



# Mendocino County Employees Retirement Association

## Request for Proposals for Investment Consulting Services

Proposals must be submitted to:

MCERA

625-B Kings Court

Ukiah, California 95482

Attention: James Wilbanks, Retirement Administrator

By 3:30 p.m.

October 16, 2015

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## I. INTRODUCTION

Mendocino County Employees' Retirement Association ('MCERA'), a public pension system, administers a defined benefit pension plan with assets of approximately \$450 million. MCERA is soliciting proposals from qualified organizations for Investment Consulting Services. The requested services include, but are not limited to those outlined in the Scope of Services below.

MCERA is seeking proposals from organizations that can meet or exceed the following qualifications:

- At least \$10 billion in total tax-exempt assets under advisement as of June 30, 2015.
- Provided consulting services as outlined in the Scope of Work below for at least 5 clients that are similarly situated to MCERA.
- Provided consulting services as outlined in the Scope of Work below for a minimum of ten (10) years.
- Access to a database with sufficient breadth to provide comparative information on Plan attributes (e.g. Risk, Return and Asset Allocation).

MCERA welcomes proposals from all qualified organizations who have demonstrated excellence in investment consulting services. The anticipated initial term of the contract will be for 5 years.

## II. MCERA PLAN INFORMATION

MCERA is a retirement system established under the authorization of the County Employees Retirement Law of 1937 and provides retirement, disability and death benefits to the employees and retirees of the County of Mendocino, the Mendocino County Superior Court and the Russian River Cemetery District. As of June 30, 2014, there were a total of 2,803 members in the system. Management of MCERA is the responsibility of the Board of Retirement. The Board establishes policies and objectives for MCERA. MCERA's staff is responsible for daily operations involving the administration of benefits, accounting functions and portfolio administration. MCERA's staff will routinely interact with the consultant. Service providers who will interact with the consultant include MCERA's investment managers listed below, MCERA's custodial bank, State Street, auditor, Gallina, LLP and actuary, The Segal Group Inc.

As of June 30, 2015, MCERA administers a pension fund with assets of \$444 million in total market value. Below you will find MCERA's current investment manager line-up by asset class and portfolio type.

<b>Investment Manager</b>	<b>Asset Class</b>	<b>Portfolio Type</b>
PIMCO	Core Bond	Commingled Pool
Dodge & Cox	Core Bond	Commingled Pool
Alliance Bernstein	Small Cap Growth	Commingled Pool
RS Investments	Small Cap Growth	Commingled Pool
Affiliated Managers Group, Inc.	Micro Cap	Commingled Pool
Prudential Investments	Small Cap Value	Commingled Pool
Morgan Stanley	Mid Cap Growth	Commingled Pool
Janus Capital Group	Mid Cap Growth	Commingled Pool
Fidelity Investments	Mid Cap Value	Commingled Pool
Royce Funds	Mid Cap Value	Commingled Pool
Vanguard	Large Cap Core	Commingled Pool
Harbor Capital	Large Cap Growth	Commingled Pool

<b>Investment Manager</b>	<b>Asset Class</b>	<b>Portfolio Type</b>
Janus Capital Group	Large Cap Growth	Commingled Pool
Dodge & Cox	Large Cap Value	Commingled Pool
Boston Partners	Large Cap Value	Commingled Pool
Mondrian Investment Partners	International Large Cap Value	Commingled Pool
American Funds	International Large Cap Growth	Commingled Pool
Columbia Threadneedle	International Small Cap Growth	Commingled Pool
Harbor Capital	International Large Cap Blend	Commingled Pool
Janus Capital Group	International Large Cap Blend	Commingled Pool
Oakmark Funds	International Large Cap Blend	Commingled Pool
RREEF Property Trust	Real Estate	Commingled Pool
RREEF Property Trust	Real Estate	Commingled Pool
Cornerstone Real Estate Advisers LLC	Real Estate	Commingled Pool
625 Kings Court	Real Estate	Direct

<b>Portfolio Type</b>	<b>AUM (as of 6/30/2015)</b>	<b># of portfolios</b>
Commingled Pools, LPs, CITs, etc.	\$441,898,820	25
Direct Ownership (Real Estate)	\$864,000	1
Cash Accounts	\$1,398,150	1
<b>Total:</b>	<b>\$444,160,970</b>	<b>27</b>

For additional information please see MCERA's 2014 Comprehensive Annual Financial Report (as of June 30, 2014) at <http://www.co.mendocino.ca.us/retirement/reports.htm>

### **III. SCOPE OF WORK**

The selected proposer should be able to provide the following services:

1. **Conducting an asset-liability study.** The Consultant will work closely with MCERA's actuaries and staff to prepare a comprehensive asset-liability study that requires an analysis of the plan's funded status and projected contributions under various return environments and different asset mix scenarios.

MCERA's latest asset-liability study was completed in August 2013. Historically, MCERA has conducted asset-liability studies every three to five years. Consultant will provide both educational information and report the asset-liability results to the Board.

