

-REQUEST FOR PROPOSAL-

**INVESTMENT CONSULTING SERVICES
FOR THE MILWAUKEE COUNTY
DEFERRED COMPENSATION PLAN
BID #7125**

Milwaukee County, Wisconsin
Select Committee on Deferred Compensation
July 25, 2016



Proposals Due by 4:00 p.m. Central Time
August 16, 2016 to:

Mr. Stephen Cady
Chairman, Select Committee on Deferred Compensation
Courthouse, Room 203
901 North Ninth Street
Milwaukee, WI 53233
Stephen.Cady@milwaukeecountywi.gov

I. INTRODUCTION

You are invited to submit a proposal to provide investment consulting services to the Milwaukee County Deferred Compensation Plan, (“Plan”) which is governed by the Internal Revenue Code Section 457. The County contracts with Empower Retirement Services, the Plan Administrator, to administer the Plan in accordance with the contract, the law, and the rules set forth by the Milwaukee County Select Committee on Deferred Compensation (“Select Committee”). The selected firm will be an agent of the Select Committee. Oversight of the Plan is the sole responsibility of the Select Committee, which is comprised of five members representing the executive and legislative branches of government and the Corporation Counsel’s Office. There are approximately 4,344 active participants enrolled in the Plan with total assets of approximately \$322.5 million as of June 30, 2016.

II. SCOPE OF SERVICES REQUIRED

The Select Committee on Deferred Compensation is seeking an investment consultant to provide the following types of services, as and when requested by the Select Committee:

- A. **Investment Measurement Service.** On at least a quarterly and on an annual basis, prepare investment measurement reports comparing the returns of each fund offered to Plan participants to appropriate market indexes and databases. Identify any funds that warrant placement on the watch list and make recommendations for fund termination and/or fund selection. Meet with the Select Committee as often as quarterly to review the report.
- B. **Guidelines and Objectives.** Assist the Select Committee in maintaining a written policy statement describing investment goals, objectives and guidelines and provide advice on appropriate changes to that policy. On at least a quarterly basis, review the funds and services offered to participants to confirm they are consistent with the investment policies and guidelines. Regularly review and advise the Select Committee on participant fees and investment fees and expenses.
- C. **Annual Plan Review.** Provide the Select Committee with an annual report regarding the operation of the Plan that includes, but is not necessarily limited to: analysis and recommendations on program structure and investment options, comparison to similar or peer plans, analysis of all fees paid by the Plan and its participants and review of investment advisory services offered by the Plan.

- D. **Fund Search.** Provide search and screening services for new and/or additional investment funds required to meet the Select Committee’s objectives. Make recommendations based on a written report of the advantages/disadvantages of each finalist investment option and its fit within the adopted investment policy statement.
- E. **Investment Education to the Select Committee.** On at least a quarterly basis, provide a review of significant events in the investment market and the domestic and global economies. Provide investment education to the Select Committee, including on-going investment research and presentations on investment issues relevant to the Plan and the Select Committee. Conduct, at the request of the Select Committee, special education sessions for the Select Committee that would cover a full array of investment and fiduciary oversight topics.
- F. **Participant Education.** The Plan’s recordkeeper will be the primary resource for providing participant education. Investment Advisor shall assist with some forms of education and communication initiatives, including working with the Select Committee and its recordkeeper to develop and review education and communication materials. This may include materials sent directly to participants by the Select Committee.

III. CURRENT INVESTMENT OFFERINGS

The recordkeeper maintains a semi-customized website on behalf of the Plan that provides current investment offerings and related information. This information can be accessed at: www.milwaukeecounty457.com. In addition, the Select Committee maintains a separate website that relates to the governance of the Plan. This includes meeting agendas and minutes, the Plan Governance Document, Investment Policy Statement and quarterly investment consulting reports. This information can be accessed at: www.county.milwaukee.gov/SCTFC/MilwCoDeferredComp

IV. MINIMUM QUALIFICATIONS

Respondents to this RFP for Investment Consulting Services must certify in writing that they meet all requirements of this section. Failure to meet all of the requirements listed in this section will result in the rejection of the respondent’s proposal.

- ✓ Respondent must be an SEC-registered Investment Advisor or exempt from such registration (Form ADV or disclosure of the nature of the respondent’s exemption must be submitted);

- ✓ Respondent must have ten (10) or more years in the business of investment consulting;
- ✓ Respondent must have at least three (3) clients of at least \$200 million in assets, one of which must be a public defined contribution plan (state, county or city level);
- ✓ Respondent must agree to be, and act in the manner required of, a fiduciary.

