

**CITY OF ROCHESTER**  
**DEFERRED COMPENSATION PLAN COMMITTEE**

**REQUEST FOR PROPOSALS**  
**INVESTMENT ADVISORY SERVICES**

**June 1, 2016**

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## **GENERAL INFORMATION**

### **Background**

The Deferred Compensation Plan for Employees of the City of Rochester (the Plan) is a defined contribution plan covering all the employees of the City of Rochester. The Plan is exempt from income taxes under Internal Revenue Service Section 457(b) of the Internal Revenue Code. The Plan is subject to the Rules and Regulations of the New York State Deferred Compensation Board, Parts 9000 to 9006.

The purpose of the Plan is to provide employees with a convenient way to provide for a long-term retirement program and to encourage broad-based participation of employees in the plan. The Plan wants to assure that this additional benefit is recognized by all employees, that they have the opportunity to receive one-on-one education, and voluntarily participate.

As of December 31, 2016, the Plan has \$193,525,945 of assets and 2,406 participants. In 2015, \$9,677,580 was contributed during the year. The City currently has approximately 2,747 full time and 559 part-time employees.

Mass Mutual is the Plan's third party administrator and has performed recordkeeping, enrollment, and educational services for the Plan since 2013 when Mass Mutual acquired Hartford. Hartford was the third party administrator performing the same functions for the City of Rochester since 1986. The Plan is bundled, but has an open architecture. The Mass Mutual contract has no proprietary fund requirements and defers Investment selection to the Committee, although they currently provide investment performance review services. All 12b-1 fees, dealer concessions, sub-transfer fees, and the like are collected from the mutual fund companies by Mass Mutual and are used to offset administration expenses as well as provide an administrative allowance to the Plan.

### **RFP Objectives**

The City of Rochester Deferred Compensation Plan Committee (the Committee) developed this Request for Proposals (RFP) to obtain proposals from qualified firms to provide the Committee with 3rd party Investment Advisory Services. It is the Committee's belief that obtaining 3rd party Investment Advisory Services will assist the Committee in exercising its fiduciary responsibilities and be in the Plan participants' best interests. If you are qualified according to the Regulations to provide such services, you are requested to complete this RFP.

### **Submission of Proposal**

1. Five (5) copies plus one original of the proposal should be submitted to the following address to arrive no later than 5:00 p.m. on Wednesday, June 29, 2016:

Charles A. Benincasa, Chair  
City of Rochester Deferred Compensation Committee  
c/o City of Rochester  
Finance Director's Office  
30 Church Street, Room 109-A  
Rochester, NY 14614

2. Questions that arise during the proposal preparation process must be received in writing, or via e-mail, to Charles A. Benincasa, Chairman no later than 1:00 P.M. on June 15, 2016 (e-mail: [benincc@cityofrochester.gov](mailto:benincc@cityofrochester.gov)). Questions and responses will be provided in the form of an addendum to the specifications which, if issued, will be conveyed via e-mail to all firms who received this RFP no later than the close of business June 22, 2016. No contact will be allowed between the firm and any other member of the Committee or City with regard to this RFP during the RFP process unless specifically authorized in writing by the Chairman or his designee. Prohibited contact may be grounds for firm disqualification.
3. Any proposals received after 5:00 p.m. on June 29, 2016 will not be considered. It is each Proposer's responsibility to assure that proposals are shipped in a timely fashion so as to be received by the designated party on or before the due date. We accept no responsibility for lost and/or late delivery of proposals.

### **Form and Substance**

The New York State deferred Compensation Board has promulgated the "Rules and Regulations" (effective June 15, 2011), hereafter referred to as the "Regulations", and the Model Plan (including amendments through November 14, 2014) for which you are to rely on for responding to this RFP. These documents can be found at the following link: <http://www.goer.ny.gov/nysdcp/locgov.html> Failure to conform to or satisfy any requirement of these documents may result in the rejection of the proposal.

Proposer must include a fully completed questionnaire, restating each statement or question in Section I through Section V inclusive, and by recording your response directly below each statement or question.

