



REQUEST FOR PROPOSAL (RFP)

ITEM:	Investment Consultant for the City of Southfield Retiree Health Care Benefits Plan and Trust
SUBMISSION DEADLINE:	Wednesday, February 6, 2008; 10:00 a.m., local time
PREBID MEETING:	N/A

SECTION I INTRODUCTION

A. OVERVIEW

The Board of Trustees of the City of Southfield Retiree Health Care Benefits Plan and Trust (the “Board”) intends to secure a contract for investment consultant services. The purpose of this Request for Proposal (RFP) is to define the Board’s minimum requirements, solicit proposals and to gain adequate information from which the Board may evaluate such proposals.

B. PLAN PROFILE

The City of Southfield’s Retiree Health Care Plan and Trust (the “Plan”) was established by City Council ordinance in 2001. The Plan is currently structured as an IRC Section 115 Trust. As of June 30, 2007, the market value of assets for the Plan totaled \$16,804,959. The Plan’s assets as of that date and target allocations are broken out as follows:

<u>Asset Class</u>	<u>Market Value</u>	<u>Target Allocation</u>
Fixed Income	\$3,376,577	20%
Large Cap Core	\$6,670,442	40%
Mid Cap Core	\$2,091,718	12.5%
Small Cap	\$1,249,147	7.5%
International	\$3,370,181	20%

Employer and employee contributions are made on a bi-weekly basis. The market value of assets as of December 31, 2007 totaled \$19,133,811.

As of the June 30, 2007 Actuarial Report, the Plan had 634 active members (390 General employees and 244 Police and Fire members) and 390 retirees receiving retiree healthcare benefits. As of that date, our actuaries calculated the funded ratio of our OPEB liability as 30.16% for the Police & Fire members, and 7.99% for the General members.

C. MINIMUM QUALIFICATIONS

The Board requires that all prospective service providers have the following minimum qualifications:

1. The investment consultant (sometimes hereinafter referred to as the “firm”) must have a minimum of five

- (5) years experience in providing the specified investment consulting services for qualified retirement plans and retiree healthcare plans.
2. The firm must have provided investment consulting services for a minimum of three years to at least three (3) public employee retirement systems with at least one public employee retirement system with assets in excess of \$50 million. Please identify any public employee Retiree Health Care funds for which you are currently providing investment consulting services.
 3. The investment consultant must be a registered investment advisor under the Investment Advisors Act of 1940.
 4. If you are affiliating or partnering with a national firm, or are a local office of a national firm, the minimum qualification requirements herein must be satisfied by the individual or entity submitting this proposal. The Board wishes to deal directly with principals only; brokers are not acceptable. Only one proposal from a national firm will be considered; multiple offices must pre-determine one local office to present the submission.

D. SCOPE OF SERVICES

The primary role of the Board's Investment Consultant is to provide objective third-party advice and counsel that will enable the Board to make well-informed and well-educated decisions regarding the investment of the Retiree Health Care Plan's assets. **The Consultant shall acknowledge its responsibilities as a fiduciary under Michigan's Public Act 314 of 1965, as amended.**

The Investment Consultant will attend all investment-related meetings as well as special meetings upon request by the Board. Contractual services for investment consulting will include, but not be limited to, the following:

1. **Development of Investment Policy, Objectives and Guidelines**

Assist the Board in the development and periodic review of a policy statement that properly reflects the Board's tolerance for risk and that best helps the Board meet its rate-of-return, funded status and administrative expense objectives. Our current investment policy is included with this RFP.

2. **Asset Allocation**

Conduct periodic asset allocation studies to determine whether or not the current asset allocation supports the Board's investment objectives and guidelines. Assist the Board in developing and maintaining an investment manager structure that provides adequate diversification with respect to the number and types of investment managers to be retained by the Board.

3. **Investment Manager Search**

As necessary, assist the Board in its due diligence and search for new investment manager(s).

4. **Development of Investment Manager Performance Standards/Guidelines**

Assist the Board in the development and review of performance standards and guidelines with which the Board can measure each investment manager's progress.

5. **General Consulting Services**

Provide general consulting services as requested by the Board. These might include: custodial search and selection; assistance in negotiating appropriate investment management, transition management, and

custodial services; monitoring and evaluating transaction costs and efficiency; evaluation and recommendation of appropriate earnings enhancement strategies (e.g., securities lending and cash management); fiduciary education; and adoption of pension-related best practices. Keep the Board abreast of new developments in investment management techniques.