V. TERMS OF THE CONTRACT

The contract shall be for three years, beginning on or around November 1, 2016, with an option to renew by the Select Committee on Deferred Compensation for two (2) consecutive one-year periods, subject to satisfactory performance by the firm and availability of funds. The proposal submitted shall provide estimated fees for the scope of services delineated for each of the consecutive five (5) years. Either party may terminate the contract upon thirty (30) calendar days written notice to the other party. The selected firm will also be required to purchase and maintain policies of insurance to cover costs as may arise from claims of tort, statutes, and benefits under Worker's Compensation laws.

VI. DBE PARTICIPATION

The Milwaukee County Select Committee on Deferred Compensation supports the County's goal of disadvantaged business enterprise (DBE) participation of the total contract award for professional services. Firms that wish to submit a DBE Utilization Plan should include the following information as part of Exhibit L, Fee proposal.

1. Name(s) of DBE(s) firm(s) being considered for utilization.
2. Description of services that will be provided by the DBE(s).
3. Percentage of the work assigned to the DBE(s). Also, include dollar amount.

For a list of certified DBEs, see the Milwaukee County Office of Community Business Development Partners website at: <http://wisconsindot.gov/Pages/doing-bus/civil-rights/dbe/certified-firms.aspx>. If you have additional questions, you may contact the Office of Community Business Development Community Partners at (414) 278-4747.

VII. TIME CONSIDERATIONS AND REQUIREMENTS

1. A Pre-Proposal Conference will not be held. All questions shall be submitted in electronic format to the contact listed on the cover sheet

of this proposal. Responses will be displayed as soon as possible on the Select Committee's website (see address in Section III) for the benefit of all interested parties.

2. Proposals are due no later than 4:00 p.m. CST, August 16, 2016, to Stephen Cady, Chairman, Select Committee on Deferred Compensation, Room 203, County Courthouse, 901 N. 9th Street, Milwaukee, WI 53233.
3. The Select Committee on Deferred Compensation will review qualified responses to the RFP. The Select Committee will evaluate candidates based upon all material submitted as part of this RFP. The RFP does not obligate the Select Committee to award a contract. Your firm may be required to make an in-person presentation to the Select Committee. A mutually agreeable date will be determined at a later time.
4. Contract is expected to be awarded by the Select Committee on Deferred Compensation's summer meeting. (This date may be earlier if a special meeting is called.)
5. Contract commences on or around November 1, 2016 depending on successful negotiation of final contract.

VIII. RESPONSE PROCEDURES AND TIMING

If you choose to respond to this RFP, seven (7) hard copies of your entire proposal and related documents must be received no later than 4:00 p.m. CST on Tuesday, August 16, 2016. Proposals received after that time will not be considered. All proposals must remain open, valid and subject to acceptance for six months. You should submit your proposal in writing to:

Stephen Cady
Chairman, Select Committee on Deferred Compensation
901 North 9th Street, Room 203,
Milwaukee, WI 53233
Stephen.Cady@milwaukeecountywi.gov

You must also e-mail a copy of your proposal to Mr. Cady at the address show above. Any questions regarding the RFP should be submitted by e-mail and the responses will be posted on the Select Committee's website.

Your proposal must include the following:

- (a) **Detailed Proposal.** Please respond to each question in Section IX of this RFP. When responding to those questions, please restate each question before your answer and respond to each question in the same order included in this RFP. Please also include a copy of your firm's ADV-Part II and a sample of the investing consulting agreement and all other agreements you would have the Select Committee on Deferred Compensation sign if awarded this contract.
- (b) **Signed Statement.** Your response should also include a signed statement that your firm meets the Minimum Qualifications described in Section IV of this RFP.

Again, if you have any questions regarding the Milwaukee County Deferred Compensation Plan, you should contact Mr. Cady at the e-mail address listed above. The Select Committee on Deferred Compensation asks that you not contact members of the Select Committee (other than to submit questions, in e-mail format, as outlined above) members of the County Board of Supervisors, the County Executive or any other County representatives or employees. If you do contact a Milwaukee County representative, your response should identify the name of the party you contacted and you should also notify Mr. Cady if you contact anyone after your firm's submission.

The proposal you submit by the deadline will be used as the basis upon which the Select Committee makes its decision. You will not be permitted to change your proposal materially after it has been submitted. The Select Committee reserves the right to request responses to additional questions.

Any proposal not submitted in accordance with the proper format will be rejected. The Select Committee reserves the right to reject any or all proposals. All costs associated with responding to this RFP are the responsibility of the party responding to the RFP.

