



CITY OF PHILADELPHIA

City Treasurer

**REQUEST FOR PROPOSAL
FOR**

Investment Manager Services

June 29, 2009

City of Philadelphia
City Treasurer

Request for Proposal for
Investment Manager Services

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1 General Information

1.1 Background and Scope of Services

The City of Philadelphia is soliciting proposals for Investment Managers for short-term fixed income management (zero to two years), with the overall goals of preserving principal and maintaining liquidity, while maximizing returns for the City’s funds. Funds to be managed include certain Operating, Capital, Debt Service Reserve, and Other Funds of the City’s General Fund, Water Department, Aviation Department, and Philadelphia Gas Works. The City anticipates the selection of a pool of eligible Investment Managers (IMs) to select managers when needed to actively manage approximately \$1.5 billion. The City seeks IMs who meet the above stated goals, maximize yield, and achieve cash flow requirements. The original contract will be one year with three possible one year renewals.

Depending on the specific investment strategy, the benchmarks for performance comparison may be one or more of the following: the Salomon Brothers 6-month Treasury Bill, the Citigroup 6 month treasury bill index, the Citigroup 1 year treasury bill index, the Merrill Lynch 2 year treasury note index, or other more appropriate benchmarks. The goal of the Investment Manager(s) is to maintain total performance returns equal to or greater than the specified benchmark for the specific strategy after returns have been adjusted for fees.

Joint proposals will not be accepted. The City encourages submissions by minority-owned and women-owned firms. The City requires that any firm selected agrees not to discriminate nor permit discrimination against any person because of race, color, religion, national origin, sex or sexual orientation. In the event of such discrimination, the City reserves the right to terminate its appointment.

Scope of Services

The scope of services to be provided by the firms (the “Successful Respondent”) chosen to provide investment management services will be subject to a written agreement (the “Agreement”) between the City and the “Successful Respondent”.

The “Successful Respondent” will demonstrate extensive experience and superior capability for providing investment management services. The “Successful Respondent” will assist the City in the ongoing process of investment review and compliance and asset allocation decisions. Specifically, the “Successful Respondent” will assist the City with and/or provide:

- Strategic planning with respect to the asset allocation
- Performance monitoring and reporting
- Education of the Investment Committee with respect to investments, trends, market conditions and strategies
- Development of internal staff capabilities with respect to investments
- Access to all due diligence reports
- Management of the funds in accordance with City, State, and Federal guidelines
- Other investment management services as required by the City

The “Successful Respondent” will report directly to the City Treasurer and to the Investment Committee. The City’s Investment Committee, as defined in the City’s Investment Policy, is responsible for selecting Investment Managers; overseeing the relationship between the City and its Investment Managers; and reviewing Investment Managers’ performance on a regular basis. The firm will serve in a fiduciary capacity and will acknowledge in writing the firm’s fiduciary status, without qualification. In

all cases, the investment manager(s) and its staff will offer its advice to the City in conformity with the City's policies.

The following documents are applicable to the Scope of Services and are included as Appendices to this RFP:

Appendix A: City of Philadelphia Investment Policy adopted as of April 2001

Appendix B: Form of Investment Managers Contract

Investment Objectives

The City's investment portfolios shall be managed to accomplish the following hierarchy of objectives;

- a. Preservation of Principal: The single most important objective of the City's investments is the preservation of the principal of those funds within each portfolio.
- b. Maintenance of Liquidity: The portfolio shall be managed in such a manner that assures that funds are available as needed to meet those immediate and/or future payment requirements of the City, including but not limited to, payroll, accounts payable, capital projects, debt service and any other such payments so designated by the Investment Committee.
- c. Maximize Return: The portfolios shall be managed in such a fashion as to maximize the return on investment, but within the context and parameters set forth by objectives "a" and "b" above.