1. Proposers must respond to all questions in the "Contractual Requirements" section (Section I) and must conform to the specifications set forth in this RFP. If a question, statement or section does not apply, put "not applicable" as your response.
2. Proposer must include a transmittal letter on the Firm's official letterhead signed by an official of the Firm who is authorized to commit the organization to perform the services outlined in the submitted proposal: you must indicate such commitment. The transmittal letter must contain a representation that the proposal complies with all requirements of the Regulations and the Model Plan.
3. By submitting a proposal, each Proposer agrees not to make any claims for or have any right to damages because of any misunderstanding or misrepresentation of specifications, because of any misinformation or lack of information or because such Proposer is not selected to provide the services proposed. Submission of a proposal constitutes express acceptance by the Proposer of all provisions of this RFP including all attachments.
4. Costs of developing proposals, making presentations and any subsequent expenses relating to contract negotiation are entirely the responsibility of the Proposer and may not be charged to the City of Rochester or the plan participants.
5. In order to facilitate our analysis and evaluation of the proposals, it is essential that a uniform format be employed in their preparation. Therefore, the content and format of your proposal should follow the guidelines set forth in this RFP. All responses should be as concise as possible. Excessive submissions may be grounds for disqualification.

### **Evaluation Criteria**

In selecting, we will use criteria which comply with the requirements of the Regulations, including Section 9003.3(a)(1 through 7) of the Regulations. The Committee may use additional criteria deemed pertinent to these services, which may include, but may not be limited to, the following:

- Proposed fees
- Understanding of the Project
- Degree of Relevant Experience
- Technical Competence
- References
- Capacity and Availability to Perform the Services
- Local Office
- Other pertinent criteria

Firms that are a New York State certified M/WBE firm will qualify for an additional 10% weighting in the evaluation process.

A non-MWBE firm that demonstrates to the City that the firm will subcontract at least 20% of the contract total to one or more current state certified MWBE firms will receive an additional 10% weighting in the evaluation process. State certified MWBE firms are listed at <https://ny.newnycontracts.com/FrontEnd/VendorSearchPublic.asp>.

Firms that have offices in the City of Rochester will also qualify for an additional 10% weighting in the evaluation process.

All qualified proposals, sought in conjunction with the requirements of Section 9003.2 of the Regulations, will be evaluated and awards made to the Proposer or Proposer (s) whose bid is determined to be in the best interest of the plan participants.

### **Selection Process**

Section 9001.2(b) of the Regulations, recognizes that we have appointed a committee to act on our behalf, to the extent permitted or required by the Regulations and by the Model Plan. Section 9003.3(c): before any contract or agreement entered into by the committee may become effective, the committee must submit in writing, to the President of the New York State Civil Service Commission, the name of such selected Proposer (s) and a "certification" signed by the chief executive officer and chief legal officer stating that such Proposer (s) has been duly selected to provide services in accordance with provisions of the Regulations.

1. Contracts or agreements cannot be awarded before the expiration of ninety (90) days from date of our announcement publication in the State Register and local paper.
2. Invitations may be made for oral presentations, if needed.
3. Any award of a contract or agreement as a result of this RFP will be made by written notification.

4. The projected timetable for the selection process will be as follows:

June 1, 2016	RFP Release Date
June 15, 2016	Proposer questions due
June 22, 2016	Response to questions released
June 29, 2016	Deadline for submission of proposals
July 2016	Short listing for finalists
August 2016	Oral presentation to Sub-committee (if needed)
September 2016	Final Full Committee selection
October 2016	First Quarterly fund review by selected Proposer

5. It is our policy to solicit proposals with a bona fide intention to award a contract. This policy notwithstanding, we reserve the right at any time to:
- reject any or all proposals or parts thereof;
  - modify the selection procedure or the scope of the proposed project or of the required responses.
6. Soliciting proposals and granting of exclusive negotiation rights does not commit us to accept any of the terms of any proposal. Final terms of any agreement will be determined by direct negotiations and are subject to final approval by the City. We may suspend or terminate negotiations at any time that we determine additional negotiations would be unproductive.