Please note: The Select Committee is subject to Wisconsin open records law, 19.21 *et seq* of the Wisconsin statutes. All proposals will be deemed open records upon completion of the selection process. If a proposer believes that any portion of its proposal constitutes a trade secret pursuant to 19.36(5) Wis. Stats., the proposal must designate in some fashion those portions that the proposer asserts are trade secrets. In the event an open record request is received by the Select Committee, the Select Committee will make an independent determination of those records that it will release and is not bound by any designations made by proposers.

IX. TECHNICAL PROPOSAL

Please be concise and as clear, accurate, and complete as possible in your responses. Providing incomplete or misleading data may lead to disqualification of the proposal and elimination of the firm from the search process.

A. Organization

- 1) Please provide a brief history of the firm including the year organized, the year the firm began providing governance and investment consulting services to U.S. tax-exempt clients, and the nature of the firm’s ownership (including any changes in the last five years) and specific details with regard to any affiliated companies or joint ventures.
- 2) Does your organization receive revenue from investment management firms? Revenues within this request would include, among others, strategic consulting fees, conference fees, education fees, or fees from research including databases. Please identify the percent of the firm’s total revenues that is derived from investment management firms.
- 3) Provide the percentage of total firm revenues that came from the categories listed below for each year:

	2015	2014	2013
Consulting to Plan Sponsors	%	%	%
Money Management Activities	%	%	%
Services to Money Managers	%	%	%
Other (Please describe)	%	%	%
	100%	100%	100%

- 4) What services or specialty consulting does your firm provide in addition to general investment consulting? (real estate, hedge funds, private equity, governance, strategic planning, etc.)
- 5) Please list the total number of firm professionals, broken down by consultants, research professionals, and support staff.
- 6) Please provide the location and function of each of your firm’s offices, including the number of professionals at each office and what services are provided by each office.
- 7) Please indicate which office would service this account, the names of the team members who would be assigned to this account and their contact information. Attach as Exhibit A biographies for these team members.
- 8) Complete the following table as it pertains to the team who would be assigned to this account:

Average number of years of related experience:	Average number of years tenure with your firm:	Number of years consulting professionals have worked together as a team:

- 9) Please provide details on the financial condition of your firm. Most recent reports filed (for the last two years) with the SEC will be acceptable, but any recent material changes should be included.
- 10) Are you registered with the SEC or a state securities regulator as an investment adviser? If so, provide as Exhibit B all disclosures required under those laws (including Part I and II of Form ADV).
- 11) Has your firm ever been censured by the SEC or any regulatory body? If so, please describe.
- 12) Has your firm been subject to or is currently being reviewed/audited by the SEC or other regulatory agencies. If yes, please describe the nature of the investigation.
- 13) Over the last five (5) years has the firm, the Primary Consultant, or another principal or officer of the firm been involved in any business litigation, regulatory, or other legal proceedings or government investigation involving allegations of fraud, negligence, criminal activity or breach of fiduciary duty? If so, please describe.
- 14) Will your firm acknowledge fiduciary status and accept fiduciary responsibility for recommendations to the Fund?
- 15) Will your firm agree to indemnify and hold the Select Committee on Deferred Compensation and Milwaukee County and its employees, elected officials and agents harmless from all claims, costs, losses and damages and expenses (including reasonable attorneys' fees) resulting from your firm's negligence, omissions, or breach of contract?
- 16) State whether or not the employees comply with the Code of Ethics and Standards of Professional Conduct of the CFA Institute. If not, does your firm maintain a code of ethics? Attach as Exhibit C a copy of the firm's Code of Ethics.
- 17) List the dollar amounts of fiduciary liability insurance, errors and omissions insurance and bonding insurance carried by your firm, as follows:

Insurance carrier providing coverage	Type of coverage	Dollar amount

- 18) Please discuss the overall business objectives of your firm with respect to future growth. Be sure to include in your response:
- (a) Total assets or client relationships that will be accepted.
 - (b) Maximum limits on asset amounts or number of clients per consultant.
 - (c) Plans to develop and expand resources, merge or acquire other firms, spin off subsidiaries.

- 19) Complete the following table regarding consulting staff who left or joined your firm within the last three (3) years. Include anticipated personnel changes for the next year.

Name and title	Date terminated or hired	Reason
Left:		
Joined:		

- 20) Briefly describe your firm's compensation system for principal staff, and indicate what specific incentives are utilized to ensure key professionals do not leave the firm either as a group or individually. How does the firm tie client performance and satisfaction to a consultant's performance?
- 20) Describe your firm's disaster recovery plan.

