

# The City of Bethlehem Aggregated Pension Plan

## Request for Proposal

### Active Domestic Large Cap Core Equity

Responses due by 2 pm EST, Thursday, January 21, 2016

The City of Bethlehem's Pension Board is soliciting proposals from qualified investment companies to manage approximately \$14 million in active, domestic large cap core equities (awarded to 1 manager). The Plan's investment policy statement calls for the Plan's large cap domestic equity allocation to be invested in a balance of active and passive strategies and this RFP is investing the active investment strategy allocation.

For this RFP, the City seeks a manager with a style that tracks the S&P 500 index within a reasonable 1-3% range annually and continues to effectively track this index during virtually all market conditions. Additionally, the City seeks a manager with an appropriate fee schedule that is competitive with index based management fees and reflects an attractive value proposition considering all investment returns must be evaluated on an after fee basis. Conversely, the City is less likely to consider manager returns that subject the Plan to material annual performance deviations from benchmark returns despite favorable long term track records.

In conjunction with this RFP, the Board has engaged the investment consulting services of Morrison Fiduciary Advisors, Inc. to assist in the evaluation process. Morrison is a fee-only investment consulting firm with no affiliation with any money manager or broker dealer, which allows Morrison to be completely objective when advising the Plan.

This Request for Proposals (RFP) is issued in accordance with the requirements set forth in Pennsylvania Act 44 of 2009 and any potential vendor should familiarize themselves with this Act and conform to its specific requirements including complete an Act 44 disclosure form as part of its response to this RFP.

The City has approximately \$135 million in aggregated pension plan assets. Attached to this RFP is the Plan's current Investment Policy Statement which can be used as a reference when considering this RFP.

In selecting the Domestic Large Cap Core Equity Manager, the Board has established the following minimum standards.

- Managed domestic large cap core equities for at least 5 years with at least \$250 million in large cap core equity assets benchmarked against the S&P 500 index.
- Firm is a registered investment advisor with the SEC pursuant to the Investment Advisors Act of 1940.
- The performance record of the proposed product has a 5-year track record as of 9-30-15 and has been independently verified for compliance with GIPS standards.

# City of Bethlehem Aggregated Pension Plan

## I. GENERAL INFORMATION

Firm Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
RFP Contact: \_\_\_\_\_ Contact  
Phone: \_\_\_\_\_  
Title: \_\_\_\_\_ Fax: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Firm website  
address: \_\_\_\_\_  
Strategy under Consideration: Active Domestic Large Cap Core Equity  
Projected size of account: Approximately \$14,000,000 RFP Due Date: 2pm, Jan. 21, 2016

## II. FIRM INFORMATION

1. State whether or not you comply with all of the minimum standard requirements listed on the previous page. (If not, please explain.)
2. What is the firm's inception date? Please include the ADV Part 2A as an attached document. (Appendix A)
3. What is the firm's ownership structure? Have there been any key employee departures or hires over the last 3 years regarding your large cap core equity team? Please provide an organizational chart of your firm's large cap core equity investment committee and key decision making personnel along with their experience and years at firm including brief biographies. Also provide the name(s) of the client service personnel assigned to our account including brief biographies. (Appendix B)
4. Disclose large cap core equity assets under management and breakdown those assets between institutional and high net worth individuals. Breakdown institutional client assets by type, i.e. (Corporate, Public, Taft Hartley, Foundation & Endowments, etc.)
5. Does the firm have any broker/dealer affiliations? If yes, please describe the relationship between the firm and its broker/dealer.
6. Provide a brief description of any past or pending regulatory action, litigation or other legal proceedings involving the firm or any registered employees and/or principals. Describe your policies and procedures on eliminating potential conflicts of interest.
7. What types of liability insurance (e.g. Errors and Omissions, Fiduciary Liability, Fidelity Bonding) including dollar amounts and other forms of coverage does your firm maintain to protect client assets?

