

**WATERFORD TOWNSHIP GENERAL EMPLOYEES'
RETIREMENT SYSTEM**

**WATERFORD TOWNSHIP POST-RETIREMENT
HEALTH CARE TRUST**

REQUEST FOR PROPOSAL

RE: INVESTMENT CONSULTANT

I. GENERAL INFORMATION

A. OVERVIEW

The Pension and Health Care Committees for the Waterford Township General Employees' Retirement System (Retirement System) and the Waterford Township Post-Retirement Health Care Trust (Health Care Trust) intend to secure a contract for investment consultant services to replace their current consultant who is retiring at the end of 2023. The purpose of this Request for Proposal (RFP) is to define the Committees' minimum requirements, solicit proposals, and to gain adequate information from which the Committees may evaluate such services.

B. PLAN PROFILE

The Retirement System consists of approximately 48 active members and 213 retirees/beneficiaries and has assets of approximately \$70 Million Dollars. The Retirement System is a single employer defined benefit plan covering the general employees for the Charter Township of Waterford. As of the December 31, 2022 actuarial valuation, the Retirement System was 104.9% funded. Basic benefits are supported by the contributions from the City and by the investment income earned on System assets. The actuarial rate of return assumption is 6.50%.

The Health Care Trust was established to prefund retiree health care expenses. At this time, the assets in this Trust are not being reduced to pay for retiree health care. Rather, the goal is to accumulate enough assets so that at some point in the future the Township may utilize this Fund to pay its retiree health care liabilities. This Trust has assets of approximately \$47 Million Dollars. As of the December 31, 2022 GASB 74/75 Valuation, the System is 32.8% funded.

The Retirement System and Health Care Trust are seeking Investment Consultant services to assist the Committees in making prudent investment management decisions to maximize its asset growth potential while maintaining its investment quality and diversification standards. The Retirement System and the Health Care Trust are both governed by a five member Committee established in accordance with their respective governing documents. The Retirement System Ordinance can be accessed online at www.waterfordmi.gov. The Committees generally meet every other month.

The Retirement System has a diversified portfolio that utilizes active management. The current asset class allocation targets are as follows:

Domestic Large Cap Equities	31%
Domestic Small/Mid Cap Equities	8%
International Equity	10%
Domestic Fixed Income	25%
Alternative Investments	25%
Cash and Equivalents	1%
Total	100%

The Retiree Health Care Trust has a diversified portfolio that utilizes active and passive management. The current asset class allocation targets are as follows:

Domestic Large Cap Equities	35%
Domestic Small/Mid Cap Equities	20%
International Equity	15%
Domestic Fixed Income	15%
Alternative Investments	10%
Public Real Estate	5%
Cash and Equivalents	0%
Total	100%

C. MINIMUM QUALIFICATIONS

The Committees require 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, be a member of the Michigan Association of Public Employee Retirement Systems, and the consultant servicing the account shall have a minimum of ten (10) years of experience providing investment consulting advise to Michigan public sector retirement systems and retiree health care trusts.

D. SCOPE OF SERVICES

The primary role of the Committees' Investment Consultant is to provide objective, third-party advice and counsel that will enable the Committee Members 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 Committee Members in the development and periodic review of a policy statement that properly reflects the Committees' tolerance for risk and that best helps the

Committees meet their 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 Committees' investment objectives and guidelines.

3. **Investment Manager Search**

When deemed necessary, assist the Committee Members in their due diligence and search for investment manager(s) utilizing the appropriate data base.

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

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

5. **General Consulting Services**

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

6. **Performance Measurement & Monitoring**

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

7. **Monitor compliance with Act 314**

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

8. **Assist in Fund Diversification**

Assist the Committee Members 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 Committees.

9. **Attend Committee Meetings**

Attend meetings of the Committees and be available to address Committee Members' questions from time to time.

10. Reasonable Fees

Provide all required services within reasonable fee levels.

When responding to this Request for Proposal, the Committees encourage 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 Committees request that a total number of eight (8) complete sets of your proposal be submitted to the Committees in a sealed envelope clearly marked as follows:

Cynthia J. Billings-Dunn
AsherKelly, PLLC
25800 Northwestern Highway
Suite 1100
Southfield, MI 48075

In addition, please forward one (1) electronic copy of your proposal to Cynthia Billings-Dunn at cbdunn@asherkellylaw.com.

Your response to this RFP must be received at the above address by 4:00 p.m. on October 19, 2023. If your firm is selected to be interviewed, please be advised that interviews will be held at the Township Hall on November 21, 2023 starting at 1:30 p.m.. The Township Hall is located at 5200 Civic Center Dr., Waterford, MI 48329.

5. Late Proposals: Proposals received by the Committees after 4:00 p.m. on October 19, 2023, 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.