6. Performance Measurement & Monitoring

Monitor investment manager(s) performance with respect to achieving the Board's investment objectives. Prepare and present timely quarterly reports on manager performance, including commentary and recommendations. Advise on manager retention/termination. Conduct annual organizational and performance audits of each manager. Periodically analyze risk positions of each manager.

7. Monitor Compliance with Act 314

Monitor the investment of the Retirement System's assets with regard to the asset limitations under Public Act 314 of 1965, as amended, with written quarterly reports submitted to the Retirement Board.

E. TERM AND TERMINATION

1. The initial term of the contract will be three (3) years, with options to extend as determined by the Board. Contract may be renewed upon the mutual agreement of the City of Southfield's Retiree Health Care Benefits Plan and Trust and the selected vendor.
2. The Board reserves the right to terminate the contract upon written notice. In the event that the contract expires and/or is terminated, there shall be no exit, termination or withdrawal fees to the Plan.

F. TIMELINE

The Board has set the following timeline, which can be modified at the discretion of the Board:

January 16, 2008	Request for Proposal issued
February 6, 2008	Proposals due before 10:00 a.m.
February	Review Proposals
Early-March	Finalists Interviews and Selection
Mid to Late-March	Contract Negotiations and Implementation Planning
April 1, 2008	Implementation date

G. SUBMISSION REQUIREMENTS

To achieve a uniform review process and to obtain the maximum degree of comparability, **it is required** that the proposal be organized in the following manner:

1. Title Page:

Please indicate the RFP subject, the name of your organization, address, telephone number, name of contact person, e-mail address, and date.

2. Table of Contents:

Clearly identify the material by section and page number.

3. Letter of transmittal:

Limit to two pages, signed by an officer who may bind the firm.

- a. Briefly state your organization's understanding of the nature of the work.
- b. Give the names of the persons who will be servicing this account, their titles, addresses, and telephone numbers.
- c. Confirm in writing that you acknowledge responsibility as a fiduciary under Michigan's Public Act 314 of 1965, as amended, and identify any qualifications or limitation of such fiduciary responsibility.
- d. Confirm that your firm meets each and every one of the Minimum Qualifications listed in Section I-C (above).

4. Response to Request For Proposal:

Respond to each question in order of sequence in the Request For Proposal. (Section II).

5. Submission:

Submit seven (7) complete sets of your proposal. One (1) of the seven sets must be unbound to enable additional photocopies to be made. Proposals are to be delivered to:

City of Southfield Retiree Health Care Benefits Plan and Trust
City Clerk's Office
P.O. Box 2055
26000 Evergreen Road
Southfield, MI 48037-2055

All questions are to be submitted via e-mail to Lauri Siskind, RHC Plan Administrator (lsiskind@cityofsouthfield.com) **and** Rae Townsel, Purchasing Agent (rtownsel@cityofsouthfield.com) prior to January 25, 2008.

6. In submitting proposals, proposers must indicate if they are prepared to execute a contract containing all the information in their proposal. Bidders must submit a copy of any required contracts.

The Board appreciates the time and effort you will have expended in responding to this RFP.

SECTION II-- INVESTMENT CONSULTING SERVICES REQUEST FOR PROPOSAL

A. FIRM INFORMATION

1. Name of your firm, its address, telephone number, and primary contact for the request for proposal.
2. Is your organization a subsidiary, parent, or affiliate of any other firm? If so, please describe in detail. Also, do any of these affiliates provide any other retirement fund services such as investment management, actuarial work, etc.? If you provide more than one service, how do you protect against conflicts of interest? Have you ever included your own firm, subsidiary or sponsored investment vehicle in a manager search you are conducting?
3. What is the number of full-time employees in your firm? What is the location of your nearest office?

Provide a breakdown by classification (consultant, managerial, clerical, etc.) for both your national and local operation. If more than one office, how are consultants apprized of developments in the investment arena?