Responsibilities of the Investment Manager(s):

1. Invest the City's funds to the best advantage of the City, pursuant to the specific investment objectives of the portfolio and in compliance with the City's Investment Policy.
2. Report on investments under management to the City Treasurer's Office on a monthly basis. Provide supplemental reports and information as reasonably requested by the City.
3. Provide performance reports on an ad hoc basis, particularly if there are any significant changes in market activity.
4. Provide quarterly performance reports and be available for quarterly performance review meetings.
5. Maintain accurate records of all investments and have such records available for periodic review and audit, if requested by the City.
6. Serve as a general resource for the City regarding economic and market conditions as well as fixed income securities and investments.

The initial term of the Agreement will be one (1) year from the date of its execution. The City may, at its sole option, amend the Agreement to add on an annual basis up to three (3) successive one (1) year terms ("Additional Terms") unless any shorter term (or terms) is specified in the Agreement. The results of this proposal may be extended to other similar pension solutions and services. The proposed bank account services and new pension solutions, if any, must comply with the legal requirements of both the Commonwealth of Pennsylvania and the City of Philadelphia.

1.2 Requirements

For a proposal to be considered, the Investment Management Firm(s) is **required** to meet the following minimum qualifications:

1. Investment Manager(s) is required to be registered with the Securities and Exchange Commission (SEC) under the 1940 Investment Advisor's Act, unless otherwise exempted by law.
2. Investment Manager(s) is required to currently have at least \$250 million in institutional fixed income assets under management or fixed assets currently under management amounting to four (4) times the possible account assignment.
3. Investment Manager(s) is required to have 3-year performance track record that is in compliance with the CFA Institute performance presentation standards.
4. Investment Manager(s) is required to have errors and omissions insurance as outlined in the "Form of Investment Managers Contract" Appendix B.
5. Investment Manager(s) must provide a written statement, signed by an Officer of the firm, attesting that they have read the "City of Philadelphia Investment Policy adopted as of April 2001" ("Investment Policy") provided herein and are willing and capable of providing investment management services in accordance with such policy. Attach the statement and label it Exhibit 2. The City retains the right to revise that investment policy at any time, or limit investment options therein due to then-current market conditions, and will provide promptly any notification to investment manager(s) of such changes.
6. Respond to an RFP by applying via eContract Philly.
7. Be fully enabled to reach a final agreement in terms approved by the City of Philadelphia's Law Department for a proposed contract.

Proposals that fail to meet the above minimum qualifications will not be considered in the selection process.

1.3 Evaluation

The City, notwithstanding reservation of its right not to engage any Respondents, intends, through the City Treasurer's Office, to engage Investment Managers that best demonstrate the level of expertise, skill and competence required to perform the requested services in the most efficient, cost-effective and professional manner. Fees and compensation will be an important factor in the evaluation of investment management proposals; however, the City is not required to choose the lowest cost bidder. The City will select firm(s), which in the City's sole discretion, best meets the requirements herein and serves the overall needs of the City.

Selection of finalists and determination of compliance with minimum qualifications is solely and exclusively within the judgment of the City and may be made solely on the basis of the City's evaluation of a candidate's suitability.

Agreements resulting from this RFP will be awarded to the firms whose proposal meets the requirements of the RFP and is the best qualified source, as established by the evaluation criteria listed below. Additional criteria may later be used to determine the successful firms. These criteria are listed in no particular order of priority. In all instances the City will use its judgment in determining which applicant(s) best serves the interest of the City:

- Understanding of the RFP’s purpose and ability to deliver the requested services;
- Past Investment Performance;
- Competitive pricing structure;
- Objectivity of investment advice;
- Experience and Qualifications of the Firm;
- Experience and Qualifications of Proposed Staff, research capabilities and processes;
- Educational and strategic planning capabilities;
- Investment Management Process;
- Investment manager due diligence & selection capabilities;
- Client and industry feedback; and
- Compliance with City standards for contracting (e.g. indemnification, nondiscrimination, etc.)