2. **Assisting MCERA’s Board with strategic investment decisions.** The focus should be on “big-picture” total fund investment policy and structure issues. This includes topics such as analyzing new investment strategies and asset classes, as well as identifying industry trends.
3. **Risk Management.** The Consultant should provide recommendations to develop and enhance MCERA's Risk Management capabilities at the fund, asset class and manager levels.
4. **Analyse issues and make recommendations.** The Consultant is expected to analyze issues and make recommendations to the Board on a broad array of topics. The consultant is expected to monitor manager performance and provide oral and/or written reports to the Board in the following areas:
  - **Investment Policy and Guidelines**  
MCERA staff periodically reviews the Investment Policy Statement and investment guidelines. The Consultant is expected to provide insights and recommendations regarding changes to Policies.
  - **Asset Class Structures and Strategies**  
The consultant works with MCERA staff to develop recommendations to the Board regarding strategies pertaining to portfolio structure. The consultant works with MCERA staff to implement strategies adopted by the Board. The consultant and MCERA staff will evaluate various issues, such as active versus passive management for public markets, investment styles, benchmark risk, manager allocations, and rebalancing strategies.
  - **Investment Manager Searches**  
The consultant works with MCERA staff to conduct investment manager searches, which include proposing minimum qualifications, issuing RFP’s, interviewing candidates, and recommending finalists to the Board. The Board is responsible for selecting and hiring investment managers. The Consultant is expected to work with MCERA staff regarding search processes and manager recommendations. When requested, the Consultant is expected to attend due diligence meetings with investment managers, members of the Board, and staff. This includes both existing managers and new manager searches and may include assistance or perspective on service provider fee negotiations.
5. **Researching investment ideas.** The Consultant will keep MCERA apprised of new investment techniques and strategies. The consultant will be expected to provide MCERA with independent, thorough research on current industry issues, such as risk budgeting, portable alpha, hedge funds, commodities, liability matching, and tactical asset allocation.
6. **Educating MCERA’s Board.** The consultant may be requested to periodically provide educational presentations to the Board on specific issues. Education will range from informational items to critical investment policy issues facing the plan.

7. **Performance Reporting.** The Consultant is expected to perform the following functions related to Quarterly Performance Reporting:
- Coverage to include all individual public market accounts.
  - Non-public exposures will be included on a quarterly lag basis with valuation and cash flows provided by MCERA staff or other MCERA consultants.
  - Standard performance analysis reports will be provided to MCERA no later than twenty-five (25) business days after the quarter end.
  - Reporting to include return calculations for the Total Fund, US Equity, Non-US Equity, Fixed Income, Real Estate, and Cash. The report will also include macro observations relative to other large public funds on asset allocation, composite performance results, and risk analysis relative to other large public funds, policy benchmarks, and total fund portfolio attribution.
  - Four (4) Board presentation per year, as determined by MCERA.
8. **Board Meetings.** The MCERA Board generally meets the third Wednesday of each month at MCERA's offices beginning at 8:30 AM. The Consultant is expected to attend all MCERA Board meetings, including the Board's annual off-site meeting. The Consultant is expected to sit with the Board members and advise them on investment related matters during such meetings.
9. **Consultant Contact and Special Projects.** The Consultant is expected to provide assistance on special projects, as needed, and participate in ad hoc workshops on specific issues designated by the Board. The Consultant will provide client contact for operational issues between meetings. The Consultant will respond to inquiries between meetings in an appropriate and timely manner, and is expected to communicate with and be available to MCERA Board members as needed.
10. **Annual Evaluation.** The Board will review and evaluate the consultant annually to ensure that services and communications provided by the consultant are clear, effective, and meaningfully aligned with the Board's overall policy objectives, and that the Board is receiving the quality services envisioned at the time of the consultant's engagement. The consultant will provide the Board with the necessary information to conduct an annual assessment, including but not limited to, a completed self-assessment questionnaire, a list of projects and status of completion, and changes recommended by the Board at the prior evaluation and the status of implementing those specific changes.
11. **Other Services As Required.** The Consultant may also be asked to provide other services as required.

#### **IV. GENERAL CONDITIONS OF SUBMISSION**

- A. All proposals submitted become the property of MCERA. Should a Proposer wish to withdraw its proposal, a written letter stating so must be received by MCERA.

- B. There is no expressed or implied obligation for MCERA to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Costs for developing proposals are entirely the responsibility of the Proposer and will not be chargeable to or reimbursable by MCERA.
- C. All proposals submitted in response to this RFP shall become the exclusive property of MCERA and shall be subject to public disclosure pursuant to the California Public Records Act (Cal. Govt. Code Section 6250 et. seq.).
- D. There are specific exceptions to the Public Records Act. In the event MCERA receives a request for inspection of any proposal submitted pursuant to this RFP, it is the responsibility of the organization whose proposal has been requested to assert any right of confidentiality that may exist. MCERA will not make that assertion on behalf of the Proposer. Absent a judicial determination that the documents are exempt from disclosure, they will be subject to inspection.
- E. Submission of a proposal constitutes a complete waiver of any claims whatsoever against MCERA and/or agents, officers or employees, that MCERA has violated a Proposer's right to privacy, disclosed trade secrets or caused any damage by allowing the proposal to be inspected.
- F. All proposals must remain valid for a period of not less than 120 days from the submission. This includes pricing as well as nominated engagement staff.
- G. MCERA reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected.
  - H. MCERA, in its sole discretion, may enter into contracts with multiple providers.
- I. MCERA reserves the right to contact current and former clients of the Proposer for information at any time during the proposal process.
- J. MCERA reserves the right to accept or reject any or all proposals and may waive any requirements of this Request for Proposal if it deems it in the best interests of MCERA.
- K. MCERA reserves the right to contact individual Proposers for clarifying information at any time during the proposal process.
- L. MCERA may modify the RFP prior to the fixed date for submission of proposals by issuance of an addendum.