4. Please submit biographical profiles on the individual(s) who will be assigned to our account. Where are these individuals located? Who will attend review meetings? Be specific as to experience in performance measurement, manager search, investment policy consulting.
5. How many senior staff have left your company in the last three (3) years? How many support staff have left your company in the last three (3) years? If you are a local office of a national firm, please answer these questions both as they apply to the firm as a whole and as to your specific office.
6. What public employee retirement fund experience do you have? Provide a list of all public employee pension and/or retiree healthcare fund clients under contract to date, each fund's market value of assets as of June 30, 2007 and your tenure for servicing each named client. Please provide a minimum of three (3) references by name of client, type of client, contact person, address and telephone number. If you are a local office of a national firm, please answer these questions only as they apply to your specific office.
7. Please provide 1 year, 3 year, 5 year and 10 year performance results on an annualized basis for a minimum of 5 public employee retirement (pension or retiree healthcare) system clients. If possible, these clients should include all of your Michigan public employee plans as well as clients of a size similar to the Southfield Retiree Health Care Plan. The performance results should be based upon the period in which you served as the investment consultant and include, at a minimum, total fund performance on an annualized basis as of June 30, 2007, with a comparison against the appropriate policy index. Said performance results may also include a breakdown of fund performance by asset class with the appropriate benchmark index and peer group rankings. Please identify each client by the size of its total plan assets, its asset allocation and the state in which it is located. You may also provide any appropriate commentary explaining over/under performance and your role in the investment process. If your tenure does not extend for the full 10 years requested, please provide all of the historical information requested, and identify the date when you commenced service to the client.
8. If you have lost any retirement system clients (pension and/or retiree healthcare) in the last three (3) years, please explain. If you are a local office of a national firm, please answer the question both as it applies to the firm as a whole and as to your specific office.
9. Please explain size, composition, and source of your performance measurement data base. What indices are used for relative comparisons? Were your software systems developed entirely in-house or purchased from outside sources? If you do not maintain databases, whose database do you use? Provide a description of your database, including the number and types of managers.
10. Why is your firm uniquely qualified to service our account?
11. Disclose formal or informal business relationships with investment managers or other service providers to pension trust funds. Do you charge investment managers any fees to be included in your database?
12. Provide, as an attachment to your response, a complete copy of your most recent form ADV as filed with the SEC or a link to the website location for this information.
13. What is your firm's position on Commission Recapture Programs and how would the Board's participation in such programs affect your services?

B. INVESTMENT POLICY/ASSET ALLOCATION GUIDELINES

1. Provide an outline of the principle steps you follow when developing a statement of Investment Policy and Objectives. Does your investment policy and asset allocation analysis fully integrate liabilities with assets? How do you interface with the retirement system's actuary?
2. How many meetings would normally be required with the Retirement Board to develop an Investment Policy? Who would attend from your firm?
3. Provide an outline of the issues and items that would be covered in a typical investment policy statement.
4. Describe your approach to development of asset allocation guidelines. Please describe this process in detail, including application of major variables (e.g., risk tolerance, emerging liabilities, etc.)
5. What asset classes are included in your work?
6. What geographic areas of the world do you consider appropriate for pension asset investments?
7. Does your approach include passive strategies such as indexing? If so, please describe.
8. The Plan's current Investment Policy Statement is included in this RFP (Exhibit A). Please comment on this document.

C. INVESTMENT MANAGER SELECTION

1. What procedure and criteria would you employ in the selection of additional investment advisors? And how long might the process take from start to finish?
2. How many firms do you track for manager search purposes? How many managers have made final presentations from the total search data base?
3. Do the consultants assigned to our account actually interface with prospective managers? How much time do they spend in an average week interviewing managers? How many managers a week do our assigned consultants see? Is due diligence performed for all managers' presented? If so, explain your due diligence process. How are consultants apprized with respect to developments about managers?
4. What computer systems do you utilize to help your manager screening? Which are purchased and which are proprietary?
5. Do you monitor your success in selecting managers? Explain how you measure the level of success of existing managers. Please be specific.
6. What criteria are used to recommend termination of a manager?
7. Do you believe that when a manager is not performing that the consultant who presented this manager also be held accountable? If so, how? If not, why not?

D. PERFORMANCE EVALUATION

1. Specifically describe your performance evaluation system and the philosophy behind it. Is your system propriety or did you obtain it from another supplier?

2. How soon following the end of a reporting period can you have copies of evaluation reports to us? How frequently do you recommend performance evaluation reports?
3. Provide samples of your standard reports. How much variation is available from your standard report?
4. Describe and illustrate any special indices utilized by your firm.
5. Please describe, in detail, the optimal role that your firm would like to take in manager presentations to the Board.