1.4 Deadlines

<u>Date</u>	<u>Activity</u>
June 29, 2009	RFP posted
July 10, 2009	Deadline for respondents to submit requests for clarification and/or additional information
July 15, 2009	City provides responses to frequently asked questions
July 24, 2009	Deadline for submission of proposals
August 17, 2009	City selects finalists
August 24, – August 28, 2009*	Finalist Presentations to City and Investment Committee, <i>if requested by the City.</i>
September 1, 2009	Final Selection of Investment Manager(s)
September 1 – September 30, 2009	Contract negotiations and execution
October 1, 2009	Start Investment Management Services

** In the event your firm is selected as a finalist, you should be prepared to present to the City and the Investment Committee during this period on a day and time selected by the City. This date is subject to change based on availability of the City representatives and the members of the Investment Committee.*

Complete proposals must be submitted on the City’s website at www.phila.gov/contracts by 5:00pm (Local Time) on July 24, 2009 in accordance with the procedures established herein.

In addition, hard copies and a CD are required to be delivered as detailed on pp. 8 – 9.

The City anticipates the above schedule for review of the proposals. These dates are estimates only and the City reserves the right, in its sole discretion, to alter this schedule, as it deems necessary or appropriate.

1.5 Questions Regarding This RFP

For questions regarding the Econtract Philly system and/or questions regarding required disclosures, call

215-686-4914 and/or email econtractphilly@phila.gov at any time.

Other questions regarding this RFP are to be submitted by email only to the attention of Mark DiSilvestro (mark.disilvestro@phila.gov) and Rebecca Rhynhart (rebecca.rhynhart@phila.gov) by no later than **5:00 PM (Local Time) on Friday, July 10, 2009**. All questions received by this date and time will be answered appropriately. **The subject title of such emails should read, “RFP – Investment Manager Services – [insert firm name].”** Questions emailed by respondents, and any additional information that the City provides in response to such questions, may be distributed to all of the respondents. Such distribution may include the posting of such information on the City’s website.

ATTENTION: No questions are to be directed to the Mayor’s Office , Director of Finance, or any other party besides the individuals listed above.

1.6 Disclaimer

Disclaimer

This RFP and the process it describes are proprietary to the City and are for the sole and exclusive benefit of the City. This RFP is not binding on City. No other party, including any respondent to this RFP or future respondent to any RFP which may be issued by City, is intended to be granted any rights hereunder. Any response to this RFP, including written documents and verbal communication, may be subject to public disclosure by City, or any authorized agent of City and any materials submitted or ideas elicited in response to this RFP shall be the sole and absolute property of City with City having title thereto and unrestricted use thereof.

2. Proposal Submission Requirements

2.1 Submittal Format

eContract Philly Mandatory Online Application Process

You must apply online in order to be eligible for award of the posted contract opportunity. No proposals or other responsive document will be considered unless you have filed within the prescribed time period an application through eContract Philly for the posted opportunity. All applications must be submitted electronically through the eContract Philly online application process at www.phila.gov/contracts, choose eContract Philly.

Applicants and contractors are now required to disclose their campaign contributions, any consultants used and contributions the consultants have made, prospective subcontractors, and whether they have received any requests or advice on satisfying any minority owned business participation goals from City employees. This information, as well as a proposal or any other response document required, are part of the online application. For more information regarding the eContract process please consult the reference materials found on the above-referenced website, email eContract Philly at eContractPhilly@phila.gov, or call 215-686-4914.

Applicants who have failed to file complete applications through the eContract Philly online application process prior to the closing date and time will not be considered for the contract. eContract Philly encourages applicants to start and complete their online applications as early as possible. Please be aware that internet connection speed depends on a variety of factors, including: configuration of your computer, configuration of your business or home network, the condition of the wiring at your location, and network or internet congestion (available bandwidth). Please prepare and plan accordingly to ensure a timely submission.

