

[SAMPLE \* - DRAFT]

*RETIREMENT SYSTEM*

*REQUEST FOR PROPOSALS*

**RE: INVESTMENT CONSULTANT**

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**A. OVERVIEW**

The Board of Trustees of the Retirement System (“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 services.

**B. PLAN PROFILE**

The Retirement System (“Retirement System”) consists of approximately \_\_\_\_\_ active and \_\_\_\_\_ retired members and has assets of over \_\_\_\_\_ Million Dollars.

**C. MINIMUM QUALIFICATIONS**

The Board requires that all prospective service providers have strong credentials, be in good financial standing, must be a registered investment advisor under the Investment Advisors Act of 1940, must acknowledge its responsibilities as a fiduciary, and be a member of the Michigan Association of Public Employee Retirement Systems.

**D. SCOPE OF SERVICES**

The primary role of the Board’s Investment Consultant is to provide objectives, third-party advice and counsel that will enable the Board to make well-informed and well-educated decisions regarding the investment of the Retirement System’s assets.

Contractual services for investment consulting will include, but not be limited, to the following:

1. **Development 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.

2. **Asset Allocation Studies**

Conduct an asset allocation study to determine whether or not the current asset allocation falls within the Board's investment objectives and guidelines.

3. **Investment Manager Search**

When deemed necessary, assist the Board in its due diligence and search for new investment manager(s) utilizing the appropriate data base.

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. Attend monthly meetings or special meetings as requested by the Board.

5. **General Consulting Services**

Provide general consulting services as requested by the Board. These might include custodial search and selection, etc.

6. **Performance Measurement & Monitoring**

Monitoring the performance of the investment manager(s) to provide the Retirement System with the ability to determine the progress toward the investment objectives.

7. **Monitor compliance with Act 314**

Monitoring the investment of the Retirement System's assets with regards to Public Act 314 of 1965, as amended, with written quarterly reports submitted to the Retirement Board.

8. **Assist in Fund Diversification**

Assist the Board in the development of an investment manager structure that provides adequate diversification with respect to the number and types of investment managers to be retained by the Board

9. Attend meetings of the Board and be available to address Board questions from time to time.

10. Provide all required services within reasonable fee levels.

When responding to the attached Request for Proposal, the Board encourages you to describe the ways in which you believe your service capability is special or distinctive.

**E. SUBMISSION REQUIREMENTS**

To achieve a uniform review process and 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 and date.

2. Table of Contents:

Clearly identify the material by section and page number.

3. Letter of Transmittal:

Limit to one or two pages.

- a. Briefly state your organization's understanding of the nature of the work.
- b. Give the names of the persons who will be authorized to make presentations for your organization, their titles, addresses, and telephone numbers.

4. Submission:

The Board requests that a total number of \_\_\_\_ (\*\*\*) complete sets of your proposal be submitted.

Proposals must be presented in a sealed envelope clearly marked as follows:

RFP: Investment Consultant  
[ADDRESS]

Your response to this RFP must be received at the above address by 5:00 p.m. on \_\_\_\_\_, 200\_\_.

All inquiries about the RFP should be in writing and brought to the attention of \_\_\_\_\_ at the address above.

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## INVESTMENT CONSULTING SERVICES

### REQUEST FOR PROPOSALS

#### ORGANIZATION BACKGROUND

1. How long has your company been in existence?
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. Also, where are these individuals located? Who will attend review meetings? How many senior people have left your company in the last three (3) years? How many support staff have left your company in the last three (3) years? Be specific as to experience, performance measurement, manager search, investment policy consulting. What public funds experience do you have? Provide a list of all public pension fund clients under contract to date.
5. How many accounts/clients have you gained in the last 3 years? How many have left your company in the last three (3) years and why.
6. 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?
7. Please describe your record retention policy and your systems backup process.
8. Please disclose formal or informal business relationships with investment managers or other service providers to pension trust funds.
9. Please describe the transition process when taking on a new client. Please discuss computer systems and data issues.

## **INVESTMENT POLICY/ASSET ALLOCATION GUIDELINES**

10. Provide an outline of the principle steps you would 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?
11. How many meetings would be required with the Retirement Board? Who would attend from your firm and who else would be involved?
12. Provide an outline of the issues and items that would be covered in a typical policy statement.
13. What is 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.).
14. What asset classes are included in your work?
15. What geographic areas of the world do you consider appropriate for pension asset investments?
16. Does your approach include passive strategies such as indexation? If so, please describe.