### **Term of Contract**

Pursuant to Section 9003.5(a) of the Regulations, we expect to enter into a written contractual arrangement(s) of up to five (5) years in duration. The term of the contract shall be subject to annual review by the Committee. The Committee may cancel the contract at the end of any contract year upon providing the firm with 30 days advance notice in writing. All contracts and agreements entered into shall impose no penalties or surrender charges for the transfer of assets or responsibilities on expiration of the contract or agreement. Upon the expiration or termination of any contract(s) or agreement(s), the committee shall follow procedures set forth in the Regulations in Part 9003 for awarding new contracts and entering into new agreements.

### **SECTION I. CONTRACTUAL REQUIREMENTS**

"Agree" or "Disagree" must be indicated for each of the following specifications. The following specifications can be found in either the Regulations or the Model Plan, all of which should have been enclosed as attachments. Please include reasons for any rejection or disagreement of any specification and alternative options, if applicable. There should be neither elaboration nor qualification for "agree" unless otherwise requested.

#### **Specifications of the Regulations**

1. Section 9001.4(a) through (d) - You agree to abide by all four (4) provisions, *especially not allowing annuity type payouts.*
2. Section 9002.2(a)(5) - You will provide evidence that bonds and insurance have been secured by you pursuant to the Regulations.
3. Section 9002.2(a)(6) - *You will acknowledge in writing that you will act as a fiduciary under Section 457(g) of the Code and under State and common trust law principles with respect to all trusteeship, administrative, or investment matters for which you assume responsibility. Additionally, you agree to indemnify our Plan as a result of any cause of action brought against it as a result of acts or omissions together with the reasonable costs of litigation arising therefrom.*
4. Section 9003.3(a) - Your proposal shall be in writing and contain a representation that the proposal complies with all requirements of the Regulations and clearly indicate all direct fees, indirect fees and charges.
5. Section 9003.5(a) - All contracts and/or agreements shall be in writing, shall be awarded on the basis of a competitive bid, and shall not exceed five (5) years in duration, *and shall impose no penalties or surrender charges for the transfer of any asset(s) or responsibilities on expiration of the contract or agreement.*
6. Section 9003.5(b) - You will not permit any other Trustee, Administrative Service Agency, Financial Organization, independent consultant or person to provide services in respect to the Model Plan we have adopted.

7. Section 9003.7 - You will not permit an investment of any amount, in any annuity contract providing for a term which could exceed five (5) years or which is measured by one or more natural lives or any life insurance or other contract providing traditional death benefits.
8. Section 9004.1 - All information obtained by your position will remain confidential and you will neither solicit nor provide products other than deferred compensation.
9. Section 9005.4 - Agree to satisfy the bonding and insurance requirements of this Section and provide evidence of such.
10. Section 9006.2 - *You agree to include in your contracts and agreements a provision that the contracts and agreements are subject to the Regulations and the Model Plan and that such Regulations and the Model Plan are made part thereof.*

### **Minimum Requirements**

All Proposers must meet the following requirements:

1. The Proposer must be licensed and registered under all appropriate state and federal securities, insurance and bank laws.
2. The Proposer must be duly licensed in the State of New York to conduct such business and provide such services as are described in the RFP, in conformance with the Rules and Regulations of the New York State Deferred Compensation Board ("State Regulations").
3. The Proposer must represent and warrant that: (i) it is not in arrears to the City of Rochester upon any debt or contract; (ii) that Proposer has not been declared not responsible, or disqualified, by any agency of the City of Rochester or State of New York; and (iii) that there are no proceedings pending relating to the responsibility or qualification of the Proposer to receive public contracts.
4. The Proposer may not be a broker, mutual fund firm, investment management Proposer, trust firm or any other similar business nor may the Proposer be affiliated with any such Proposer s and receive a substantial portion of its revenue from such affiliate or such affiliate's clients.
5. The Proposer or key consultants must have provided the proposed services to clients for 5 or more years.
6. The Proposer must have experience working for local governments, districts or authorities in New York State.
7. The selected Proposer must agree that they will not collect any fees in relation to the Plan, including those normally given to a broker, without the Plans written permission. The Proposer must be a fee-for-service consulting firm and may not receive any revenue other than on a fee-for-service basis for the delivery of advice to its clients, affiliates, or affiliates' clients.