You can begin uploading (or attaching) your application materials at any time. It is especially prudent for you to start uploading your attachments earlier if you have a large number of attachments (e.g. over five documents) or larger-sized attachments (e.g. above 5 MB). Until you sign and submit your application, your materials are not accessible to any City staff. Once you have signed and submitted your application, your application is accessible only to appropriate contract staff within the City of Philadelphia. **Submission by facsimile, by electronic mail, or by any form of communication except as specified will not be accepted.**

PLEASE NOTE THE FOLLOWING ADDITIONAL INSTRUCTIONS REGARDING THE APPLICANT CONTRIBUTION DISCLOSURE FORM REQUIREMENTS.

Mandatory Campaign Contribution Disclosure Requirements

As part of the mandatory application, Applicants must complete the online disclosure form for information on contributions the Applicant and other affiliated organizations or individuals have made. Please consider this advice when completing your application.

1. All contribution information **MUST** be entered in the forms provided. The City of Philadelphia will not accept information provided in any other format (e.g. MS Excel or MS Word attachment). There are no exceptions to this.
2. Review the FAQ's and the overviews on contributions and attributions prior to completing the contribution disclosure form. Review of and adherence to the attribution rules is critical. Applicants are required to provide campaign contribution information for affiliated entities, as described in Chapter 17-1400 of the Philadelphia Code.
3. It is expected that disclosure forms from the same organization or individual will be consistent across applications and that each affiliated organization or individual will be following the required attribution rules when completing their disclosure forms.
4. Applicants are required to disclose contributions for the two years prior to the application deadline.
5. Contributions that have to be reported include those made to candidates and incumbents on the state and local level in the Commonwealth of Pennsylvania.

For each contract opportunity advertised on eContract Philly, Applicants must complete the required contribution disclosure form with attention to the appropriate attribution rules. It is the Applicant's responsibility to answer every question on each disclosure form thoroughly. Accurate completion of the disclosure forms is a requirement of applying for any contract opportunity announced by the City of Philadelphia. Failure to provide all required information on the disclosure forms will result in the disqualification of your application. Applicants must verify information prior to submitting disclosure forms and the related application.

Hard-copy Submission. In addition to the on-line filing requirements, applicants are required to return your responses on a CD, along with two (2) hard copies to the City Treasurer's Office at the address below. CDs should be clearly labeled with the name of your firm. The Proposals, including all graphs

and charts, with no exceptions, shall be neatly presented in 8-1/2 in. x 11 in. format. Proposals shall include a table of contents listing all sections, figures, and tables and their corresponding page numbers.

Submission Date, Time, and Place. The two printed copies of the Proposal and one CD must be received no later than 5:00 pm (Local Time) on July 24, 2009 at the following location: 640 MSB, 6th Floor, 1401 JFK Blvd, Philadelphia, PA 19102. The City reserves the right, in its sole discretion, to reject and return without evaluation any Proposal received after the Proposal submission time and date. Late and/or incomplete responses will not be accepted.

2.2 Reservation of Rights

General Reservation of Rights - The City reserves the right to reject all proposals and re-issue the RFP at any time prior to execution of a final contract; to require, if any RFP for similar products and/or services that may be issued subsequent to this RFP, terms and conditions that are substantially different from the terms and conditions set forth in this RFP; or to cancel this RFP with or without issuing another RFP.

The City reserves and may exercise the following rights and options with respect to this selection process:

(a) To reject any Proposal if, in the City's sole discretion, the Proposal is incomplete, the Proposal is not responsive to the requirements of this RFP, or it is otherwise in the best interest of the City to reject the Proposal.