## V. PROPOSAL CONTENTS

- A. Proposers should adhere to the format set forth below. Each of the required sections identified must be addressed and must be specifically labeled. The content and sequence of the proposal will be as follows:

Section	Title
1	Cover Letter
2	Completed Proposer Questionnaire (Appendix A)
3	Completed Fee Schedules (Appendix B)
4	Contract Requirements (Appendix C)
5	Completed Certification (Appendix D)
6	Other Relevant Items

Items 1 through 6 below contain brief descriptions of material that should be included in this proposal.

1. **Cover Letter.** Proposer shall identify:

- Its name and /or the name of the organization that will be providing the services offered in the proposal.
- The name, address, telephone number, facsimile number and e-mail address of a principal contact for information regarding the proposal shall be supplied.
- The name and title or position and telephone number of the person or persons authorized to bind the organization to all commitments made in the proposal.
- The letter must also include the following statement:

*“We have read the Request for Proposals (RFP) for investment consulting services and fully understand its intent. We warrant that all information and statements in this RFP are complete and true. We certify that we have adequate personnel, equipment and facilities to provide MCERA’s requested services. We understand that our ability to meet the criteria and provide the required services shall be judged solely by MCERA. We have thoroughly examined the RFP requirements and our proposed fees cover all the services that we have indicated we can meet. We acknowledge and accept all terms and conditions included in the RFP. We acknowledge the receipt of any and all amendments made to this RFP.”*

- The letter must be signed by the person or persons authorized to bind the Proposer contractually.
2. **Proposer Questionnaire.** Responses to these questions will provide MCERA with information about your firm, your firm’s experience, and ability to provide and the manner that your firm will provide the requested services as set forth in Section III “Requested Services.” The Proposer Questionnaire is located in Appendix A.
3. **Fee Proposal.** All services will be paid quarterly in arrears. Fees will be the subject of negotiations but in no case will the negotiations result in a fee which is higher than the fee contained in this proposal. In preparing the fee schedule, proposers should consider the requirements described in this RFP and should review the information contained in Section II “MCERA Plan Information”.

Please present a fee quote using two methodologies: one fee quote using a "fixed fee" for all services requested, and one fee quote where the services are "separately priced". MCERA reserves the right to select either the "fixed fee" quote for all requested services, or the "separately priced" fee quote. Under the separately priced fee quote, MCERA may select one or more services to engage the consultant. MCERA anticipates the following service requirements from its general investment consultant:

- An asset-liability study once every 3 to 5 years.
- Strategic advice and consultations averaging 10 hours per month.
- Independent reviews via brief memos.
- Attend all Board meetings, including the Board's annual off-site meeting.
- Periodic research reports and presentations

Additionally, each fee proposal will include hourly staff billing rates for consulting projects under a "time and material billing" arrangement that are considered outside of the scope of the statement of work. These projects, referred to as "Special Projects," must be pre-approved by MCERA individually.

4. **Contract Requirements.** Sample contract requirements are attached to indicate the type of agreement contemplated and to set forth some of the general provisions that MCERA anticipates including in the final agreement(s). In submitting a proposal, the Proposer will be deemed to have agreed to each clause unless the proposal identifies an objection, sets forth the basis for the objection, and provides substitute language to make the clause acceptable to the Proposer. Such objections and substitute language must be submitted no later than the deadline for the proposal. The sample contract provisions are contained in Appendix C.
5. **Certification regarding all services and systems.** This certification confirms that services and systems described in proposal can be performed and also that audits performed by independent parties in regards to your services will be diligently accomplished and documented. The certification is located in Appendix D.
6. **Other Relevant Items.** Proposers must include their firm's annual report and/or statement of financial condition, as well as Certificate(s) of Insurance proving coverage as described by the firm in its proposal response. Proposers must complete and return all other attachments as specified in these Appendices.

## B. Proposal Format

1. Submit one (1) original and three (3) copies of the complete proposal in paper format and e-mail an electronic copy.
2. Each proposal shall be prepared simply and economically avoiding the use of elaborate promotional materials beyond those sufficient to provide a complete, accurate and reliable presentation. Each proposal shall be 75 pages or less.
3. Follow the format used in the Appendices.
4. The Proposer understands and agrees that MCERA shall not have financial responsibility for any costs incurred by the Proposer in responding to this RFP.

