

# REQUEST FOR PROPOSAL

## PROFESSIONAL SERVICES (INVESTMENT MANAGEMENT)

### EDGEWOOD BOROUGH POLICE AND NON- UNIFORM PENSION

### (ALLEGHENY COUNTY, PENNSYLVANIA)

PROPOSALS MUST BE RECEIVED

NO LATER THAN 4:00 PM ON JULY 29, 2016

## **INTRODUCTION**

The Borough of Edgewood Council and Pension Committee, Allegheny County, Pennsylvania, is issuing this Request For Proposal (RFP) to obtain written proposals for pension plan investment management services. This RFP provides additional introductory information, describes the general scope of work, sets forth proposal requirements, and outlines the anticipated selection procedures.

## **BACKGROUND**

Pursuant to Resolution Number 2013-05. (adopted August 13, 2005) the solicitation and procurement of professional services for the Borough of Edgewood's Pension Plans shall be in accordance with such Resolution Number 2013-05 and Pennsylvania's Act 44 of 2009.

The main responsibilities of the investment management services firms will be to offer advice to Borough Council and the Borough Council Pension Committee, to construct and maintain a low cost investment portfolio including monitoring and making investment changes as needed.

Borough of Edgewood Council, as Plan Administrator, has delegated the authority to manage certain assets of the Pension Plans to Cowden & Associates, Inc. Cowden & Associates performs actuarial services, including (but not limited to) the following:

1. Bi-annual ACT 205 Actuarial Valuation Reports and preparation of the associated ACT 205 filing for submission to the Public Employee Retirement Commission;
2. Annual Minimum Municipal Obligation (MMO) calculation;
3. Bi-annual participant benefit statements;
4. Calculates all new retiree/survivor benefit calculations; and

5. Calculates benefits for vested and/or applicable contribution refunds for any employee leaving the employ of the Borough of Edgewood.

The Borough's pension plans consist of two separate plans that benefit the Borough's employees. The Borough of Edgewood Police plan has net assets in the approximate amount of \$1,664,650 (as of financial statement dated December 31, 2015, for period ending December 31, 2015). The Borough of Edgewood Police plan has an interest rate assumption of six and one half (6.5%) percent and is currently funded at seventy three (73%) percent (as of January 1, 2015 actuarial valuation). The membership in the Police Pension Plan consisted (as of January 1, 2015) of thirteen (13) beneficiaries: eight (8) active employees and five (5) retirees and surviving spouses currently receiving benefits.

The Borough of Edgewood Nonuniform plan has net assets in the approximate amount of \$1,000,803 (as of financial statement dated December 31, 2015, for period ending December 31, 2015). The Borough of Edgewood Nonuniform plan has an interest rate assumption of six and one half (6.5%) percent and is currently funded at one hundred twenty four (124%) percent (as of January 1, 2015 actuarial valuation). The membership in the Nonuniform Pension Plan consisted (as of January 1, 2015) of eight (8) beneficiaries: five (5) active employees and three (3) retirees currently receiving benefits.

The Borough of Edgewood Council has directed a current allocation on its investment holdings as sixty (60%) percent in equities and forty (40%) in bonds.

## **PROPOSALS**

The proposal should describe your firm's approach to the Scope of Services. It is intended that each respondent furnish all information requested by this RFP. Unless specifically

requested, standardized promotional literature is not desired and will not be considered to meet any of the requirements of this RFP. The proposal should provide sufficient detail to enable the Borough Council and Borough Council Pension Committee to thoroughly evaluate and compare it to other proposals. The proposal format should closely follow the format described in the RFP. It should include the following information and may include any other information the respondent believes is pertinent.

1. Provide a description of your organization (including qualifications) addressing why your organization is suited to provide the services requested in this RFP. Also include a description of your understanding of the Borough's Pension Plan needs and your staffing commitments to assure your ability to meet the Borough Council's requirements. The description of your organization should include:
  - a. A brief history of your organization (and parent organization, if applicable).
  - b. A description of your firm's experience with public sector pension plans, including the assets and number of participants in these public sector pension plans. Please provide data as of the most recent quarter.
  - c. The percentage of your firm's total retirement plan business and your firm's total business that serves public sector plans.
  - d. Provide three (3) references of public sector retirement plan clients. Include a contact name, title, phone number and email address.
  - e. Provide your public sector retirement plan client retention rates for the last three years, and the average client relationship duration.

