

# **SAULT STE MARIE POLICE AND FIRE RETIREMENT SYSTEM**

## **REQUEST FOR INFORMATION**

### **INVESTMENT CONSULTING SERVICES**

The Board of Trustees of the Sault Ste Marie Police and Fire Retirement System is requesting information for Investment Consultant Services by 4:00 P.M. on **November 30, 2017**.

The responder shall assume full responsibility for delivery of RFI responses prior to the appointed deadline and shall assume the risk of late delivery or non-delivery regardless of the manner employed for the transmission thereof. Responses shall be accepted at any time during the normal course of the business only, said hours being 9:00 am to 5:00 pm, Monday through Friday, legal holidays excepted. Faxed or emailed RFI responses will not be considered or accepted.

#### **I. OVERVIEW**

The Board of Trustees of the Sault Ste Marie Police and Fire Retirement System ("Retirement Board") is in the process of reviewing its investment consultant services. The purpose of this Request for Information (RFI) is to gain adequate information from which the Retirement Board may evaluate such services.

The Sault Ste Marie Police and Fire Retirement System had a total market value of approximately \$15.3 million as of June 30, 2017. The Retirement System's portfolio consists of approximately 21.58% fixed income, 58.23% equities, 18.28% real estate/alternatives, and 1.9% cash. (A copy of the most recent schedule of asset and style allocation is provided.)

#### **A. SCOPE OF SERVICES**

The primary role of the Investment Consultant is to provide objective, third-party advice and counsel that will enable the Retirement 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 Retirement Board in the development and periodic review of a policy statement that properly reflects the Retirement Board's tolerance for risk and that best helps the Retirement Board meet its rate-of-return, funded status and administrative expense objectives.

2. **Asset Allocation Studies**

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

3. **Investment Manager Search**

When deemed necessary, assist the Retirement 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 Retirement Board in the development and review of performance standards and guidelines with which the Retirement Board can measure each investment manager's progress. Attend quarterly meetings and monthly meetings or special meetings as requested by the Retirement Board.

5. **General Consulting Services**

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

6. **Performance Measurement & Monitoring**

Monitor the performance of the investment manager(s) to provide the Retirement Board with the ability to determine the manager's progress toward achieving the Retirement Board's investment objectives, including creating a Michigan fund index. Written quarterly reports submitted and presented to the Retirement Board.

7. **Monitor compliance with Act 314 and Act 345**

Monitor the investment of the Retirement System's assets consistent with the limitations under Public Act 314 of 1965, as amended, with written quarterly reports submitted to the Retirement Board and Act 345.

8. **Assist in Fund Diversification**

Assist the Retirement 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 Retirement Board.

9. **Historical Information Related to Specific Holdings**

Upon request, provide information regarding the holdings, sale and purchase of specific equities in order to complete proof of claims related to securities litigation.

**B. MINIMUM REQUIREMENTS**

1. The Investment Consultant must have a minimum of five (5) year experience in providing qualified retirement plan services.
2. The Investment Consultant must be a registered investment advisor under the Investment Advisors Act of 1940.
3. The Investment Consultant shall acknowledge its responsibilities as a fiduciary under Public Act 314 of 1965, and Act 345 of 1937 as amended.
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 response.
5. The Investment Consultant must attend quarterly meetings, as well as special meetings upon request by the Board, at no additional cost to the Retirement System.

**C. SUBMISSION REQUIREMENTS**

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

1. Title Page:  
  
Please indicate the RFI subject (investment advisory services), 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. Response to Request for Information:  
  
Please respond to each question in order of sequence in the Request for Information (Section II).

4. Submission:

The Retirement Board requests that a total number of seven (7) complete sets of your responses be submitted.

Submissions must be presented to the Retirement Board in a sealed envelope clearly marked as follows:

Board of Trustees of the Sault Ste Marie  
Police and Fire Retirement System  
225 E. Portage Ave.  
Sault Ste. Marie, MI 49783

An additional electronic PDF copy on USB Drive of your response should be submitted to the Board as well.

Please also provide an electronic copy to legal counsel:

Tom Michaud, Esq.  
VanOverbeke, Michaud & Timmony, P.C.  
79 Alfred Street  
Detroit, Michigan 48201  
[TMichaud@VMTLaw.com](mailto:TMichaud@VMTLaw.com)

Your response to this RFI must be received at the above address **by 4:00 p.m. on Thursday, November 30, 2017**.

**II. REQUEST FOR INFORMATION– Please label each response with the corresponding question’s section and number.**

**A. FIRM INFORMATION**

1. Name of your firm, its address, telephone number, and primary contact for the request for information. Give the names of the persons who will be authorized to make presentations for your organization, their titles, addresses, and telephone numbers.
2. Briefly state your organizations understanding of the nature of the work.
3. 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?

4. What is the number of full time employees in your firm? How many professionals have left your company in the last 3 years?
5. What is the location of your nearest office?
6. 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.
7. What public funds experience do you have? Provide a list of all public pension fund clients under contract to date. Please provide a minimum of 3 references by name of client, type of client, contact person, address and telephone number.
8. If you have lost any clients in the last 3 years, please explain.
9. Please explain size, composition, and source of your performance measurement data base. What indices are used for relative comparisons? If you do not maintain databases, whose database do you use?
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.
12. Provide as an attachment to your response a complete copy of your most recent form ADV as filed with the SEC.