(b) To supplement, amend, substitute or otherwise modify this RFP at any time prior to selection of one or more respondents for negotiation and to cancel this RFP with or without issuing another RFP;

(c) To accept or reject any or all of the items in any proposal and award the contract in whole or in part if it is deemed in the City's best interest to do so;

(d) To reject the proposal of respondent that, in the City's sole judgment, has been delinquent or unfaithful in the performance of any contract with the City, is financially, or technically incapable or is otherwise not a responsible respondent;

(e) To reject as informal or non-responsive, any proposal which, in the City's sole judgment, is incomplete, is not in conformity with applicable law, is conditioned in any way, deviates from this RFP or contains erasures, ambiguities, alterations or items of work not called for by this RFP;

(f) To waive any informality, defect, non-responsiveness and/or deviation from this RFP that is not, in the City's sole judgment, material to the proposal;

(g) To permit or reject, at the City's sole discretion, amendments (including information inadvertently omitted), modifications, alterations and/or corrections or proposals by some or all of the respondents following proposal submission;

(h) To request that some or all of the respondents modify proposals based upon the evaluation of the City's Selection Committee."

Additional City Rights

(a) The City may request additional or clarifying information or more detailed information from any respondent at any time, including information inadvertently omitted by a respondent.

(b) The City may conduct investigations with respect to the qualifications of each respondent.

Reservation of Rights/Contract Negotiations

The City reserves the right to enter into post-submission negotiations and discussions with any or all Respondents regarding price, scope of services, or any other term of their Proposals, and such other contractual terms as the City may require, at any time prior to execution of a final contract. The City may, at its sole election, enter into simultaneous, competitive negotiations with multiple Respondents or negotiate with individual Respondents seriatim. Negotiations with Respondents may result in the enlargement or reduction of the scope of services, or changes in other terms that are material to the RFP and the submitted Proposals. In such event, the City shall not be obligated to inform other applicants of the changes, or to permit them to revise their Proposals in light thereof unless the City, in its sole discretion, determines that doing so is in the City's best interest.

In the event negotiations with any Respondent(s) are not satisfactory to the City, the City reserves the right to discontinue such negotiations at any time; to enter into or continue negotiations with other Respondents; to enter into negotiations with firms that did not respond to this RFP; and/or to solicit new Proposals from firms that did not respond to this RFP. The City reserves the right not to enter into any contract with any Respondent, with or without re-issue of the RFP, if the City determines that such is in the City's best interest. There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

CITY OF PHILADELPHIA

City Treasurer

Request for Proposal for Investment Manager Services

Application

APPENDIX I

1.1 Proposal Completion And Submission Procedures

Complete all questions in the order they are presented in this RFP. The individual(s) who is (are) authorized to bind the Respondent contractually must sign a cover letter, which will be considered an integral part of the proposal. Attach the cover letter and label it Exhibit 1. This cover letter must indicate the signer is so authorized and must indicate the title or position that the signer holds in the Respondent's firm. The letter must contain the following:

1. The Respondent's name, address, and telephone and facsimile number.
2. The Respondent's Federal Employer Identification Number and Corporate Identification Number, if applicable.
3. The name, title or position, and telephone number of the individual signing the cover letter.
4. A statement indicating the signature is authorized to bind the Respondent contractually.
5. The name, title or position, and telephone number of the primary contact and/or account administrator, if different from the individual signing the cover letter.
6. A statement to the effect that the proposal is a firm and irrevocable offer, good for four years and that the fee quote will remain firm/unchanged for 120 days from the RFP due date.
7. A statement expressing the Respondent's availability of staff and other required resources for performing all services and providing all deliverables within specified time frames.

1.2 Proposal Requirements

This Section outlines the information that is to be included in your proposal. The information requested must be provided in the prescribed numbered format. All questions must be repeated in their entirety before each of the answers is provided. Responses that deviate materially from the prescribed format may lead to the rejection of the proposal. Please be as clear, accurate, and complete as possible in your responses. Providing incomplete or misleading data may lead to disqualification of the proposal and elimination of the firm from the search process.