- f. Provide performance numbers for one, three and five years ending December 31, 2015 with the appropriate benchmark. Are these numbers GIPS compliant?
- g. Whether your organization (or any member thereof) has even been fined, disciplined, and/or suspended by the SEC, NASD, any regulatory agency or stock exchange, association or government entity. If so, the situation should be briefly described.
- h. Whether your organization (or parent or affiliate) is a registered investment advisor with the SEC pursuant to the Investment Advisors Act of 1940.
- i. A description of the level of insurance coverage, for errors and omissions and for professional liability, which your organization carries.
- j. A description of your research process for selecting/evaluating investment managers (and whether such includes meeting with them prior to any recommendation). Such description should also include: the number or personnel in your organization whose function is investment manager search/evaluation; the databases you utilize to assist you in the research/evaluation/subsequent monitoring processes for investment managers; and the number of investment managers which your databases track.
- k. A description of the manner/approach engaged in by your organization in its interaction with investment managers who are subject to its evaluation process.
- l. Your copy of your current ADV Part 2.

- m. A description of the circumstances in which you would recommend termination of an investment manager.
  - n. Whether your organization has a written Code of Conduct, Ethics Policy and/or Conflict of Interest Policy (and, if so, provide a copy or copies).
  - o. A disclosure of any known conflicts of interest, or appearance of such, which might arise if your organization is selected pursuant to this RFP.
2. Provide a description of your organization's intended approach to the tasks and objectives identified in the Scope of Services, including the manner which it would propose to interact with the Borough's pension plans investment managers.
  3. Describe your organization's intended relationship with Borough Council and the Borough Council Pension Committee.
  4. Provide a description of any subcontracts and/or associations with other organizations or individuals who your organization proposes to utilize in the performance of this work. Explain fully the perceived need for any such subcontracts and/or associations and the intended working relationships and responsibilities of each organization or individual.
  5. Describe the account team that would deal directly with the Borough. Provide brief background information on each member of the account team including their years of service with your firm, approximate number of plans each is assigned to serve, and their individual responsibilities as they relate to the Borough's pension plans.
  6. Provide all proposed fees to undertake the tasks outlined in the Scope of Services.

**Your firm will not be permitted to assess fees or expenses of any kind for**

**services you have proposed that are not clearly disclosed in this written response.**

7. Provide your per meeting fee for attending meetings other than those described in the Scope of Services.
8. Provide a brief synopsis of a recommended investment policy allocation based on an assumed long-term horizon for a fund. Be sure to address the development of investment policies, portfolio structure and guidelines for investment management.

### **PROPOSAL SPECIFICS**

1. All proposals, responses, inquiries, or correspondence relating to or in reference to this RFP, and all reports, charts, displays, schedules, exhibits, or other documentation submitted shall become the property of the Borough when received and are subject to public disclosure to the extent required by Act 44 of 2009. Any restrictions on the use of data contained in the proposal which you consider to be confidential within the meaning given that term in Act 44 of 2009 must be clearly stated in the proposal itself. In the event the Borough disagrees with your designation of any material in the proposal as confidential, the Borough will bring the disagreement to your attention before disclosing the information to the public. Unresolved differences of opinion as to what is and is not confidential information may be grounds for rejecting your proposal.
2. The Borough of Edgewood reserves the right to reject in whole or in part any or all proposals, to waive any informalities and to accept the proposal of the person determined by the Borough to be most qualified to provide the services the Borough seeks. This solicitation may also be cancelled in whole or part if determined to be in the best interest of the Borough.

3. Submit ten (10) copies of the proposal within a single sealed envelope or container. The lower left corner of the envelope or container should have the following notation:

**“PROPOSAL –BOROUGH OF EDGEWOOD PENSION PLAN INVESTMENT SERVICES.”**

4. All proposals must be received no later than 4 PM on July 29, 2016 addressed to:

Julie P. Bastianini, Borough Manager  
 Borough of Edgewood  
 2 Race Street  
 Edgewood, PA 15218

5. Respondent’s email address, telephone number and fax number must be included with proposal.
6. All costs incurred in the preparation and/or presentation of the proposal shall be the responsibility of the Respondent.