### **III. INVESTMENT STRATEGY & PROCESS**

1. Describe your firm's investment philosophy regarding domestic large cap core equities and what significant factors influence your success with this asset class? What is considered to be the competitive advantage of this investment philosophy? (please limit answer to no more than 1 page)
2. In what market environments is the strategy expected to outperform/underperform?
3. What is the main source of research used in the portfolio management process (internal and/or external)? If applicable, describe your reliance on in-house research in the context of personnel skills and experience.
4. Describe your portfolio construction process including number of holdings, sectors weights and constraints, turnover, and potential exposure to securities not included in the benchmark.
5. Describe your firm's sell decision process.
6. Describe the guidelines and risk control measures employed relative to your benchmark.
7. Describe your firm's trading methodology. What processes does your firm utilize to minimize trading costs? Identify the people responsible for trading this product.
8. What was the cents per share commission on trades for this product over the last year? Do you anticipate this cost going up or down in the future?
9. If applicable, describe your firm's policy on 'soft dollar' trading. What research benefits does your firm receive regarding this policy?

### **IV. PROPOSED FUND TERMS**

1. Provide the name of the fund/account being proposed and its corresponding benchmark if other than the S&P 500 index? If a mutual fund, please provide the ticker symbol.
2. What investment vehicle is being proposed for this \$14 million mandate (i.e. separate account, institutional mutual fund, collective trust, etc.)?
3. What is the comprehensive fee schedule on the proposed product? Is the fee negotiable?
4. Is your firm represented by any third party organization or individual whose purpose is marketing and/or gathering assets for the firm and are compensated as such? If so, list all relationships and their nature.
5. Is the performance data history submitted compliant with GIPS standards? If yes, indicate the effective date of compliance. If no, please explain.
6. Is the current investment team responsible for the entire historical performance record? If not, please explain.

7. Was the entire historical performance record generated at this firm by employees of this firm? If not, please explain.
8. Is the proposed product's data populated in the Informa Investment Solutions database as of 9-30-15?
9. Complete Appendix C which is an excel spreadsheet attached to this RFP.

## V. Submission Information and Summary

### **Please submit your response to this RFP in the order as follows:**

1. Transmittal letter identifying this RFP, your firm, firm RFP contact and an affirmation that all documents and answers submitted are truthful and accurate. **(hard & electronic copy)**
2. RFP answers **(hard & electronic copy)**
3. Act 44 disclosure form completed in its entirety **(hard & electronic copy)**
4. The following 3 appendices in electronic form only listed below:
  - Appendix A: Form ADV Part 2A **(electronic copy only)**
  - Appendix B: Equity Team Organizational Chart **(electronic copy only)**
  - Appendix C: Excel Spreadsheet **(electronic copy only)**

Please submit 1 original proposal of the completed RFP by 2 pm EST, Thursday, January 21, 2016 to David Brong, Business Administrator as well as 1 original proposal to the Consultant using the addresses shown below:

City of Bethlehem Aggregated Pension Plan  
David Brong, Business Administrator  
10 East Church Street  
Bethlehem, PA 18018  
[dbrong@bethlehem-pa.gov](mailto:dbrong@bethlehem-pa.gov)

Morrison Fiduciary Advisors, Inc.  
Robert Bulas  
1405 McFarland Road  
Pittsburgh, PA 15216  
[rjb@morrisonadvisors.com](mailto:rjb@morrisonadvisors.com)

### **Projected RFP timeline:**

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|--------------------------|--|
| RFP Issue Date:          | Tuesday, December 29, 2015               |
| RFP Due Date:            | Thursday, January 21, 2016 @ 2pm EST     |
| Finalists Notification:  | Wednesday, February 10, 2016 (tentative) |
| Finalists Presentations: | Thursday, February 25, 2016 (tentative)  |

To ensure a more efficient evaluation process, respondents should direct all inquiries regarding this RFP to Robert Bulas at Morrison Fiduciary Advisors via email only. At any time during this RFP process, the Board has the right to consider all factors and take any action to ensure the Fund obtains the best possible manager evaluation result. These Board actions include the Board's right to negotiate proposals received, amend the RFP process, accept additional proposals, consider information not contained in the original proposals and consider all factors in addition to price. This RFP process is for professional services and the final award will not be based strictly on price. The Board appreciates your interest in serving the Plan and looks forward to your response.

## VI. Act 44 Disclosure

### ACT 44 DISCLOSURE FORM

#### CITY OF BETHLEHEM AGGREGATED PENSION PLAN, PENNSYLVANIA

**LIST OF MUNICIPAL OFFICIALS & EMPLOYEES OF THE REQUESTING MUNICIPAL ENTITY**

**APPLICANTS:** Certain questions on this Disclosure 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 relevant employees.