A. THE FIRM

1. Please provide the following contact information:
 - a. Firm Name:
 - b. Primary Contact Name:
 - c. Contact Title:
 - d. Contact Address:
 - e. Contact E-mail Address:
 - f. Contact Phone Number:
 - g. Contact Facsimile Number:
 - h. Firm's Internet (www) Address:

2. Please provide the following background information:
 - a. An overview of the firm, including its history, year founded, and location of headquarters and branch offices;
 - b. A description of the ownership structure of the firm, which includes the parent company and any affiliated companies, joint ventures, and strategic alliances. If any near-term changes to the firm's corporate or organizational structure are anticipated, please also note them;
 - c. A list of the majority owners of the firm (from largest to smallest with respect to ownership) and their ownership percentages. Please include individuals and all other entities; and
 - d. A description of the firm's organizational structure, including all operating divisions and functional areas, and the number of employees within each area.

3. Please describe the firm's competitive advantage and why it should be selected.

4. Comment on the firm's experience, number of years in the investment management business for the public sector, and any special expertise or experience that would be relevant to the City.

5. Please list all services provided by the firm and the nature thereof for public sector clients. Indicate the amount of assets under management for each product as of December 31, 2008. Please also list the percentage of total income that such services represent.

6. Provide a chart indicating the composition of the firm's public sector fixed income client base. Segregate the chart by Public-Non Pension and Pension. If the firm's current client base is heavily weighted to any particular type of investor, please identify this type and explain your reasoning for such emphasis. Attach the chart and label it Exhibit 3.
7. Is the firm or parent or affiliate a broker/dealer, and does it trade for client accounts through this broker/dealer?
8. Describe how your firm discloses all types of fees. In addition, confirm that the firm does not accept "soft dollars" as a method of payment.
9. Within the last ten years, has your organization, any employees, officers, or principals been involved in any business litigation or other legal proceedings relating to your advisor activities? In addition, has your organization ever been investigated by a federal or state licensing or regulatory authority? If so, provide an explanation and indicate the disposition.
10. Would the firm be willing to disclose, annually or upon client request, the dollar amount and nature of all material beneficial relationships, that the firm or any affiliate of the firm, engages in with investment manager clients? If not, please explain.
11. Describe your firm's relationship with your other clients' master custodians, actuaries, and other advisors.
12. Describe the firm's conflict of interest policy. Include an explanation of how this policy, and any other measures taken by the firm, limits the likelihood that the client could receive investment advice that is not completely objective. Attach the conflict of interest policy to this RFP as Exhibit 4.
13. Explain in detail any potential conflicts of interest that would be created if your firm is selected. Please include any activities of affiliated or parent organizations as well as other client relationships that may affect services to the City.
14. Is your organization a person, firm, or corporation registered as an investment advisor, under the SEC 1940 Investment Advisors Act?

B. THE TEAM

15. Provide a breakdown of your public sector fixed-income staff in the following categories:

Portfolio Managers	Administration
Economists	Marketing/Client Service
Research	Legal
Trading	Systems
Other Professionals	Other Staff

If multiple responsibilities occur between categories, approximate the time spent in each area.

16. Provide an organizational chart of the public sector fixed-income group. Attach the chart and label it Exhibit 5.
17. Please identify the individual(s) who would perform the requested services for the City. Please be sure to identify the back-up personnel (in instances when the proposed lead is unavailable). For each person, please also provide a biography as well as the following information:
 - Name:
 - Title:
 - Expected role:
 - Tenure at the firm:
 - Total years of institutional investment experience:
 - Total years of public sector account experience:
 - Total current number of assigned accounts:
18. Please explain how the team dedicated to the City’s account would function.
19. Please describe the team’s ability to educate the Investment Committee members and other interested officials on investment matters. Indicate if the team has experience conducting informative presentations/workshops for audiences with varying degrees of expertise in investment strategies/practices.

C. ASSETS UNDER MANAGEMENT

20. Describe the distribution of short-term (less than one-year) and other fixed-income public operating and bond funds and total firm client assets (millions of dollars) by number of clients. Include this information in the form of a chart as follows:

	<u>\$0.00-\$100M</u>	<u>\$100-250M</u>	<u>\$250M-\$500M</u>	<u>\$500M+</u>
Public Accounts				
Short Term Public Funds				
Other Public Funds				
Total				
Total Accounts				
Total Short Term				
Total Other				
Total				

In addition, list the median size of the accounts in each category.