## **INVESTMENT MANAGER SELECTION**

17. What is the procedure and criteria you will follow in the selection of additional investment advisors? And how long might the process take from start to finish?
18. How many firms do you track for manager search purposes? How many managers have made final presentations from the total search data base?
19. 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 offices? If so, please explain your due diligence process. How are consultants apprized with respect to developments about managers?
20. What computer systems do you utilize to help in your manager screening? Which are purchased and which are proprietary?

21. Do you monitor your success in selecting managers? Explain how you measure the level of success of existing managers. Please be specific.
22. What criteria is used to recommend termination of a manager?
23. Do you believe that when a manager is not performing that the consultant who presented this manager also be held accountable? If so, how?

#### **PERFORMANCE EVALUATION**

24. Specifically describe your performance evaluation system and the philosophy behind it. Is your system propriety or did you obtain it from another supplier?
25. 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 reviews?
26. Provide samples of your standard reports. How much variation is available from your standard report?
27. Describe and illustrate any special indices constructed by your firm.
28. Please describe, in detail, the optimal role that your firm would like to take in manager presentations to the Retirement Board. What other services are provided, such as custodian search.

#### **CUSTODIAL SERVICES**

29. Does your firm provide custodial services?

#### **FEES**

30. Please indicate your fee schedule for investment performance analysis services, asset allocation, investment policy, manager search, custodial search, custodial services, etc. If your fee schedule is based on soft dollars, please also quote each service by type on a hard dollar basis.
31. Would you charge separately for travel expenses? If so, explain in detail your policy.
32. What other costs or expenses might we incur with your firm?
33. Do you offer payment by cash on a pro rata quarterly basis billed in arrears?
34. 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?
35. What percentage of typical equity managers trades do you feel should be used for client directed brokerage purposes?

36. Do you give credit for commissions received above services? What type of recapture is used for those excess commissions?
37. Describe the various types of insurance and indemnification provided to protect clients of service(s) proposed, including (Be sure to include specific dollar coverages):

Errors and Omissions Coverage  
Risk Coverage  
Carriers  
Levels  
Limits  
Deductibles

#### **OTHER ISSUES/MISCELLANEOUS**

38. Is your company a member of MAPERS? What other affiliations does your company maintain to keep apprised of unique issues and developments affecting public employee retirement systems?
39. Please provide all complaints 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 years or is there any pending litigation arising out of your performance? If your answer is yes, explain fully.
40. Has your firm 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 such investigation.
41. Has your organization been a party to any lawsuit, including suits involving misfeasance or professional negligence, within the last ten years? If so, please describe the substance and results of each suit.
42. Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided all the disclosures required under those laws?
43. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, describe those relationships?
44. Do you or a related company receive any payments from money managers you 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)?

45. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?
46. If you allow plans to pay your consulting fees using the plan's 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 make sure it does not over-pay its consulting fees?
47. If you allow plans to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?
48. 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?
49. Will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?
50. Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?
51. What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?

#### *OTHER REQUIREMENTS*

52. Pre-Qualification: Inviting a proposal does not assume a "pre-qualification" of any proposer.
53. Proposal Preparation Cost: The Board will not be liable for any costs incurred in preparation of proposals.
54. 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 provisions in and requirements of the RFP.
55. 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.
56. Negotiations: The Board reserves the right to conduct pre-contract negotiations with

any or all proposers.

57. 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.
58. Proposals Binding for 90 Days: All proposals submitted shall be binding for ninety (90) calendar days following the above due date for receipt of proposals to allow for evaluation and award of contract.
59. Late Proposals: Proposals received by the Board after the time specified for proposal opening will not be considered.
60. 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.

The Board appreciates the time and effort you will have expended in responding to this RFP. Regardless of the outcome, the Board will be pleased to share with you its specific comments regarding the competitiveness of your RFP response.

**\* IMPORTANT NOTE:** This information is provided to assist retirement systems in the retention of professional advisers and to facilitate the efficient and effective fulfillment of due diligence. This sample draft is presented for illustration purposes and should be modified to meet the specific needs and requirements of a retirement system. This information should not be considered the rendering of legal, accounting, or other professional services and should not be used as a substitute for consultation with professional advisers.