



## Agenda

### Retiree Healthcare Benefits Plan & Trust Board Meeting

October 10, 2012 at 1:00 PM  
Conference Room C

Troy City Hall  
500 West Big Beaver  
Troy, Michigan 48084  
(248) 524-3330

#### ROLL CALL

#### ABSENT MEMBERS

#### MINUTES FROM THE APRIL 11, 2012 MEETING

#### MINUTES FROM THE JULY 11, 2012 MEETING

#### MINUTES FROM THE AUGUST 22, 2012 SPECIAL MEETING

#### INVESTMENTS

#### OTHER BUSINESS

#### PUBLIC COMMENT

#### ADJOURN

A meeting of the Retiree Health Care Benefits Plan & Trust Board of Trustees was held on Wednesday, April 11, 2012, at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 3:04 p.m.

**Trustees Present:** Mark Calice  
Wade Fleming  
Thomas J. Gordon, II  
William R. Need (Ex-Officio)  
Steve Pallotta  
Milton Stansbury  
John Szerlag

**Trustees Absent:**

**Also Present:** Justin Breyer  
Monica Irelan

**Investments- April Performance Report from Waddell & Reed**

The board reviewed the performance report. It was received and filed.

**Investments- investment of \$4.0 Million**

The board reviewed the recommendations by Waddell & Reed. No action was taken.

**Other Business- Approval of Meeting Dates**

**Resolution # RH – 2011 – 4- 1**

Moved by Gordon  
Seconded by Pallotta

RESOLVED, That the board approve the **2012** calendar as follows:

July 11 and October 10, meetings will be at 1:00pm or immediately following the Employees' Retirement System board meeting in conference room C of City Hall.

Yeas: All – 6

**Public Comment**

None

The next meeting is July 11, 2012 at 1:00 p.m. at Troy City Hall, Conference Room C, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 3:45 p.m.

A meeting of the Retiree Health Care Benefits Plan & Trust Board of Trustees was held on Wednesday, July 11, 2012, at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 2:30 p.m.

**Trustees Present:** Mark Calice  
Milton Stansbury  
Michael Culpepper  
Dave Henderson  
Thomas J. Gordon, II  
Thomas Darling, CPA

**Trustees Absent:** William R. Need (Ex-Officio)  
Steve Pallotta

**Also Present:** Justin Breyer

**Other Business- Waddell & Reed- Account Management**

Bryan Wieferich, CFP, discussed options for fund profiles for diversification of the Board's investments. The Board requested that Bryan return to discuss managed funds at a later date.

**Other Business- Special Meeting**

**Resolution # ER – 2012-7-2**

Moved by Gordon

Seconded by Stansbury

RESOLVED, That the board calls a special meeting for Wednesday, August 22, 2012 at 12:00 p.m.

Yeas: All- 6

Absent: William R. Need (Ex-Officio)

Steve Pallotta

**Public Comment**

The next meeting is August 22, 2012 at 12:00 p.m. at Troy City Hall, Conference Room C, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 3:39 p.m.

A special meeting of the Retiree Health Care Benefits Plan & Trust Board of Trustees was held on Wednesday, August 22, 2012, at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 12:02 p.m.

**Trustees Present:** Mark Calice  
Milton Stansbury  
Michael Culpepper  
Dave Henderson  
Thomas J. Gordon, II  
Thomas Darling, CPA  
Steve Pallotta

**Trustees Absent:** William R. Need (Ex-Officio)

**Also Present:** Justin Breyer  
Brian Wieferich

**Other Business- Waddell & Reed- Account Management**

Bryan Wieferich, CFP, presented options for brokerage accounts for diversification of the Board’s investments. The board also presented Mr. Wieferich with questions related to past performance and investment advising.

**Other Business- Discussion of Board Structure**

Tom Darling presented information related to a Request for Information for an investment advisor to the Retiree Health Care Benefits Plan & Trust.

**Investments**

**Resolution # ER – 2012-8-3**

Moved by Darling  
Seconded by Stansbury

Whereas, the City of Troy Retiree Health Care Benefits Plan and Trust desires to earn a rate of return on money not currently invested, which is due from the City of Troy;

Resolved, that the City of Troy Retiree Health Care Benefits Plan and Trust Board hereby directs the Pension Administrator to invest this money in a certificate of deposit or a certificate of deposit-like product that will mature in no more than six months.

Yeas: All- 7  
Absent:

**Public Comment**

The next meeting is October 10, 2012 at 1:00 p.m. at Troy City Hall, Conference Room C, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 1:52 p.m.

G:\Retiree Health Care Benefits Plan & Trust\2012\08.22.12 Minutes\_Draft



September 6, 2012

To: The Board of Trustees

From: Thomas Darling, System Administrator

Subject: Draft RFI for investment consultant

Please find attached a draft copy of the Request For Information (the "RFI") for investment consultant services requested by both the City of Troy Employee Retirement System and the City of Troy Retiree Healthcare System.

The purpose the draft RFI is to allow the Board of Trustees an opportunity to review the scope and content before final issuance scheduled on October 15, 2012.

You may submit any suggested revisions to me directly by email to [t.darling@troymi.gov](mailto:t.darling@troymi.gov) or delivery to the City Manager's office in care of my attention (address in letterhead above).