5. The Proposer understands that their responses become the property of MCERA and are subject to public inspection.

**C. Proposal Submission**

Proposals must be received by **October 16, 2015 by 3:30 p.m.**

Address or deliver proposals to:  
 James Wilbanks  
 Retirement Administrator  
 625-B Kings Court  
 Ukiah, California 95482  
[wilbanksj@co.mendocino.ca.us](mailto:wilbanksj@co.mendocino.ca.us)

**VI. PROPOSAL SUBMISSION PROCESS**

A. Schedule of Events

<b>EVENT</b>	<b>DATE</b>
Release of RFP	September 18, 2015
Deadline for Written Questions	October 2, 2015
Release Responses to Written Questions	October 7, 2015
<b>Proposal Due Date and Time</b>	<b>October 16, 2015, 3:30 p.m.</b>
Presentations if Requested	November 12, 2015
Contract Negotiations and Approval	November 20, 2015
Anticipated Contract Start Date	January 1, 2016

B. Submittal of Questions

Proposers requiring clarification of the intent or content of this RFP, or of the competitive proposal process, may request clarification by submitting written questions no later than October 2, 2015.

All questions must be in writing and sent via e-mail to [wilbanksj@co.mendocino.ca.us](mailto:wilbanksj@co.mendocino.ca.us). Verbal questions will not be answered. MCERA will post a list of all Proposer questions and MCERA responses on October 7, 2015, at: <http://www.co.mendocino.ca.us/retirement/rfp.htm>

Other than what is set forth in this RFP, Proposers are specifically precluded from contacting MCERA staff or trustees regarding this RFP, until a contract has been entered into with the successful Proposer. MCERA may contact proposers after submission to discuss the proposal, seek clarification regarding the proposal, request additional information, and negotiate terms.

**VII. PROPOSAL SELECTION PROCESS AND EVALUATION**

A. Submission Date

**October 16, 2015 at 3:30 p.m.**

B. Presentations and Revisions To Proposals

At MCERA's sole discretion, Proposers may be requested to make a presentation to MCERA staff. Details as to the presentation and the date and time of the presentation will be sent at a later date.

At MCERA's sole discretion, participating Proposers may be invited to submit revisions to proposals to present specific changes to cost, scope, staffing, and/or approach. If Proposers have been invited to submit revised proposals, MCERA will specify the deadline for submission.

C. Evaluation of Proposals

1. MCERA Staff

- a. Each proposal will be reviewed to determine if the Proposer can meet the requirements as set forth in this RFP. The Proposer must demonstrate that each requirement is met. Where documentation relative to a specific requirement is incomplete or silent, it shall be assumed that the proposal is deficient.
- b. Evaluation of proposals will be made by MCERA staff. Additionally, MCERA may seek the use of technical experts and/or County staff to assist in the selection.

2. Evaluation Criteria

- a. MCERA staff will evaluate proposals and the qualifications of Proposers. The evaluation criteria will include, but not be limited to:
  - i. Experience (both quality and quantity) of the proposing organization and its staff in providing pension fund services with assets under management for other public pension funds with similar scale and types of investments.
  - ii. Qualifications of professional staff to be assigned to the account, with particular attention paid to relevant experience with public pension funds and the amount of experience on-boarding similar accounts.
  - iii. Ability to provide the required scope of services
  - iv. The quality, conciseness and completeness of the proposal.
  - v. References.
  - vi. Fees.
- b. The RFP shall not be construed to be a low bid process. The contract, if awarded, will be negotiated with the Proposer(s) who, in MCERA's sole discretion, can best meet MCERA's needs as identified in this RFP.

D. Inability to Negotiate a Contract

If a satisfactory contract cannot be negotiated, MCERA may, in its sole discretion, begin contract negotiations with one or more than one of the remaining Proposers. MCERA may contract with more than one Proposer if MCERA determines, in its sole judgment, that more than one contractor is preferred to provide the specified services. MCERA may determine to contract with none of the Proposers.

DRAFT

## **APPENDIX A**

### **PROPOSER QUESTIONNAIRE**

Please provide all responses using the format presented in the RFP. This includes question numbers, section titles, labels, etc. Do not reorder questions, change titles or in any way change the formatting of the RFP.

#### **Organization**

1. Provide your company's name and address, and the primary RFP contact's name, phone number, e-mail address and fax number. Provide the address of the local office that will service this account.
2. Give a brief history of your firm's involvement in the consulting business, including the year of organization, current ownership, and affiliations. Are ownership changes planned or anticipated at this time?
3. If your firm is registered as an investment adviser with the SEC or a state securities regulator, please attach your firm's current Form ADV Part I and II. If your firm is not registered with the SEC, what is your fiduciary classification?
4. How many years has your firm provided pension fund consulting services to public pension plans?
5. What do you consider to be your firm's consulting specialties, strengths, and limitations?
6. (A) What services, if any, does your firm (including any affiliate, subsidiary, or parent company) offer in addition to pension fund consulting services?  
  
(B) Please provide a breakdown of revenue by line of business for your firm and also any entity listed in the response to question 6 (A).
7. Indicate the total assets of your pension fund consulting clients at the end of each calendar year from 2010 to 2015.
8. Describe your investment consulting philosophy. Is there anything unique in this philosophy that causes you to approach investment consulting in a manner different than the rest of the industry?
9. Describe your plans for managing the future growth of your firm. Do you have a limitation on

the number of clients you intend to accept?

