

CITY OF PONTIAC VEBA TRUST

REQUEST FOR PROPOSAL

RE: INVESTMENT CONSULTANT

I. GENERAL INFORMATION

A. OVERVIEW

The Board of Trustees of the City of Pontiac VEBA Trust (the “VEBA Trust”) 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 VEBA Trust may evaluate such services.

B. PLAN PROFILE

The VEBA Trust is a newly created entity that will provide specific health insurance benefits for eligible retirees from the City of Pontiac. The Trust was executed in March 2020 and was created as a result of a historic settlement reached by the City of Pontiac and the City of Pontiac Retired Employees’ Association (CPREA). The terms of the settlement agreement are pending additional IRS approval. As a result of the IRS approval, the City of Pontiac General Employees’ Retirement System and City of Pontiac Police & Fire Retiree Prefunded Group Health and Insurance Plan are expected to terminate March 31, 2021. The VEBA Trust is anticipated to receive assets on or around April 1, 2021. The Plan is estimated to provide benefits to in excess of 1,500 participants. The Trust will be funded by assets transferred from the City of Pontiac Police & Fire Retiree Prefunded Group Health and Insurance Plan (approximately \$43M) and excess funding from the City of Pontiac General Employees’ Retirement System (assets to be determined).

C. MINIMUM QUALIFICATIONS

The VEBA Trust 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 VEBA Trust’s Investment Consultant is to provide objective, third-party advice and counsel that will enable the VEBA Trust to make well-informed and well-educated decisions regarding the investment of the 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 VEBA Trust in the development and periodic review of a policy statement that properly reflects the VEBA Trust's tolerance for risk and that best helps the VEBA Trust 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 guideline falls within the VEBA Trust's investment objectives and guidelines.

3. **Investment Manager Search**

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

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

Assist the VEBA Trust in the development and review of performance standards and guidelines with which the VEBA Trust may measure each investment manager's progress. Attend monthly meetings or special meetings, as requested by the VEBA Trust.

5. **General Consulting Services**

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

6. **Performance Measurement & Monitoring**

Monitor the performance of the investment manager(s) to provide the VEBA Trust with the ability to determine the respective manager's progress toward achieving the VEBA Trust's investment objectives.

7. **Monitor compliance with Act 314**

Monitor the investment of the VEBA Trust's assets with regards to Public Act 314 of 1965, as amended, with written quarterly reports (including monthly updates) submitted to the VEBA Trust.

8. **Assist in Fund Diversification**

Assist the VEBA Trust 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 VEBA Trust

9. Attend meetings of the VEBA Trust and be available to address VEBA Trust questions from time to time.
10. Provide all required services within reasonable fee levels.

When responding to this Request for Proposal, the VEBA Trust 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 account officer, 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 VEBA Trust requests that a total number of seven (7) complete sets of your proposal be submitted.

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

RFP: Investment Consultant
Matthew I. Henzi
AsherKelly, PLLC
25800 Northwestern Hwy., Ste. 1100
Southfield, MI 48075

One electronic copy should be forwarded to Matthew I. Henzi at mhenzi@asherkellylaw.com.

Your response to this RFP must be received at the above address by 5:00 p.m. on January 15, 2021.

All inquiries about the RFP should be brought to the attention of Matthew Henzi at mhenzi@asherkellylaw.com or 248-746-2762.

5. Late Proposals: Proposals received by the VEBA Trust after 5:00 p.m. on January 15, 2021, will not be considered.

6. 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 VEBA Trust appreciates the time and effort you will have expended in responding to this RFP. All inquiries about the RFP should be in writing and brought to the attention of the VEBA Trust at the address above.

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. Describe the number of your Firm's employees, offices, and locations. Please describe your Firm's workforce diversity practices and/or policies. Please provide the demographic information which identifies the diverse makeup of your workforce. Are any of your employees residents of the City of Pontiac or nearby communities?
6. 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.
7. Please explain size, composition, and source of your performance measurement database. 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?
8. Describe your Firm's recordkeeping back-up system and procedures? Please describe your recordkeeping security system and procedures, and/or business continuity/disaster recovery systems, including:
 - a. Type of back-up system and/or facility for all primary systems used in providing the subject services to the client;

- b. If back-up systems and/or facilities are provided by a third party, state the contractual guarantees for their services,
 - c. In the event of a disaster that disables all primary and back-up systems, state whether your Firm has a recovery capability.
 - d. Please describe when your Firm’s back-up system was last tested?
9. Please disclose formal or informal business relationships with investment managers or other service providers to pension trust funds.
10. Please describe the transition process when taking on a new client. Please discuss computer systems and data issues.
11. Please describe your Firm’s experience in providing investment consulting services for public sector employee benefit plans, retiree health care plans, and VEBA trusts.