E. CUSTODIAL SERVICES

1. Describe your process for custodial searches.
2. Does your firm provide custodial services? If so, please describe.

F. FEES

1. Please indicate your fee schedule for investment consulting services, to include investment performance analysis services, asset allocation, investment policy, manager search, custodial search, etc. If your fee schedule is based on soft dollars, please also quote each service by type on a hard dollar basis. If there are any limitations on services (e.g., number of searches per year at a certain fee), explain in detail.
2. Would you charge separately for travel expenses? If so, explain in detail your policy.
3. Describe any other costs or expenses we might incur with your firm.
4. Do you offer payment by cash on a pro-rata quarterly basis billed in arrears?
5. If services are also quoted on a soft dollar basis, what is the cost in cents per share? What is the commission-to-cash conversion ratio? Also, how do you report to us on commissions received?
6. What typical percentage of equity managers' trades do you feel should be used for client directed brokerage purposes?
7. Do you give credit for commissions received above services? What type of recapture is used for those excess commissions?
8. List the various types of insurance and indemnification (including specific dollar amounts) provided to protect clients of proposed service(s), including:
 - a. Errors and Omissions Coverage
 - b. Risk Coverage
 - c. Carriers
 - d. Levels
 - e. Limits
 - f. Deductibles

G. OTHER ISSUES/MISCELLANEOUS

1. Please identify all complaints against your firm and your specific office received by the Securities and Exchange Commission and the National Association of Securities Dealers. Has your firm been involved in litigation within the last five (5) years or is there any pending litigation arising out of your performance? If the answer is yes, please explain fully.

2. Has your firm/your office been investigated by any state or federal regulatory or law enforcement agency in the last ten years? If yes, please describe in detail the substance and results of each.
3. Has your firm/your office been party to any lawsuit, including suits involving misfeasance or professional negligence, within ten years? If so, please describe the substance and results of each suit.
4. Are you willing to acknowledge in writing that you have a fiduciary obligation as an investment advisor to the plan while providing the consulting services we are seeking?

H. SEC QUESTIONS

1. Are you registered with the SEC or state securities regulator as an investment advisor? If so, will you provide us with all the disclosures required under those laws (including Part II of Form ADV)?
2. Do you or a related company have relationships with money managers that you would recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, describe those relationships.
3. Do you or a related company receive any payments from money managers you would recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?
4. What are your policies and procedures to address potential conflicts of interest and to prevent them from being a factor when you provide advice to your clients?
5. If you allow plans to pay your consulting fees using brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan ensure it does not overpay its consulting fees?
6. If you allow plans to pay consulting fees using brokerage commissions, what steps do you take to ensure that the plan receives best execution for its security trades?
7. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?
8. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment advisor to the plan while providing the consulting services we are seeking?
9. Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan? If not, why not?
10. What percentage of your plan clients utilizes money managers, investment funds, brokerage services or other service providers from whom you receive fees?

I. OTHER INFORMATION

1. Pre-Qualification: Inviting a proposal does not assume a “pre-qualification” of any proposer.
2. Proposal Preparation Cost: the Board will not be liable for any costs incurred in preparation of proposals.
3. Certification as to “Request for Proposal” Content: By submitting a proposal, the proposer certifies that he/she has fully read and understands the “Request For Proposal” and has full knowledge of the scope,

nature, quantity, and quality of work to be performed. Unless specified to the contrary, submitting a proposal will be interpreted as agreement to all the provisions in and requirements of the RFP.

4. **Additional Information and Instruction:** The Proposer shall furnish such additional information as the Board may reasonably require. The Board reserves the right to investigate the qualifications of all proposers as it deems appropriate.
4. **Negotiations:** The Board reserves the right to conduct pre-contract negotiations with any or all proposers.
5. **Proposal Rejection:** The Board reserves the right to reject any or all proposals, the right in its sole discretion to accept the proposal which it considers most favorable to the Board's interest, and the right to waive minor irregularities in the procedures. The Board further reserves the right to seek new proposals when such a procedure is in its best interest.
6. **Proposals binding for 120 Days:** All proposals submitted shall be binding for 120 calendar days following the due date for receipt of proposals to allow for evaluation and award of contract.
7. **Late Proposals:** Proposals received by the Board after the time specified will not be considered.
8. **Completeness:** All information required by the Request For Proposal shall be supplied to constitute an acceptable proposal. Failure to submit a complete proposal may result in the disqualification of your proposal.