**PRELIMINARY SELECTION PROCESS CALENDAR**

The calendar for the selection process is provided as follows. The Borough reserves the right to modify the preliminary selection process calendar.

Release RFP		June 7, 2016
Deadline óSubmittal of proposals		July 29, 2016
Interviews	week beginning	August 29, 2016
Applicant Notification		September 1, 2016
Execute contract		September 6, 2016

**PROPOSAL DUE DATE**

Responses to the RFP will be due in the Borough of Edgewood office by 4 PM on July 29, 2016. Proposals received after that day and time will **NOT** be accepted. Actual receipt by stated time is required and deposit in the mail is insufficient.

## **PROPOSAL REVIEW**

All proposals received will be reviewed. Depending upon the responses received to the RFP, the Borough will then schedule interviews with firms that demonstrate the qualifications, expertise and experience required by the Borough.

## **INTERVIEW**

Organizations submitting complete proposals in response to this RFP may be scheduled for interviews. The interview will enable your organization to present your proposal and approach to the Scope of Services.

1. Your organization is expected to make a presentation if selected for an interview.
2. Your presentation during the interview should be limited to fifteen (15) to twenty (20) minutes.

## **SELECTION CRITERIA**

The Borough will consider the following criteria in evaluation of the proposals and interview presentation:

1. Past record of performance and experience with similar municipal clients.
2. Quality and content of written proposal/interview presentation.

3. Specialized experience and technical competence of the organization and team assigned including any subcontractors and associate firms, as they relate to the specific needs of the Borough as outlined in the Scope of Work.
4. Familiarity of the organization with applicable Pennsylvania statutes, Borough regulations, and the type of pension plan investment management issues (and potential alternatives) application to the Borough's needs.
5. Understanding and agreement with the organization's approach and methodology, including the Borough's general perception of competency of the organization to perform the work.
6. Cost.

## **SCOPE OF SERVICES**

The Scope of Services to be provided by the Consultant shall include, but not be limited to, the elements identified in this RFP. This is a guide to prospective organizations. Creativity and ideas on approaches for strengthening the process are encouraged. The Borough expects any firm selected to meet the specific needs and unique circumstances of the Borough and its employees.

**All respondents to this RFP must be capable of providing the following minimum general specifications related to the services desired:**

1. Assist the Borough with initial development and ongoing maintenance of a formal Investment Policy Statement (IPS).
2. Perform quarterly evaluations of the Borough's Pension Plans investment returns, investment managers/strategies (including the fees and costs charged by investment

managers) and asset allocation policies and submit written reports describing such evaluations and present/discuss same at in-person meetings of the Borough Council Pension Committee at least four (4) times per year. Such quarterly evaluations should also include an executive summary, market overview, benchmarks and recommendations.

3. Provide custodial services for the investment of the plans, or provide a proposal for custodial services by a third party.
4. Work with the Borough Council, Borough Council Pension Committee and Borough staff to develop, recommend and periodically update asset allocations and policy design strategy (commensurate with legal requirements and contemporary investment policies for Pennsylvania municipal pension plans).
5. Determine appropriate benchmarks to assess investment performance, portfolio and risk qualities, and recommend benchmark changes as needed.
6. Perform investment manager searches and submit recommendations as may be requested by the Borough.
7. Prepare all required annual Act 44 of 2009 Disclosure Statements required.
8. A day-to-day contact person who provides rapid responses to requests and inquires for pension plan solutions, and who shall assist the Borough in monitoring plan activities and fulfilling fiduciary responsibilities. The Borough Manager shall be the main point of contact for the Borough.

## **COMPLIANCE WITH THE RFP**

All proposals submitted shall be in strict compliance with the RFP and failure to comply with all provisions in the RFP may result in disqualification or rejection of the proposal.

Any service that is not specifically addressed in the RFP, but which is necessary to provide functional capabilities proposed by the Proposer, must be included in the proposal.

The Borough of Edgewood reserves the right to accept in part or in whole any or all proposals submitted or to waive any technicality or minor irregularity in a proposal.

Unreasonable failure of a Proposer to promptly supply the Borough with information with respect to responsibility may be grounds for a determination of non-responsibility.