Other Clients of Your Firm:

12. How long has your Firm been providing investment consulting services to public sector employee benefit plans, retiree health care plans, or VEBA trusts?
13. How many clients does your Firm currently provide investment consulting services to public sector employee benefit plans, retiree health care plans, or VEBA trusts? As of December 31, 2020 provide the following summary information:

<u>Plan Size</u>	<u>Health Care Plans</u>
Under 100 Participants	
100-500 Participants	
500-999 Participants	
1000 to 4,999 Participants	
Above 5,000 Participants	
Total:	

14. Provide the names of all public sector employee benefit plan, retiree health care plan, and VEBA trust clients for which your Firm has provided the types of investment consulting services contemplated by this RFP, and to which your Firm has provided such services continuously for the five year period ended December 1, 2020. Please summarize the circumstances of such engagements and include the following information:
- a. Name of client
 - b. Contact name and title
 - c. Telephone number
 - d. Number of participants
 - e. Length of relationship

INVESTMENT POLICY/ASSET ALLOCATION GUIDELINES

15. Provide an outline of the principal 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?
16. Who would attend Trustee Meetings from your firm and who else would be involved?
17. Provide an outline of the issues and items that would be covered in a typical investment policy statement.
18. 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.).
19. What asset classes are included in your work?
20. What geographic areas of the world do you consider appropriate for pension asset investments?
21. Does your approach include passive strategies such as indexation? If so, please describe.

INVESTMENT MANAGER SELECTION

22. 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?
23. How many firms do you track for manager search purposes? How many managers have made final presentations from the total search data base?
24. 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?
25. What computer systems do you utilize to help in your manager screening? Which are purchased and which are proprietary?
26. Do you monitor your success in selecting managers? Explain how you measure the level of success of existing managers. Please be specific.
27. What criteria is used to recommend termination of a manager?

28. 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

29. Specifically describe your performance evaluation system and the philosophy behind it. Is your system propriety or did you obtain it from another supplier?
30. 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?
31. Provide samples of your standard reports. How much variation is available from your standard report?
32. Describe and illustrate any special indices constructed by your firm.
33. Please describe, in detail, the optimal role that your firm would like to take in manager presentations to the VEBA Trust. What other services are provided, such as custodian search.

CUSTODIAL SERVICES

34. Does your firm provide custodial services?

FEES

35. 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.
36. Would you charge separately for travel expenses? If so, explain in detail your policy.
37. What other costs or expenses might we incur with your firm?
38. 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?
39. What percentage of typical equity managers trades do you feel should be used for client directed brokerage purposes?
40. Do you give credit for commissions received above services? What type of recapture is used for those excess commissions?

41. Please produce a copy of the declarations pages evidencing the 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

42. 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?
43. 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.
44. 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.
45. 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.
46. 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?
47. 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?
48. 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)?
49. 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?
50. 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?

51. 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?
52. 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?
53. 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?
54. Do you consider yourself a fiduciary under the Public Employee Retirement System Investment Act of 1965, as amended (PA 314) with respect to the recommendations you provide the plan?
55. What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?

OTHER REQUIREMENTS

56. Pre-Qualification: Inviting a proposal does not assume a "pre-qualification" of any proposer.
57. Proposal Preparation Cost: The VEBA Trust will not be liable for any costs incurred in preparation of proposals.
58. 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.
59. Additional Information and Instruction: The Proposer shall furnish such additional information as the VEBA Trust may reasonably require. The VEBA Trust reserves the right to investigate the qualifications of all proposers as it deems appropriate.
60. Negotiations: The VEBA Trust reserves the right to conduct pre-contract negotiations with any or all proposers.
61. Proposal Rejection: The VEBA Trust 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 VEBA Trust's interest, and the right to waive minor irregularities in the procedures. The VEBA Trust further reserves the right to seek new proposals when such a procedure is in its best interest.
62. 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.

63. **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.

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