21. Provide a current list of the firm's 5 largest short-term and other public sector operating and bond fund clients. Include the information listed below for each. Indicate which assets represent bond proceeds (i.e., construction funds, bond reserve funds,). *If your firm requires advance notice of the City's intention to make inquiries, please indicate.*

Name of Client:

Telephone Number:

Client Type:

Length of Relationship:

Assets Under Advisement (\$MM):

Non-discretionary/Discretionary:

Investment Focus:

Partnerships /Direct

22. For the years 2004, 2005, 2006, 2007 & 2008, please identify the number of investment management accounts lost, the size of each such account and the reason(s) for such loss.
23. For the same time period, please list the number of public sector clients gained and lost.

D. PLANNING AND EXECUTION

24. Describe how the firm would approach planning and implementing an investment program for the City. What are the steps the firm would take to execute this plan? What unique client factors would the firm consider?
25. What experience does the firm have planning and implementing investment programs for public sector clients? Please list specific client engagements.
26. Please describe the firm's approach to the investment selection/due diligence process. What are the most important criteria? Who is involved in the decision-making process?

E. MONITORING AND REPORTING

27. Please describe how the firm monitors a client's investments. What criteria are evaluated? How frequently are current client investments reviewed? How is compliance ensured?
28. Please describe the capabilities and differentiating features of the firm's investment reporting system. Is the database(s) proprietary or purchased? How is data input and verified? At what levels is the information available (i.e. total portfolio, asset class, fund, individual fund)? What ability to customize reporting exists? Can clients access information on-line?

29. Outline your process for monitoring and reporting on market trends. Include in your response two research reports generated by your firm. Attach the reports and label them Exhibit 6.
30. Provide one sample each of the following reports that must be presented to the City if your firm is selected. Attach the reports and label them Exhibit 7.:
 - a. *Monthly Reports* to be received no later than the third week following month-end. Including holdings and transaction summaries, total return performance summaries, and a manager-to-custodian bank statement reconciliation report.
 - b. *Quarterly Reports* to be received no later than the third week following quarter-end. Including holdings and transaction summaries, total return performance, market and portfolio performance commentary, and a capital gain and loss schedule.
 - c. *Other* relevant publications or reports that a prospective client would receive.
31. Describe your firm's ability to offer sub-accounting for various City accounts including posting of income, and various factors used to determine income.
32. Describe the extent to which the Internet is used to transmit reports, initiate transactions, or act as a data repository.

F. INVESTMENT PROCESS

33. Please provide a description of your investment philosophy, strategy, and process for public sector clients' operating funds and bond proceeds investments. How long has this process been in use? Additionally, given the current market conditions, please indicate if the firm's investment strategy would include investments in corporate and asset backed bonds,. If your proposed strategy for the City includes these types of securities, describe how you propose to limit the City's risk exposure and maintain liquidity needed for cash flow purposes.
34. Describe the firm's internal policies, limitations, constraints, and utilization on the use of derivatives.
35. Explain types of derivatives used by your firm since January 1, 2005 and the reason for their inclusion in a portfolio.
36. Discuss risk (e.g., financial instrument risk, credit/counter party risk, liquidity risk, interest rate risk) as it relates to the firm's short-term and medium-term investment portfolios. State how portfolios are monitored.
37. Describe the firm's /team's decision making process:
 - How are policies and guidelines implemented?
 - What guidelines are followed?
 - How is the portfolio manager supervised?
 - How do your managers/analyst decide to buy and sell a security?
 - How do you obtain client input?
38. Detail your firm's general approach to investment strategies for tax-exempt bond issuers.