**MUNICIPALITY:** Enter below, a list of municipal officials that have any involvement in the administration or management of the pension system – Elected Officials, Appointed Officials and Employees, Board Members, or other Pension Committee Members (if applicable). Do not include employees that are not in a management position or serve on a pension committee or in a decision-making position relative to this pension system. If a category listed below is not applicable, so state.

| Elected Officials:                |                         |                      |                         |
|-----------------------------------|-------------------------|----------------------|-------------------------|
| Name:                             | Title:                  | Name:                | Title:                  |
| Robert J. Donchez                 | Mayor                   | George H. Yasso      | Controller              |
| Kaija Farber                      | Treasurer               | J. William Reynolds  | Council President       |
| Bryan G. Callahan                 | Councilmember           | Adam R. Waldron      | Councilmember           |
| Eric R. Evans                     | Councilmember           | Michael D. Recchiuti | Councilmember           |
| Cathy Reuscher                    | Councilmember           | Louis N. Stellato    | Councilmember           |
|                                   |                         |                      |                         |
|                                   |                         |                      |                         |
|                                   |                         |                      |                         |
|                                   |                         |                      |                         |
| Employees or Appointed Officials: |                         |                      |                         |
| Name:                             | Title:                  | Name:                | Title:                  |
| David L. Brong                    | Pension Board Member    | Jason Fulmer         | Pension Board Member    |
| Douglas Nothstein                 | Pension Board Member    | Wade Haubert         | Pension Board Member    |
| Adam Orth                         | Pension Board Member    | Robert Shuck         | Pension Board Member    |
| Robert Novatnack                  | Pension Board Member    | Matthew Kloiber      | Pension Board Solicitor |
| Mark W. Sivak                     | Dir of Budget & Finance |                      |                         |

#### APPLICANT STANDARD DISCLOSURE QUESTIONS

**APPLICANT INSTRUCTIONS:** In accordance with Chapter 7-A of Act 44, 2009, ALL applicants responding to this RFP must complete the following Standard Disclosure Form Questions.

1. Initial each question (except **Q1:**) to provide your response in the space provided to the right of each question.

2. **THEN:** provide explanations for all **“Yes”** or **“Applies”** responses **AND**, the information requested in **Q1:** (**mandatory**), on a separate sheet(s) of paper with the question you are responding to clearly noted. Attach your response sheet to this Disclosure Form.

Required Act 44 Professional Services Contract Disclosure Information:

In accordance with Pennsylvania Act 44 of 2009, all Professional Services Contracts must disclose the following information in their Request for Proposal (RFP) response documents. All potential vendors should refer to PA Act 44 of 2009 and become familiar with their procedures and disclosures and then adhere to these standards throughout the RFP process.

1. Disclose the names and titles of each individual who will be providing professional services to the municipal pension system, including advisors or subcontractors and a description of the responsibilities of each individual and their resumes (as an exhibit).

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For any individual listed above:

a. Is the individual(s) listed above a current or former official or employee of the municipality entering into the contract: \_\_\_\_\_ (No) , If Yes, please explain below.

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b. Is the individual(s) listed above a registered Federal or State lobbyist: \_\_\_\_\_ (No) , If Yes, please explain below:

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2. Disclose the terms employment/compensation of any third party intermediary agent or lobbyist who will directly or indirectly communicate with a municipal pension system official(s) or employee(s) in connection with any investment transaction involving the potential vendor and the municipal pension system.

\_\_\_\_\_ (not applicable) , If applicable, please explain below:

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3. Disclose any person that enters into a professional services contract with a municipal pension system that has a direct financial, commercial, or business relationship with any of the municipal pension system officers or employees which controls the municipal pension system.

\_\_\_\_\_ (not applicable) , If applicable, please explain:

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4. Disclose any apparent, potential or actual conflicts of interest of any person or entity who potentially enters into, or applies for, submits an offer or bid for, responds to a request for, or otherwise solicits, a proposal or a contract with the municipal pension system.

