for the overall portfolio?

The expected return of the portfolio will be addressed with the successful vendor.

6. Are there any risk parameters?

It is expected that the successful vendor will work with the client to determine appropriate risk parameters.

7. Are pooled investments such as mutual funds and exchange-traded funds permitted?

Yes, mutual funds and exchange-traded funds would be among the investment products that should be considered by the successful vendor.

8. Are alternative investments such as hedge funds and private equity permitted?

Hedge funds and private equity could be among the investment products to be considered by the successful vendor.

9. Are there any market capitalization restrictions?

None applicable.
10. Are there any constraints/restrictions (for example, no tobacco and alcohol)?

There are no constraints or restrictions.

11. Are there any geographical restrictions or preferences? For example, are investments in Emerging Markets allowed?

There are no geographical restrictions or preferences. Investments in emerging markets can be considered by the successful vendor.

12. The fee schedule is different than the manner we use to calculate fees, would you be open to our fee structure or do we have to use RFP method?

The fee schedule provided in the RFP is the required method.

13. We may use third party Money Managers in our in house asset management programs... would this be considered subcontracting or outsourcing? (reference question # 6 under section 7.5 Investment Management and Investment Consulting Experience)

Money managers who are not part of your organization are considered as outsourced resources.
1. Do you have any specific concerns with the investments in the C$219.3MM Province of Newfoundland and Labrador Pooled Pension Fund ("the Fund") that prompted this RFP? If so, what are those concerns?

Government continues to seek measures by which to manage risks that may be associated with the Fund and continues to seek efficiencies with respect to fees associated with the management of the Fund.

2. To ensure we have complete understanding, could you please provide further clarification on what you mean by the following excerpt, as there are a number of ways this can be interpreted, "The Service Provider shall serve in a fiduciary capacity and shall acknowledge in writing its fiduciary status, without clarification"? In our context, a fiduciary is acting in the best interest of our client with undivided loyalty, due care and prudence, in addition to always putting their needs ahead of our own.

Please note that the correct reference in the RFP is that acknowledgement of fiduciary status is without "qualification" as opposed to without "clarification". In response to the question regarding fiduciary obligations, government would expect that the service provider would act in the best interest of the management of government's investments, as it would in dealing with its own investments.

3. When will the Pension Investment Committee ("PIC") post the 2018 Province of Newfoundland and Labrador Pooled Pension Fund Annual Report?

The Annual Report is required to be presented to the House of Assembly on or before June 30th of each year. It is anticipated that the Annual Report will be posted online shortly thereafter.

4. Has the PIC made any changes to the 2017-2019 Activity Plan? If so, would you be willing to share those changes?

There have been no changes to the 2017-2019 Activity Plan.
1. Section 7.5, Question 18 – Can you provide clarification on what you mean by “multi-asset investing”?

Multi-asset investing for the Fund would seek to ensure that the investment philosophy is balanced amongst various asset groups which could include equities, fixed income, cash or cash equivalents, or any other asset category which may provide for a balanced approach to government’s investment needs. It is expected that the successful proponent will examine government’s investment philosophy and provide advice as to the multi-asset investing mix that best addresses the Fund’s objectives.

2. Can you please provide a street address for delivery of the RFP – we were told that FedEx will not deliver to a P.O. Box.

100 Prince Philip Drive
St. John’s, NL A1B 4J6

3. Section 6.0.5 states that “respondents must provide a minimum of three client references”. Section 7.0 3 asks respondents to “provide a minimum of (3) reference letters with appropriate contact information...” It is our normal practice to provide a list of current client references with appropriate contact information and background/history of the relationship, but we do not ask our clients for reference letters, only their approval to be contacted. Is that acceptable?

It is acceptable to provide a minimum of three client references and/or three reference letters with appropriate contact information.

4. Given the complexity of some of your questions and space constraints, we’d like to include appendix items to further explain/expand our responses. This would be primarily for biographical information, sample reports and organizational charts. Is that acceptable?

Given the specified page limits imposed in the RFP document, it is acceptable to provide any additional information in an appendix form.

5. Please note that the date for finalist’s interviews provided in Section 4.0 Timing and Conditions has been revised to state “on or before May 2, 2019.”
Appendix C: Summary of Evaluation Results