10. Provide an organization chart of your firm and describe the relationship between each component and your consulting group.
11. Within the past three years, have there been any significant developments in your organization such as changes in ownership, restructuring, or personnel reorganization? Do you anticipate future significant changes in your organization?
12. Does your firm provide its employees with a defined benefit pension plan? Please list the retirement benefits your firm offers employees.
13. During the last five years, has your organization or any officer or principal of your organization been involved in litigation relating to consulting activities? If so, provide a brief explanation and indicate the current status of the proceedings

#### **Conflicts of Interest**

14. Based on the list of investment managers currently managing assets for MCERA, please disclose any business your firm, affiliates, or parent company does with any of the investment managers.
15. Does your firm hold or sponsor money manager or client conferences? Please describe all conferences your firm has held or sponsored in the past two years.
16. List and describe any professional relationships you have had with MCERA's plan sponsor (Mendocino County) or legislative oversight bodies during the past three years.
17. Are there any circumstances under which your firm or any individual in your firm receives compensation, finder's fees, or any other benefit from investment managers or third parties? If yes, please describe in detail.
18. Does your firm provide any broker/dealer, money management, or fund-of-fund services?
19. If the answer to the previous question is "yes", how does your firm manage these businesses to avoid conflicts of interest with the consulting business?
20. Explain any other potential conflict your firm may have in servicing the MCERA account. ("Conflict" may include brokerage relationships, money management activities, fee relationships with investment managers, soft dollars, etc.) What procedures are in place that would mitigate or eliminate such potential conflicts of interest?

**Clients**

21. Provide a list of representative clients.

22. Distribution of client assets (millions of dollars and number of clients):

SIZE	PUBLIC FUNDS	PRIVATE FUNDS	ENDOWMENTS, FOUNDATION, ETC.
Up to \$100 Million			
\$100 M - \$500 M			
\$500 M - \$1 B			
\$1 B - \$5 B			
\$5 B - \$25 B			
Greater than \$25 B			

23. Length of client service (by years with your firm):

YEARS	NUMBER OF CLIENTS
0 – 1	
1 – 3	
3 – 5	
5 – 10	
10 + Years	

24. Please provide as references three clients for whom work similar to that requested in this RFP has been performed.

(A) For each reference listed, please provide a contact person as follows:

Client Name	CONTACT PERSON	TITLE	ADDRESS	PHONE NUMBER

(B) In addition, for each client referenced, include the number of managers being monitored, fund diversification by asset class, and total number of dollars under management.

25. How many clients does your firm provide with full service pension fund consulting management?

26. Please give details on the number, name and asset values of any terminated client relationship in the last three years, with reason for the termination. Please provide a contact person as follows:

Client Name	CONTACT PERSON	TITLE	ADDRESS	PHONE NUMBER

**Professional Staff**

27. How many investment consultants does your firm have? Please provide an organization chart showing functions and titles of all pension consulting personnel. If consultants are organized into teams, please identify teams in the organization chart.

28. Please list the number of your firm's employees in the consulting portion of your firm's business involved in the following areas:

- a. Marketing
- b. Research
- c. Actuarial
- d. Technology Information/Systems
- e. Support Services

29. List the name and location of primary individual(s) who would be responsible for our account and provide brief biographies including titles, functions, academic credentials, and relevant experience.

NAME	TITLE	Location	RELEVANT EXPERIENCE AND EDUCATION

- (A) Please describe the role of each consultant for this assignment.
- (B) Identify and explain the role of back-up personnel.
- (C) How many clients are assigned to each person named above?

NAME	CLIENT RESPONSIBILITIES

30. What policies are in effect to control the workload as it relates to the number of clients served by the consultant? Is there a limit on the number of accounts that a consultant may handle?

31. Please describe your team's experience with similar work performed for other public retirement funds, corporations, pension funds, or similar institutional investors.

32. Please indicate the turnover of professional staff (senior management and key professionals) over the past five years as follows:

Person	POSITION	DATE LEFT	REASON FOR LEAVING	REPLACED BY

33. Give a brief description of your firm's compensation arrangements for professional staff, including incentives, profit sharing, or equity ownership.
34. Describe your firm's back up procedures in the event that key personnel for this assignment should leave the firm.

**Investment Policy and Portfolio Structure**

35. Describe your public pension fund experience and approach in developing investment policy and objectives for a diversified pension fund. Please provide a sample Policy Statement.
36. What are the most crucial issues to consider in formulating investment policy for a public pension plan?
37. Outline your process for analyzing a client's investment portfolio structure. Describe your process for recommending modifications to the portfolio structure as warranted by changes in the market place or benefit obligations/assumptions.

**Asset / Liability Study**

38. Describe the theory and methodology of the asset allocation models you employ.
39. Describe your methodology for incorporating liabilities into asset/liability studies.
40. Describe your firm's experience in customizing asset-liability studies for individual clients.
- (A) How often should clients update their asset liability study?
- (B) How often should clients rebalance to their target allocation?
41. What systems do you have that are accessible to clients so they can evaluate the impact of different scenarios (“what if?”) on their funded status?
42. How are risk/return assumptions determined for your asset allocation model? Please discuss for each asset class included in the model.

(A) How often are these numbers revised?

(B) What time periods do these numbers cover?