**B. INVESTMENT POLICY/ASSET ALLOCATION GUIDELINES**

1. 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 Systems' actuary (currently Gabriel Roeder Smith & Company)? The pension's most recent annual actuarial valuation is available on the City website at [www.saultcity.com](http://www.saultcity.com) and will be provided upon request.
2. How many meetings would be required with the Retirement Board to complete the task of developing these guidelines? Who would attend from your firm?

3. Provide an outline of the issues and items that would be covered in a typical policy statement.
4. 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.).
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 indexation? If so, please describe.

**C. INVESTMENT MANAGER SELECTION**

1. What is the procedure and criteria you will follow in the selection of additional investment managers? 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 offices? If so, please explain your due diligence process. How are consultants apprized with respect to developments about managers?
4. What computer systems do you utilize to help in 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 is 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?
8. 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?

#### **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 reviews?
3. Provide samples of your standard reports. How much variation is available from your standard report?
4. Describe and illustrate any special indices constructed by your firm.
5. 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.
6. 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 system clients. If possible, these clients should include all Michigan public employee plans. 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 December 31, 2016, 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.
7. Please provide a description of holdings information that will be provided on behalf of the Retirement Systems for security litigation “proof of claim” purposes. Does your firm complete “proof of claim” documents on behalf of the Retirement Systems? Is there a fee for this service?
8. Please identify how fees, both payable to fund managers and to you as investment advisors, are disclosed. If returns are shown in the standard net of fees format, how are gross returns and fee amounts provided?

**E. CUSTODIAL SERVICES**

1. Does your firm provide custodial services? If so, please provide details.
2. Does the firm assist with reclaims on ADR foreign tax withholdings. Does the firm sign tax forms as the tax preparer? Is a power of attorney required? Is there a fee?

**F. FEES & REGULATORY INFORMATION**

1. 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.
2. Would you charge separately for travel expenses? If so, explain in detail your policy.
3. What other costs or expenses might we 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 percentage of typical 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. 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.
9. 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.



10. 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.
11. 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?
12. 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?
13. 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)?
14. 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?
15. If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commission 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?
16. 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?
17. 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?
18. 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?
19. Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?
20. What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?

21. Describe the various types of insurance and indemnification provided to protect clients of service(s) proposed, including specific dollar coverage.

## **OTHER REQUIREMENTS**

1. Pre-Qualification: Inviting a response does not assume a "pre-qualification" of any responder.
2. Preparation Cost: The Retirement Board will not be liable for any costs incurred in preparation of submissions.
3. Certification as to "Request for Information" Content: By submitting information, it is understood and agreed that the responder has fully read and understands the "Request for Information" and has full knowledge of the scope, nature, quantity, and quality of work to be performed. Unless specified to the contrary, submitting information will be interpreted as agreement to all provisions in and requirements of the RFI.
4. Additional Information and Instruction: The responder shall furnish such additional information as the Retirement Board may reasonably require. The Retirement Board reserve the right to investigate the qualifications of all responders as it deems appropriate.
5. Rejection: The Retirement Board reserve the right to reject any or all information, the right in its sole discretion to accept the information which it considers most favorable to the Retirement Board's interest, and the right to waive minor irregularities in the procedures. The Retirement Board further reserves the right to seek new information when such a procedure is in its best interest.
6. Binding for 90 Days: All information submitted shall be binding for ninety (90) calendar days following the above due date for receipt of information to allow for evaluation.
7. Timeliness: Information received by the Retirement Board after the time specified for opening will not be considered.
8. Completeness: All information required by the Request for Information shall be supplied to constitute an acceptable submission.

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

## **PROSPECTIVE INVESTMENT CONSULTANTS**

[PLEASE NOTE THAT THIS LIST REPRESENTS A COMPILATION OF INVESTMENT CONSULTING FIRMS THAT ARE LISTED IN THE MAPERS DIRECTORY OR PROVIDE SERVICES TO OTHER MICHIGAN PUBLIC FUNDS AND DOES NOT CONSTITUTE A RECOMMENDATION OF ANY LISTED FIRM OR A DISQUALIFICATION OF ANY FIRM NOT LISTED HEREIN]

Advance Capital Management, Inc.  
Mr. John Pelon  
One Towne Square, Suite 444  
Southfield, MI 48076

AndCo Consulting  
Mr. Brian Green  
29777 Telegraph Rd., Suite 2200  
Southfield, MI 48034

Fund Evaluation Group, LLC  
Mr. David Wetzel & Mr. Bill Hummel  
3011 W. Grand Blvd., Ste. 2125  
Detroit, MI 48202

Graystone Consulting/ Morgan Stanley  
– The Brice Group  
Mr. Tim Brice  
34901 Woodward Ave., Suite 300  
Birmingham, MI 48009

Integrated Investment Consultants  
Mr. Christopher A. Forte  
255 E Brown Street Suite 200  
Birmingham MI, 48009

Lincoln Financial Advisors  
Mr. John Bussa  
1000 Town Center, 26<sup>th</sup> Floor  
Southfield, MI 48075-1240

Morgan Stanley  
Mr. Matthew Augustine  
4760 Fashion Square Blvd.  
Saginaw, MI 48604

NEPC, LLC  
Mr. Paul Kenney  
1155 Brewery Park Blvd., Suite 240  
Detroit, MI 48207

Oppenheimer and Co, Inc.  
Ms. Cheryl Underwood  
6102 Abbot Road  
East Lansing, MI 48823

PFM Asset Management, LLC  
Mr. Michael Barry  
305 E. Eisenhower Parkway, Suite 112  
Ann Arbor, MI 48108

Wells Fargo Advisors, LLC  
Ms. Julie Moll  
255 E. Brown St., Suite 400  
Birmingham, MI 48009