Disclosure of Information for Professional Service Provider to Edgewood Borough's Pension  
Plans: Nonuniform and Police

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Chapter 7-A of Act 44 of 2009 mandates the annual disclosure of certain information by every individual or entities that hold contracts with and provide professional services to a municipal pension system. Please complete and return this disclosure to the department as soon as possible. If you feel you are not obligated to complete the disclosure, please provide written explanation. Responses should be directed to:

Ms. Julie P. Bastianini  
Borough Manager  
Edgewood Borough  
2 Race Street  
Edgewood, PA 15237

Section 1 Definitions

The following terms are defined with Section 701-A of Act 44 of 2009.

<b>Term</b>	<b>Definition</b>
AFFILIATED ENTITY	Any of the following:  (1) A subsidiary or holding company of a lobbying firm or other business entity owned in whole or in part by a lobbying firm.  (2) An organization recognized by the Internal Revenue Service as a tax-exempt organization under Section 501(c) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 501(c)) established by a lobbyist or lobbying firm or an affiliated entity.
APPLICANT	An individual or Business who intends to enter into a Professional Services Contract.
BUSINESS	A corporation, limited liability company, partnership, association, joint venture or any other legal entity (including non-profit organizations) that is not an individual.
CANDIDATE	Any individual who seeks nomination or election to public office, other than a judge of elections or inspector of elections, whether or not such individual is nominated or elected. An individual is deemed to be seeking nomination or election to such office if he has:  (1) Received a contribution or made an expenditure or has given his consent for any other person or committee to receive a contribution or make an expenditure, for the purpose of influencing his nomination or election to such office, whether or not the individual has made known the specific office for which he or she will seek nomination or election at the time the contribution is received or the expenditure is made; or  (2) Taken the action necessary under the laws of the Commonwealth to qualify himself for nomination or election to such office.
COMMONWEALTH	Commonwealth of Pennsylvania
CONTRIBUTIONS	Any payment, gift, subscription, assessment, contract, payment for services, dues, loan, forbearance, advance, or deposit of money or any valuable thing, to a candidate or political committee made for the purpose of influencing any election in the Commonwealth of Pennsylvania or for paying debts incurred by or for a candidate or committee before or after any election. "Contribution" shall also include the purchase of tickets for events such as dinners, luncheons, rallies, and all other fund-raising events; the granting of discounts or rebates not available to the general public; the granting of discounts or rebates by television and radio stations and newspapers not extended on an candidates for the same office; and, any payments provided for the benefit of

any candidate, including any payments for the services of any person serving as an agent of a candidate or committee by a person other than the candidate or committee.

Any of the following shall not be deemed a contribution for purposes of these disclosure forms:

(1) Voluntary personal services provided by individuals who volunteer a portion or all of their time on behalf of a candidate or political committee.

(2) The operation of a motor vehicle owned or leased by a candidate or a member of his immediate family or for consumption of food or beverages by a candidate or his immediate family.

(3) The use of real or personal property, including a community room or a church used on a regular basis by members of a community for noncommercial purposes, and the cost of invitations, food and beverages voluntarily provided by an individual to any candidate in rendering voluntary personal services on the individual's residential premises or in the church or community room for candidate related activities, to the extent that the cumulative value of such invitations, food and beverages provided by such individual on behalf of any single candidate does not exceed two hundred fifty dollars (\$ 250), with respect to any single election.

(4) The sale of any food or beverage by a vendor other than a corporation or unincorporated association for use in any candidate's campaign at a charge less than the normal comparable charge, if such charge is at least equal to the cost of such food or beverage to the vendor to the extent that the cumulative value of such reduced charge by such vendor on behalf of any single candidate does not exceed two hundred fifty dollars (\$250) with respect to any single election.

(5) Any unreimbursed payment for travel expenses made by any individual on behalf of any candidate to the extent that the cumulative value of such travel activity by such individual on behalf of any single candidate does not exceed two hundred fifty dollars (\$250) with respect to any single election.

(6) The use of the personal residence or the business or office space of the candidate other than a corporation or unincorporated association and the use of personal property owned or leased by the candidate; provided, however, that the cumulative value of the use of such personal property does not exceed one thousand dollars (\$1,000) with respect to any single election.