SUPPLEMENTAL INSTRUCTIONS TO ALL PROPOSERS

1. **PROPOSAL DEADLINE:** In order for a proposal to receive consideration, it must be received prior to the specified deadline as indicated on the proposal form. No proposals will be accepted after the time specified. The Board reserves the right to postpone the proposal opening for its own convenience. Proposers should use the proposal documents furnished; failure to do so will be considered as an alternate offer and may be cause for rejection. Proposals are considered received when in possession of the City Clerk's office. It is the proposer's responsibility to ensure that proposals are received in the proper location.
2. **WITHDRAWAL:** No proposal will be withdrawn for 60 days from its opening date. Proposers may reduce this period if he states so in his proposal; however, he runs the risk of being declared non-responsive to the specifications.
3. **RIGHT TO REJECT:** The Board reserves the right to waive any irregularity in any proposal, to split awards by items or lots (unless otherwise stipulated either in the specifications or by the proposer) or to award to other than the low proposer, should any of the foregoing be deemed in its best interests.
4. **CHANGE OF SPECIFICATION:** If for sufficient reason you wish to revise the specifications or get an interpretation, your request will receive consideration if presented to us as much in advance of the proposal opening date as possible. If a change in specifications is found desirable, the Board will notify all proposers and postpone the proposal deadline date, if necessary.
5. **MORE THAN ONE OFFER:** If a proposer has more than one product meeting the specifications, he is privileged to offer additional proposals subject to the same terms and conditions of original proposal form. Brand names are used to describe quality rather than preference except when "no substitute" is indicated.
6. **TO COMPLY:** For failure to deliver or perform in accord with the accepted proposal, the Board may consider the contractor in default and take steps to protect the Board's interest. The Board may, without impairing its other rights and benefits, purchase all or part of the contract goods or services on the open market and charge any additional costs to the contractor or his surety.
7. **PATENTS:** Contractors will protect and indemnify against expense of any nature, will bear cost of any suits which may

arise and will pay all damages which may be awarded against the Board for the use, under this specification, of any patented device, process, apparatus, material or invention.

8. **ERRORS OR OMISSIONS:** Proposers are not permitted to take advantage of any errors or omissions in specifications since full instructions will be given should they be called to our attention not less than two working days before the proposals are due.
9. **A RESPONSIBLE PROPOSER IS ONE WHO:**
 - a. Submits no restrictions or qualifications beyond those permitted in the proposal request.
 - b. Has the skill, quality and ability to conscientiously, faithfully and promptly fulfill the contract to its letter and spirit.
 - c. Has integrity, judgment, reputation and experience.
 - d. Has sound financial resources as well as the ability to furnish any and all bonding and insurance documents required.
 - e. Is able to comply with all terms and conditions stipulated in the proposal requests.
 - f. Can show the intent and ability to cooperate efficiently and effectively with all Government departments involved in the contractual purchase or service.
 - g. Has the knowledge of applicable existing laws and ordinances of the City of Southfield necessary to provide smooth and efficient relations.
 - h. Has unquestionable ability to provide maintenance and service on the contractual items purchased.
10. **NON-COLLUSION CLAUSE:** By signing and submitting this proposal, proposer states that his proposal is genuine and not collusive or sham; such proposer has not colluded, conspired, connived, or agreed, directly or indirectly, with any proposer or person, to put in a sham bid, or that such other person will refrain from proposing and has not in any manner, directly or indirectly, colluded, conspired, connived, or agreed, with any person, to fix the price of affiant or any other proposer, or to fix any overhead, profit or cost element of said proposal price.
11. **NON-DISCRIMINATION CLAUSE:** By signing and submitting this proposal for consideration of an award by the City of Southfield Retiree Health Care Benefits Plan and Trust Board, the contractor and any subcontractor covenants not to discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment or a matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex, height, weight, marital status or a disability that is unrelated to the individual's ability to perform the duties of a particular job or position. Breach of this covenant may be regarded as a material breach of the contract.
12. The City of Southfield, Michigan officially distributes bid documents from the Purchasing Department or through the **Michigan Intergovernmental Trade Network (MITN) at www.mitn.info**. The City of Southfield and the Board cannot guarantee the accuracy and is not responsible for any errors contained in any information received from alternate sources.

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