43. How should non-traditional asset classes (e.g. commodities) and investment structures (e.g. hedge funds) be incorporated into the asset allocation?
44. What methodology is used to determine the quantitative and qualitative inputs for the asset allocation model? What percentage of the inputs are qualitative versus quantitative?
45. What distinguishes your quantitative and qualitative inputs for your asset allocation model from your competitors?
46. Provide a biography of the individuals responsible for the asset-liability model.

### **Research and Education**

47. Describe the internal structure, organization and capabilities of your research department. (If no separate department exists, describe how this function is performed.) Provide the titles of any research reports provided to your clients.
48. Describe the manner in which external resources and sources of information are used in the research process. How does your firm integrate internal and external research?
49. What is your firm's view on how to best manage currency exposure?
50. Describe in detail the type and frequency of research that would be provided to MCERA. Through which media will it be provided?
51. Provide three sample research reports on special topics generated by your firm.
52. Outline your process for monitoring and reporting on market trends and pension legislation.
53. Describe the investment-related education provided to your clients. Please provide a sample presentation.
54. How would you keep the plan advised of developments on emerging issues, new asset classes, regulatory controls, fiduciary responsibility, etc.?

### **Manager Search**

55. Describe your experience and capabilities in conducting searches for investment managers and other investment services.

(A) How many searches have been conducted for clients over the past two (2) years??

(B) How many different managers were recommended by the consultant proposed for MCERA in each of the last two (2) years in each asset category?

(C) Describe your capabilities to do international searches.

56. How many managers do you maintain on your manager search database?

(A) If you have an in-house database, do you sell it to third parties? How do you receive compensation for selling it?

(B) What criteria do you use in evaluating managers?

(C) Describe how your firm gathers, verifies, updates, and maintains the data collected on managers for the database? Do you use surveys or meetings?

57. What fees or other consideration, if any, do you receive from managers who wish to be maintained in your database?

58. Describe any advantage that you perceive your database has over your competitors. If you meet with managers, how often do you do so? What is the nature of those visits?

### **Related Services**

59. List all standard services provided in a typical pension plan full service consulting relationship. List the specialized services that you have provided to meet other needs of your clients.

60. Briefly summarize your philosophy regarding the consultant's relationship with Boards, staff, and money managers.

61. Describe the services of your organization that may not be offered by other consultants.

### **Insurance and Liability**

62. What limitation on liability, if any, do you impose through your contract?

63. Please describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers.

### **Other**

64. Describe other services or products, current or under development, that you believe would be of interest to us.
65. Describe your computer capabilities and explain how they support your consulting services or products. Do you provide any customized computer-based analytical tools to your clients?
66. Describe your disaster recovery plan and facilities.

### **Subcontracting**

67. If your firm uses the services of a subcontractor, please identify the subcontractor and describe the skills and qualifications of the subcontractor and its individual employees.
  - (A) Describe what portions of the project will be assigned to the subcontractor.
  - (B) Identify the cost associated with the portions of the project assigned to the subcontractor.
  - (C) Describe the inclusive periods and percentage of time the subcontractor will devote to the project.
  - (D) Describe the contractual arrangement contemplated with each subcontractor and describe generally the control/delegation of responsibilities anticipated in that arrangement.

## **Attachments to Response**

68. **Attachment A – Response to SEC/DOL Questions**

Respond to the questions developed by the SEC and the Department of Labor to assist plan fiduciaries in selecting and monitoring pension consultants. The questions are attached at the end of this document, and may also be found at the following web sites:

<http://www.sec.gov/investor/pubs/sponsortips.htm>, and

<http://www.dol.gov/ebsa/newsroom/fs053105.html>

69. **Attachment B – Biographies**

Include biographies for all consultants listed in your proposal. Indicate what year each consultant joined your firm and describe his or her position, current responsibilities, areas of expertise, experience, education, professional designations and memberships, and relevant publications and presentations.

70. **Attachment C – Annual Financial Report**

Attach your firm's current Annual Financial Report.

## SEC/DOL Questions

1. **Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided me with all the disclosures required under those laws (including Part II of Form ADV)?**
2. **Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan? If so, describe those relationships.**
3. **Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?**
4. **Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being a factor when you provide advice to your clients?**
5. **If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not over-pay its consulting fees?**
6. **If you allow plans to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?**
7. **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?**
8. **If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?**
9. **Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?**
10. **What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?**

**END OF QUESTIONNAIRE**

## **APPENDIX B FEE SCHEDULE**

Please present a fee quote using two methodologies: one fee quote using a "fixed fee" for all services requested, and one fee quote where the services are "separately priced". MCERA reserves the right to select either the "fixed fee" quote for all requested services, or the "separately priced" fee quote. Under the separately priced fee quote, MCERA may select one or more services to engage the consultant. MCERA anticipates the following service requirements from its general investment consultant:

- An asset-liability study once every 3 to 5 years.
- Strategic advice and consultations averaging 10 hours per month.
- Independent reviews via brief memos.
- Attend all Board meetings, including the Board's annual off-site meeting.
- Periodic research reports and presentations

Additionally, each fee proposal will include hourly staff billing rates for consulting projects under a "time and material billing" arrangement that are considered outside of the scope of the statement of work. These projects, referred to as "Special Projects," must be pre-approved by MCERA individually.