B. Assets Advised

- 1) Complete the following table by providing the number of clients, and assets under advisement for the firm’s retainer investment consulting relationships. Please also include the number of project clients for those years. Please provide the data as of December 31 for all years.

	2015	2014	2013
Number of clients with retainers			
Assets under advisement			
Number of clients with projects and their asset size			

- 2) Provide as Exhibit D a list of the firm’s retainer and project clients as of 12/31/2015. Please indicate the types of services you provide for each (general investment consulting, governance, real estate, private equity, opportunistic services, fiduciary audit, fiduciary education, strategic planning, other) along with the following information:
 - (a) Name/Type of client (public plan, corporate plan, endowment, foundation, investment manager, etc.)
 - (b) Length of service of the relationship
 - (c) Nature of the relationship (retainer or project-based)
- 3) Please list all clients your firm has gained in the last three (3) years and the clients who have terminated your services during that time. For those who have terminated your service, please indicate the reason for terminating service.
- 4) Please provide as Exhibit E the name, address, telephone number and contact person for three (3) current clients to serve as a reference for your firm, preferably public defined contribution plans.

C. Investment Consulting Philosophy and Process

- 1) Briefly describe your firm’s philosophy with respect to investment consulting mandates, and the nature of the service that you provide. What key strengths and competitive advantages does the firm possess that generate superior performance and service for your clients?
- 2) Describe your firm’s experience in developing and reviewing investment policies and strategies for clients.

- 3) How frequently does the firm recommend reviewing asset allocation, asset liability reviews, and manager structure reviews and describe your firm's methodology. Please provide samples of an Asset Allocation Review and Asset/Liability Modeling Study as Exhibit F.
- 4) Provide a sample of your firm's most recent five (5) years of capital market assumptions (projected returns, volatilities and corrections) in tabular form as Exhibit G.
- 5) Describe your firm's views of active versus passive management.
- 6) Has your firm recommended significant changes to client portfolios due to the recent turmoil in the financial markets? If yes, please describe the recommendation.
- 7) How does your firm assess risk in client's portfolios and what new methodologies are being considered?
- 8) In your view, how should a client measure its investment consulting firm's performance? How does your firm measure its own performance?

D. Manager Measurement and Evaluation

- 1) How does your firm monitor and analyze investment performance? Please describe any databases used by your firm. How do you determine appropriate benchmarks? Please provide a sample performance report as Exhibit H.
- 2) Can the performance reports be customized? Are there charges for additional information requests?
- 3) What is the anticipated turnaround time to produce a performance report?
- 4) Describe how your firm obtains data from the client's Custodian. How does your firm verify the accuracy of the data received from the Custodian?
- 5) What is your firm's step-by-step process for return reconciliation? How will discrepancies be handled?

- 6) What process does your firm use to communicate performance issues with investment managers? Please describe your firm's criteria for recommending an investment manager be terminated.

E. Research

- 1) List notable publications that have included your firm's research.
- 2) Does your firm prepare white papers on relevant investment topics? Please provide a sample as Exhibit I.
- 3) Provide a listing of research papers published from 2013 to present in Exhibit I.
- 4) Describe in detail the type and frequency of research that is regularly provided to clients. Does the firm provide research reports other than those specifically requested by the client? If so, please describe.

F. Manager Searches and Evaluation

- 1) Describe in detail your manager database and search process. Include the criteria used to make manager recommendations.
- 2) Describe the process of how new investment managers are added into your database.
- 3) Please provide a sample of investment manager research or due diligence reports as Exhibit J.
- 4) How often are on-site due diligence visits conducted with your client's managers?
- 5) Provide as Exhibit K a sample of a "finals" report for a recently completed public markets search.
- 6) State your willingness to make specific investment hiring or firing recommendations to your clients.

G. Other Information

- 1) Describe your firm's capabilities in providing educational opportunities for trustees and staff. Does your firm hold an annual investment conference for its clients?

- 2) Describe your firm's experience and ability to support issues relating to securities lending, custodial services and commission recapture.
- 3) Describe your firm's experience, if any, with the development of RFPs for recordkeeping services and subsequent selection of a vendor for your client.

H. Fee Proposal

- 1) Provide a fee proposal as Exhibit L.
- 2) Are you willing to guarantee your fees for a specific period of time?
- 3) Are your fees negotiable?
- 4) Do the fees include new fund searches? If so, is there a limit per year? If not, what is the cost to perform a fund search?
- 5) Do the fees include travel to the Milwaukee County Courthouse for quarterly meetings?
- 5) What other potential costs might be incurred during the term of the contract?