Revisions received prior to October 3<sup>rd</sup> will be reviewed by the System Administrator and if appropriate, incorporated into a 2<sup>nd</sup> draft RFI to be reviewed at the regular scheduled meeting on October 10, 2012. Any final revisions will be discussed at this meeting and incorporated into the draft document for final issuance on October 15, 2012.

If you have any questions please contact me at 248-524-3330 or by email [t.darling@troymi.gov](mailto:t.darling@troymi.gov).

**REQUEST FOR INFORMATION  
CITY OF TROY EMPLOYEES RETIREMENT SYSTEM**

**RE: THE SELECTION OF AN INVESTMENT CONSULTANT**

**I. OVERVIEW**

The trustees of the City of Troy Employees Retirement System and the City of Troy Retiree Health Care System (“Retirement Boards”) are in the process of reviewing their investment consultant services. The purpose of this Request for Information (RFI) is to gain adequate information from which the Retirement Boards may evaluate such services.

The City of Troy Employees Retirement System had a total market value of approximately One Hundred Seventy Six Million Five Hundred Thousand (\$176,500,000) Dollars as of June 30, 2012. The City of Troy Retiree Health Care System had a total market value of approximately Twenty Eight Million (\$28,000,000) as of the same date.

The City of Troy Employees Retirement System’s portfolio consists of approximately 70% equity, 18% fixed income, 2% alternative assets and 10% cash and is managed by the Board of Trustees.

The City of Troy Retiree Health Care System portfolio consists of mutual funds as directed by the Board of Trustees.

**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 Boards 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 Boards in the development and periodic review of a policy statement that properly reflects the Retirement Boards’ tolerance for risk and that best helps the Retirement Boards’ 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 allocations falls within the investment objectives and guidelines.

**3. Investment Manager Search**

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

**5. General Consulting Services**

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

**6. Performance Measurement & Monitoring**

Monitoring the performance of the investment manager(s) to provide the Retirement Boards with the ability to determine the manager's progress toward achieving the investment objectives.

**7. Monitor compliance with Act 314**

Monitoring the investment of the Retirement Systems' assets with regards to the asset limitations under Public Act 314 of 1965, as amended, with written quarterly reports submitted to the Retirement Boards'.

**8. Assist in Fund Diversification**

Assist the Retirement Boards' 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 Boards'.

**B. MINIMUM REQUIREMENTS**

1. The Investment Consultant must have a minimum of five (5) years 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, as amended.
4. The firm must provide investment consulting services for a retirement system with assets in excess of \$150 million.
5. 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(s) or entity submitting this proposal.
6. The Investment Consultant must attend monthly meetings, as well as special meetings upon request by the Retirement Boards, at no cost to the Retirement Systems.

### **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, 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 Boards requests that an electronic version and eight (8) hard copies be submitted.

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

Investment Consultant RFI  
City of Troy Employees Retirement System  
Attn: Thomas Darling  
500 W. Big Beaver Road  
Troy, Michigan 48084

Your response to this RFI must be received at the above address by **4:00 p.m. on Friday October 26, 2012**

## II. REQUEST FOR INFORMATION

### 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? 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 and dollars managed under contract to

date. Please provide a minimum of 3 references by name of client, type of client, contact person, address and telephone number.

If you have additional institutional consulting experience please complete the following matrix:

| Number of managed accounts by asset size |                   |        |                        |        |                      |        |         |        |  |
|--|-------------------|--------|------------------------|--------|----------------------|--------|---------|--------|--|
| Size<br>(Millions)                       | Corporate Systems |        | Endowments/Foundations |        | Public Pension Funds |        | Other   |        |  |
|  | Clients           | Amount | Clients                | Amount | Clients              | Amount | Clients | Amount |  |
| 0-99                                     |                   |        |                        |        |                      |        |         |        |  |
| 100-199                                  |                   |        |                        |        |                      |        |         |        |  |
| 200-499                                  |                   |        |                        |        |                      |        |         |        |  |
| 500-999                                  |                   |        |                        |        |                      |        |         |        |  |
| Over 1 billion                           |                   |        |                        |        |                      |        |         |        |  |
| <b>Total</b>                             |                   |        |                        |        |                      |        |         |        |  |

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.
13. What is your firm's position on Commission Recapture Programs and how would the Board's participation in such programs effect your services?

**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 system's actuary?
2. How many meetings would be required with the Retirement Boards? 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 advisors? 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?
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 Boards. 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, 2011, 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.

#### **E. CUSTODIAL SERVICES**

Does your firm provide custodial services?

## **F. FEES**

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. Describe the various types of insurance and indemnification provided to protect clients of service(s) proposed, including (Be sure to include specific dollar coverage).
10. Are you willing to acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?

## **OTHER REQUIREMENTS**

1. Pre-Qualification: Inviting a response does not assume a "prequalification" of any proposer.

2. Preparation Cost: The Retirement Boards 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 Boards may reasonably require. The Retirement Boards reserves the right to investigate the qualifications of all responders as it deems appropriate.
5. Rejection: The Retirement Boards reserves 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 Boards interest, and the right to waive minor irregularities in the procedures. The Retirement Boards further reserve 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 Boards 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 Boards appreciates the time and effort you will have expended in responding to this RFI.