## **APPENDIX C CONTRACT REQUIREMENTS**

**PROPOSERS NOTE:** The purpose of the attached sample agreement is to indicate the type of agreement contemplated and to set forth some of the general provisions MCERA anticipates including in the final agreement(s). The details of the scope of work will be set forth in Exhibit A of the agreement and will be finalized during contract negotiations. In submitting a proposal, the Proposer will be deemed to have agreed to each clause unless the proposal identifies an objection, sets forth the basis for the objection, and provides substitute language to make the clause acceptable to the Proposer. Such objections and substitute language must be submitted no later than the deadline for the proposal.

### **MENDOCINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION STANDARD SERVICES AGREEMENT**

This Agreement, dated as of August 20, 2014, is by and between THE MENDOCINO COUNTY EMPLOYEES RETIREMENT SYSTEM , hereinafter referred to as "MCERA," and \_\_\_\_\_ hereinafter referred to as the "CONSULTANT".

#### WITNESSETH

WHEREAS, pursuant to Government Code Section 31595 and other related provisions of law, the Board of MCERA "may in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investments, when prudent in the informed opinion of the board...and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims" and;

WHEREAS, the MCERA Board desires to retain \_\_\_\_\_, to provide consulting services as described in Exhibit "A" of this Agreement and

WHEREAS, CONSULTANT is professionally qualified to be a fiduciary and has held itself out to the Board of MCERA as experienced to provide the services described in this agreement in accordance with the provisions set forth in the Government Code and known as the 37 Act, California Constitution, Article XVI §17 and the Investment Policy of MCERA and is willing to provide same to MCERA; and

WHEREAS, it is understood that the Board of MCERA retains all decision making authority and that CONSULTANT will have no discretionary authority over any assets, nor will CONSULTANT have the care or custody of any plan assets, however the MCERA Board may relay on the advice of the CONSULTANT in exercising its discretionary authority over plan assets;

NOW, THEREFORE it is agreed that MCERA does hereby retain CONSULTANT to provide the services described in Exhibit "A", and CONSULTANT accepts such engagement, on the General Terms and Conditions hereinafter specified in this Agreement, the Additional Provisions attached hereto, the Request for Proposal for Investment Consultant Services and CONSULTANT's response to the Request for Proposal, and the following described exhibits, all of which are incorporated into this Agreement by this reference:

- Exhibit A Definition of Services
- Exhibit B Payment Terms
- Exhibit C Insurance Requirements
- Exhibit D MCERA Investment Policy
- Exhibit E Form ADV, Part II
- Exhibit F Consultant's Investment Manager Client Listing Disclosure

The term of this Agreement shall be from \_\_\_\_\_, 2016 through \_\_\_\_\_, 2020.

**IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.**

**THE MENDOCINO COUNTY  
RETIREMENT ASSOCIATION**

**CONSULTANT/COMPANY NAME**

By \_\_\_\_\_

By: \_\_\_\_\_

Retirement Administrator

**APPROVED AS TO FORM:**

**NAME AND ADDRESS OF  
CONSULTANT:**

By: \_\_\_\_\_

MCERA Legal Counsel

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## **GENERAL TERMS AND CONDITIONS**

1. **INDEPENDENT CONTRACTOR:** No relationship of employer and employee is created by this Agreement; it being understood and agreed that CONSULTANT is an Independent CONTRACTOR. CONSULTANT is not the agent or employee of MCERA in any capacity whatsoever and MCERA shall not be liable for any acts or omissions by CONSULTANT nor for any obligations or liabilities incurred by CONSULTANT.

CONSULTANT shall have no claim under this Agreement or otherwise, for seniority, vacation time, vacation pay, sick leave, personal time off, overtime, health insurance medical care, hospital care, retirement benefits, social security, disability, Workers' Compensation, or unemployment insurance benefits, civil service protection, or employee benefits of any kind.

CONSULTANT shall be solely liable for and obligated to pay directly all applicable payroll taxes (including federal and state income taxes) or contributions for unemployment insurance or old age pensions or annuities which are imposed by any governmental entity in connection with the labor used or which are measured by wages, salaries or other remuneration paid to its officers, agents or employees and agrees to indemnify and hold MCERA harmless from any and all liability which MCERA may incur because of CONSULTANT'S failure to pay such amounts.

In carrying out the work contemplated herein, CONSULTANT shall comply with all applicable federal and state workers' compensation and liability laws and regulations with respect to the officers, agents and/or employees conducting and participating in the work; and agrees that such officers, agents, and/or employees will be considered as Independent CONSULTANTS and shall not be treated or considered in any way as officers, agents and/or employees of MCERA.

CONSULTANT does, by this Agreement, agree to perform his/her said work and functions at all times in strict accordance with all applicable federal, state and MCERA laws, ordinances, regulations, titles, departmental procedures and currently approved methods and practices in his/her field and that the sole interest of MCERA is to insure that said service shall be performed and rendered in a competent, efficient, timely and satisfactory manner and in accordance with the standards required by the MCERA agency concerned.

Notwithstanding the foregoing, if MCERA determines that pursuant to state and federal law CONSULTANT is an employee for purposes of income tax withholding, MCERA may upon two weeks notice to CONSULTANT, withhold from payments to CONSULTANT hereunder federal and state income taxes and pay said sums to the federal and state governments.