## **SECTION II. SCOPE OF SERVICES**

The Proposer will be required to offer expertise and assistance to the Plan in a number of areas, including those listed below. Not all services may be required during any given calendar year. The following list is not intended to be exhaustive, but rather illustrative of the types of services required by the Committee:

### **Investment Performance Monitoring**

1. Ensure well defined procedures in the Investment Policy Statement are in place for the review, maintenance, and monitoring of investment funds.
2. Measure, monitor and report quarterly performance of investments against industry benchmarks and peer group indices. Present quarterly performance reports to the Committee.
3. Recommend elimination/addition of investment options as appropriate.
4. Keep Committee abreast of industry/market trends.
5. Monitor and provide independent alerts to impending risks that may impact Providers, fund manager and fund performance.
6. Evaluate new investment opportunities upon request.
7. Attend quarterly Committee meetings.
8. Conduct Fund searches.
9. Analyze, summarize and communicate general market trends.

### **Investment Policy Services**

1. Assist with the creation of the Plan's Investment Policy Statement.
2. Conduct an annual comprehensive review and analysis of the Plan's investment policies and recommend changes, if appropriate.
3. Advise the Committee with respect to the overall investment policy.
4. Monitor conformance of investment options and managers with stated policy and managers' guidelines.

### **SECTION III. QUESTIONS**

#### **Firm Background**

1. The name of your firm, home office address, New York State address (if any), and the name (including title), address and phone number of your primary contact person whom we may contact about your proposal.
2. Give a very brief description of your firm and its history, particularly its experience in the State of New York.
3. State whether your firm, its parent or any affiliate is a registered investment adviser with the SEC under the Investment Act of 1940. If not, state your fiduciary classification.
4. The name, title, qualifications and background of the personnel assigned to this account, including professional credentials.
5. List three (3) client references for which your organization provides investment services similar to those requested in this proposal. It would be preferable if all three (3) of the references could from New York State. Please include contact person name, title, address and telephone number, approximate size of assets and the number of years you have been providing services.
6. What professional liability coverage is maintained by your firm for errors and omissions or any other act?
7. Please provide audited financial statements for the most recent three years.
8. Has your firm been involved in any litigation in the last five (5) years or is there any pending litigation arising out of your performance? If so, please provide a detailed explanation.
9. Provide details of any client relationships that have been terminated within the last two years, along with the reasons for termination. The Committee may contact these organizations as references.
10. Provide details of any new relevant client relationships that have been implemented with the last two 2 years. The Committee may contact any of these organizations and references.
11. What precautions will be in place to ensure that your firm abides by Regulation Section 9004.1 which prohibits a service provider from soliciting or inducing plan participants to purchase or utilize products “for any purpose not directly related to the plan”?
12. Concisely provide any additional information that would distinguish your firm.

### **Investment Policy Services**

1. Please outline your process for development of client overall investment management policy as well as investment policy for any specific asset classes.
2. Outline your process for maintaining and providing a continuous review of your clients' investment policy, investment strategy and investment options.

### **Investment Performance Monitoring**

1. What sources of data do you utilize for analyzing and evaluating your client's portfolio(s) performance?
2. Describe the process and types of reporting and analysis you can provide on investment performance. How many business days do you require to complete quarter-end reports?
3. Discuss in detail your performance attribution analysis as it relates to individual portfolios, and to each individual asset class (domestic equity, fixed income, international equity, etc.).
4. Describe your process of reviewing investment manager compliance with investment objectives and guidelines.
5. Describe your firm's methodology and sources of data for analyzing and evaluating a potential manager's performances. Discuss benchmarks and comparisons with other managers. Describe how risk is factored into this analysis. Discuss any quantitative attribution analysis that is performed.
6. Comment on your firm's computer and analytical capabilities. What sort of databases analytical tools have you developed to support your efforts?
7. Describe your process for recommending manager termination.
8. Provide a sample of a quarterly performance report.

### **Fees and Expenses for Services**

1. Please quote your total annual recurring fees for this advisory service. Please separate, identify, and assign a charge to each individual component.
2. For what period of time would you be willing to guarantee the above fee quotes?
3. What would cause any of the above fee quotes to change significantly?