7. If you have questions regarding this RFP you may direct them to Ms. Billings-Dunn via email at cbdunn@asherkellylaw.com.

The Committees appreciate 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 Committees at the address above.

INVESTMENT CONSULTING SERVICES

REQUEST FOR PROPOSALS

ORGANIZATION BACKGROUND

1. 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?
2. 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 apprised of developments in the investment arena?
3. Please submit biographical profiles on the individual(s) who will be assigned to our account. Also, where are these individuals located? Who will attend Committee 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.
4. How many accounts/clients has the consultant who will be assigned to our account gained and/or lost in the last 3 years?
5. Using the following criteria, please provide actual investment performance information for a current client of the consultant, who will be assigned to our account.
 - The current client must be a Michigan public sector defined benefit plan (subject to the limitations of PA 314);
 - The information should be based on a minimum fund size of \$70 Million Dollars as of 12/31/2022, showing values as of 12/31/2022, 12/31/2019, and 12/31/2017. (The Committee Members are looking to see how the consultant has historically performed with respect to a retirement system of similar size subject to the restrictions of PA 314 based on monetary gains rather than percentage returns alone.)

- Calendar year percentage returns: 10 year, 5 year, 3 year and 1 year
6. Please describe your record retention policy and your systems backup process.
 7. Please disclose formal or informal business relationships with investment managers or other service providers to pension trust funds.
 8. Please describe the transition process when taking on a new client. Please discuss computer systems and data issues.

INVESTMENT POLICY/ASSET ALLOCATION GUIDELINES

9. 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?
10. 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.).
11. Do you develop your own Capital Market Assumptions? If so, please provide an explanation on the philosophy behind your assumptions.
12. What asset classes are included in your work?
13. What geographic areas of the world do you consider appropriate for pension asset investments?
14. Does your approach include passive strategies such as indexation? If so, please describe.

INVESTMENT MANAGER SELECTION

15. 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?
16. How many firms do you track for manager search purposes? How many managers have made final presentations from the total search data base?
17. Do the consultants who would be 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 apprised with respect to developments about managers?
18. What is your capacity to research and monitor managers in alternative asset classes? Please provide your philosophy on the use of alternative investments.

19. What computer systems do you utilize to help in your manager screening? Which are purchased and which are proprietary?
20. Do you monitor your success in selecting managers? Explain how you measure the level of success of existing managers. Please be specific.
21. What criteria is used to recommend termination of a manager?
22. 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

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

CUSTODIAL SERVICES

28. Does your firm provide custodial services?

FEEES

29. 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.
30. Would you charge separately for travel expenses? If so, explain in detail your policy.
31. What other costs or expenses might we incur with your firm?
32. Do you offer payment by cash on a pro-rata quarterly basis billed in arrears?

33. 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?
34. What percentage of typical equity managers trades do you feel should be used for client directed brokerage purposes?
35. Do you give credit for commissions received above services? What type of recapture is used for those excess commissions?
36. 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

37. 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? Does the consultant who will be assigned to our account have a minimum of 10 years of experience advising Michigan public sector retirement systems?
38. Please provide all complaints received by the Securities and Exchange Commission and the National Association of Securities Dealers. Has your firm or the consultant who will be assigned to our account, 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.
39. Has your firm or the consultant who will be assigned to our account, 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.
40. Has your organization or the consultant who will be assigned to our account, 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.
41. Is the consultant who will be assigned to our account registered with both the SEC and the State of Michigan securities regulator as an investment adviser? If so, have you provided all the disclosures required under those laws?
42. 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?

43. 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)?
44. 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?
45. 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?
46. 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?
47. 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?

OTHER REQUIREMENTS

48. Pre-Qualification: Inviting a proposal does not assume a "pre-qualification" of any proposer.
49. Proposal Preparation Cost: The Committees will not be liable for any costs incurred in preparation of proposals.
50. 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.
51. Additional Information and Instruction: The Proposer shall furnish such additional information as the Committees may reasonably require. The Committees reserve the right to investigate the qualifications of all proposers as it deems appropriate.
52. Negotiations: The Committees reserve the right to conduct pre-contract negotiations with any or all proposers.
53. Proposal Rejection: The Committees reserve 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 Committees' interest, and the right to waive minor irregularities in the procedures. The Committees further reserve the right to seek new proposals when such a procedure is in its best interest.

54. **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.
55. **Late Proposals:** Proposals received by the Committees after 4:00 p.m. on October 19, 2023, will not be considered.
56. **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 Committees appreciate the time and effort you will have expended in responding to this RFP. Regardless of the outcome, the Committees will be pleased to share with you its specific comments regarding the competitiveness of your RFP response.

W2670548