- 39. Under what market conditions would you utilize a bullet, barbell, or laddered strategy in a portfolio that is required to generate monthly cash balances?
- 40. Describe your firm’s research capabilities, including reliance on external and internal sources and models.
- 41. With regard to the proposed portfolio management strategy, rank in importance each of the following with respect to the firm’s ability to add value to a client’s fixed income portfolio. Describe briefly your reasoning for your breakdown.

a. Duration/maturity decision	___%
b. Yield curve analysis	___%
c. Sector selections	___%
d. Issue Selection	___%
e. Other	___%
Total	100%
- 42. Describe how and on what frequency you can calculate income.

G. INVESTMENT PERFORMANCE

- 43. If you are currently managing money for the City, please state the amounts managed segregated by account, your gross and net returns versus the established benchmark for the last four quarters as well as 1 year, 3 years, and 5 years.
- 44. Provide examples of benchmarks typically employed for public sector clients as well as a detailed description of the peer universe to which a client such as the City would be compared.
- 45. Please provide investment performance history for your short-term and other public sector operating and bond funds for one, three, and five years ending 12/31/08. Use the CFA Institute performance presentation standards or, if providing performance calculated by different standards, indicate explicitly how the calculations differ.
- 46. State whether the performance returns are independently audited or verified. Include the frequency and name of the auditor.
- 47. Submit a letter from your independent certified auditor or a third party vendor attesting the performance returns, if applicable. Attach the letter and label it Exhibit 8.

H. CONTROLS AND COMPLIANCE

- 48. Please describe the controls your firm has established to insure compliance with client guidelines and objectives and to deter improper actions.
- 49. State whether the firm’s team monitors transactions electronically. If yes, state whether the firm’s system is tailored to monitor the City’s specific investment guidelines and cash flow

requirements. If the transactions are not monitored electronically, please explain how they are monitored.

- 50. Describe the internal and external (custodial) monthly accounting audit and statement reconciliation process. Note the number of staff involved and their respective duties.
- 51. Describe the types of coverage for fidelity bonds, errors and omissions insurance, and any other fiduciary or professional liability insurance your firm has. Please list the insurance provider(s).
- 52. Does your firm provide a SAS 70 report?

I. FEES

- 53. State your firm’s proposed fee structure for investment management services in the following amounts. The actual fee paid by the City will not exceed the amount proposed in your response:

Assets	Annual Fee
First \$50M	____%
Next \$50M	____%
Next \$50M	____%
Next \$50M	____%
Next \$50M	____%
Next \$250M	____%
Next \$250M	____%
Over \$750M	____%

- 54. State whether the preceding fee structure applies to multiple accounts. If not, please describe your asset-based fee structure for multiple accounts totaling:

Assets	Annual Fee
First \$50M	____%
Next \$50M	____%
Next \$50M	____%
Next \$50M	____%
Next \$50M	____%
Next \$250M	____%
Next \$250M	____%
Over \$750M	____%

- 55. Will the firm confirm that it will not propose increases in the proposed fee structure for the next four years?

1.3 Request For Additional Materials And Information

In addition to Exhibits 1 through 8 requested previously in this RFP, please include the following documents. All documents must be submitted electronically through the City's website and labeled as follows:

- Exhibit 9: A corporate Organization Chart (showing the investment management firm, and all affiliates and subsidiaries). Attach and label as Exhibit 9.
- Exhibit 10: A current company Annual Report including the financial condition of the firm and the most recent Audited Financial Statements. Attach and label as Exhibit 10.
- Exhibit 11: A copy of the firm's Mission Statement and Code of Ethics. Attach and label as Exhibit 11.
- Exhibit 12: Most recently filed Form ADV, Parts I and II. Attach and label as Exhibit 12.
- Exhibit 13: Examples of educational materials. Attach and label as Exhibit 13.
- Exhibit 14: Three (3) existing client references (whose investment size and focus is similar to that of the City) for clients that we may contact. Attach and label as Exhibit 14.
- Exhibit 15: Any other information you feel would be necessary to gain a complete understanding of the firm or the services it provides. Attach and label as Exhibit 15.