(7) The use of the personal residence or the business or office space of any volunteer, other than a corporation or unincorporated association, and the use of personal property owned or leased by a volunteer; provided, however, that the cumulative value of the use of such personal property does not exceed two hundred fifty dollars (\$250) with respect to any single election.

EXECUTIVE LEVEL  
EMPLOYEE

An employee of a person or the person's affiliated entity who:

(1) Can affect or influence the outcome of the person's or affiliated entity's actions, policies or decisions relating to pensions and the conduct of business with a municipality or a municipal pension system; OR

(2) Is directly involved in the implementation or development of policies relating to pensions, investments, contracts or procurement or to the conduct of business with a municipality or a municipal pension system.

GIFT

An offering made to any official, employee, or fiduciary of the Plan or Municipality including money, services, loans, travel, lodging, entertainment, or a discount.

PLAN

The Municipal Pension Plan that is a party to an existing or proposed professional services contract.

POLITICAL

Any committee, club, association or other group of persons which receives COMMITTEE contributions or makes expenditures.

PROFESSIONAL SERVICES CONTRACT

A contract to which the Municipal Pension Plan is a party that is:

SERVICES  
CONTRACT

(1) For the purchase or provision of professional services, including investment services and consulting services; and

(2) Not subject to a requirement that the lowest bid be accepted.

PROVIDER	An individual or a Business providing services under an existing professional services contract.
SOLICIT A CONTRIBUTION	Requesting or suggesting that a person make a contribution. The sponsoring or hosting of a fundraising event is considered soliciting a contribution from the attendees of the event. Any contributions raised at such event are counted as a contribution made by the host of the event.

### **List of Municipal Officials for the Requesting Municipality**

Certain requests for information in this form will refer to a "List of Municipal Officials." To assist you in preparing your answers, you should consider the following names to be a complete list of pension system and municipal officials and employees. Throughout the Disclosure Form, the below names will be referred to as the "List of Municipal Officials."

#### Elected Officials

Patricia M. Schaefer, President  
George Fuller, Vice President  
J. Edward Cook, Mayor  
Dr. Justin Petrolla  
Jack Wilson  
John Wainright  
Dr. Marc Wallace  
Jack Bright

#### Appointed Officials

Julie P. Bastianini, Borough Manager  
Robert C. Payne, Police Chief  
W. Timothy Barry, Solicitor

#### Pension Committee

Jack Bright  
Dr. Marc Wallace  
George Fuller

1. Please provide names and titles of all individuals who will be providing professional services to the municipal pension plan.
2. Relative to question 1 above, describe the following:
  - a. Are any of the above current or former officials or employees of Edgewood Borough? If so, when were they last employed by Edgewood Borough?
  - b. Are any of the above registered federal or state lobbyists?

- c. What are the responsibilities of each individual with regard to the proposed services?
3. Have you in the last year or do you now retain a third-party intermediary, agent or lobbyist to directly or indirectly communicate with Edgewood Borough? If so, please describe.
4. Has your firm or anyone in your firm solicited a contribution to any municipal official or candidate for municipal office in Edgewood Borough or to the political party or political action committee of an official at Edgewood Borough or candidate for elected office at Edgewood Borough?
5. Confirm that no one at your firm (on or after June 7, 2016) will communicate with (or cause or agree to allow a third party to) communicate with officials or employees of Edgewood Borough except for requests for technical clarification which should be directed to Julie P. Bastianini.
6. List all contributions made by your firm or an Affiliated Entity to a municipal official or candidate for office in Edgewood Borough made on or after December 17, 2009.
7. List any direct financial, commercial or business relationship with any municipal official or pension system of Edgewood Borough held by your firm or any Affiliated Entity.
8. List any gift, including money, services, loan, travel, lodging, entertainment, discount or other thing of value, to any official, employee of Edgewood Borough or a fiduciary of its pension plan.
9. Confirm that no one at your firm or an Affiliated Entity was employed by Edgewood Borough in the last twelve (12) months.
10. List any other disclosures made pursuant to Act 44 of 2009.

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We understand that knowingly making a material misstatement or omission on this form may cause the municipal pension system to void our professional services contract.

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Authorized Signature

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Date