\_\_\_\_\_ (not applicable) , If applicable, please explain:

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5. Disclose all contributions (political contributions and gifts) to which all of the following apply:

- a. A contribution was made after the Act's December 18, 2009 effective date.
- b. A contribution was made by an officer, director, executive-level employee, or owner of at least 5% of the potential vendor.
- c. The amount of the contribution was at least \$500 in aggregate.
- d. The contribution was made to a candidate for any public office serving in the Commonwealth of Pennsylvania or to an individual who holds that office.
- e. The contribution was made to a political committee of a candidate for public office in the Commonwealth or to an individual who holds that office.

\_\_\_\_\_ (not applicable) , If applicable, please list the name and address of the contributor, the contributor's relationship to the potential vendor, the name, office and position of each person receiving a contribution, the amount of the contribution, and any gifts to an official or employee of the municipal pension system:

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**APPLICANT VERIFICATION**

I, \_\_\_\_\_, hereby state that I am the \_\_\_\_\_ for  
(Name) (Position)  
\_\_\_\_\_ and I am authorized to make this verification.  
(Contractor / Company Name)

I hereby verify that the facts set forth in the foregoing Act 44 Disclosure Form for RFP Applicants seeking to provide Professional Services to the Millcreek Township Combined Pension Plan are true and correct to the best of my knowledge, information and belief. I also understand that knowingly making material misstatements or omissions in this form could subject the responding **Applicant** to the penalties in Section 705-A (e) of Act 44.

I understand that false statements herein are made subject to the penalties of 18 P.A.C.S. § 4904 relating to unsworn falsification to authorities.

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Signature

Date

### DEFINITIONS FOR THIS DISCLOSURE FORM

| TERM:                                      | DEFINITION:  |
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| <b>CONTRACTOR<br/>(ALSO – “APPLICANT”)</b> | <p>Any person, company, or other entity that receives payments, fees, or any other form of compensation from a municipal pension system in exchange for rendering professional services for the benefit of the municipal pension system.</p> <p><b><u>This term shall also Apply</u></b> to any Applicant who solicits, applies for, or responds to a Request for Proposal for the purpose of gaining a professional services contract.</p>  |
| <b>SUBCONTRACTOR OR ADVISOR</b>            | Anyone who is paid a fee or receives compensation from a municipal pension system – directly or indirectly from or through a contractor.   |
| <b>AFFILIATED ENTITY</b>                   | <p>Any of the following:</p> <ol style="list-style-type: none"> <li>1. A subsidiary or holding company of a lobbying firm or other business entity owned in whole or in part by a lobbying firm.</li> <li>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.</li> </ol>  |
| <b>CONTRIBUTIONS</b>                       | As defined in section 1621 of the act of June 3 <sup>rd</sup> , 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code.  |
| <b>POLITICAL COMMITTEE</b>                 | As defined in section 1621 of the act of June 3 <sup>rd</sup> , 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code.  |
| <b>EXECUTIVE LEVEL EMPLOYEE</b>            | <p><b><u>ANY</u> employee or person or the person’s affiliated entity who:</b></p> <ol style="list-style-type: none"> <li>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</li> <li>2. Is directly involved in the implementation or development policies relating to pensions, investments, contracts or procurement or the conduct of business with a municipality or municipal pension system.</li> </ol> |
| <b>MUNICIPAL PENSION SYSTEM</b>            | <p>Any qualifying pension plan, under Pennsylvania state law, for any municipality within the Commonwealth of Pennsylvania; includes the Pennsylvania Municipal Retirement System.</p> <p><i>Example: the Combined Pension Plan for the City of Washington.</i></p>  |

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| <b>MUNICIPAL PENSION SYSTEM OFFICIALS AND EMPLOYEES;<br/>MUNICIPAL OFFICIALS AND EMPLOYEES</b> | <p><b><u>Specifically</u></b>, those listed in the preceding section titled: <b><i>“List of Municipal Officials &amp; Employees for the Requesting Municipality:”</i></b> and / or whenever applicable, may include <u>any</u> employee of the <b>Requesting Municipality</b>.</p>                      |
| <b>PROFESSIONAL SERVICES CONTRACT</b>  | <p>A contract to which the municipal pension system is a party to that is: (1) for the purchase of professional services including investment services, legal services, real estate services, and other consulting services; and, (2) not subject to a requirement that the lowest bid be accepted.</p> |