2. **INDEMNIFICATION:** CONSULTANT will indemnify, defend, and hold harmless MCERA and its elected and appointed officials, officers, employees and agents from and against all loss, risk of loss, damages, injuries and expenses (including without limitation, actual attorney's fees and defense costs), because of or by reason of any and all claims, demands, suits, actions, judgments, including any violation of federal, state or municipal law or regulation and by whomever and whenever made or obtained, allegedly caused by arising out or relating in any manner to the CONSULTANT'S performance or non-performance under this agreement and whether is caused in whole or in part by any negligent act, omission or willful misconduct or a breach of fiduciary duty, or breach of any representation or warranty made by CONSULTANT or sub-CONSULTANT or any investment decision made by CONSULTANT or any sub-CONSULTANT that was not in good faith, or by anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, regardless of whether or not it is caused in part by any party indemnified hereunder. MCERA may participate in the defense of any such claim without relieving CONSULTANT of any obligation hereunder.
3. **INSURANCE AND BOND:** CONSULTANT shall at all times during the term of the Agreement with MCERA maintain in force those insurance policies and bonds as designated in the attached Exhibit C, and will comply with all those requirements as stated therein.
4. **WORKERS' COMPENSATION:** CONSULTANT shall provide Workers' Compensation insurance, as applicable, at CONSULTANT'S own cost and expense and further, neither the CONSULTANT nor its carrier shall be entitled to recover from MCERA any costs, settlements, or expenses of Workers' Compensation claims arising out of this Agreement.
5. **CONFORMITY WITH LAW AND SAFETY:**
  - a. In performing services under this Agreement, CONSULTANT shall observe and comply with all applicable laws, ordinances, codes and regulations of governmental agencies, including federal, state, municipal, and local governing bodies, having jurisdiction over the scope of services, including all applicable provisions of the California Occupational Safety and Health Act. CONSULTANT shall indemnify and hold MCERA harmless from any and all liability, fines, penalties and consequences from any of CONSULTANT'S failures to comply with such laws, ordinances, codes and regulations.
  - b. **Accidents:** If a death, serious personal injury or substantial property damage occurs in connection with CONSULTANT'S performance of this Agreement, CONSULTANT shall immediately notify MCERA by telephone. CONSULTANT shall promptly submit to MCERA a written report, in such form as may be required by MCERA of all accidents which occur in connection with this Agreement. This report must include the following information: (1) name and

address of the injured or deceased person(s); (2) name and address of CONSULTANT'S Sub-CONSULTANT, if any; (3) name and address of CONSULTANT'S liability insurance carrier; and (4) a detailed description of the accident and whether any of MCERA'S equipment, tools, material, or staff were involved.

- c. CONSULTANT further agrees to take all reasonable steps to preserve all physical evidence and information which may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and to grant to MCERA the opportunity to review and inspect such evidence, including the scene of the accident.
6. PAYMENT: For services performed in accordance with this Agreement, payment shall be made to CONSULTANT as provided in Exhibit B hereto.
7. TRAVEL EXPENSES: CONSULTANT shall not be allowed or paid travel expenses unless set forth in this Agreement.
8. TAXES: Payment of all applicable federal, state, and local taxes shall be the sole responsibility of the CONSULTANT.
9. OWNERSHIP OF DOCUMENTS: CONSULTANT hereby assigns to MCERA and its assignees all copyright and other use rights in any and all proposals, plans, specification, designs, drawings, sketches, renderings, models, reports and related documents (including computerized or electronic copies) respecting in any way the subject matter of this Agreement, whether prepared by MCERA, the CONSULTANT, the CONSULTANT'S Sub-CONSULTANTS or third parties at the request of the CONSULTANT (collectively, "Documents and Materials"). This explicitly includes the electronic copies of all above stated documentation.

CONSULTANT also hereby assigns to MCERA and its assignees all copyright and other use rights in any Documents and Materials including electronic copies stored in CONSULTANT'S Information System, respecting in any way the subject matter of this Agreement.

CONSULTANT shall be permitted to retain copies, including reproducible copies and computerized copies, of said Documents and Materials. CONSULTANT agrees to take such further steps as may be reasonably requested by MCERA to implement the aforesaid assignment. If for any reason said assignment is not effective,

CONSULTANT hereby grants MCERA and any assignee of MCERA an express royalty – free license to retain and use said Documents and Materials. MCERA'S rights under this paragraph shall apply regardless of the degree of completion of the Documents and Materials and whether or not CONSULTANT'S services as set forth in Exhibit "A" of this Agreement have been fully performed or paid for.

In CONSULTANT'S contracts with other CONSULTANTS, CONSULTANT shall expressly obligate its Sub-CONSULTANTS to grant MCERA the aforesaid assignment and license rights as to that CONSULTANT'S Documents and Materials. CONSULTANT agrees to defend, indemnify and hold MCERA harmless from any damage caused by a failure of the CONSULTANT to obtain such rights from its CONSULTANTS and/or Sub-CONSULTANTS.

CONSULTANT shall pay all royalties and license fees which may be due for any patented or copyrighted materials, methods or systems selected by the CONSULTANT and incorporated into the work as set forth in Exhibit "A", and shall defend, indemnify and hold MCERA harmless from any claims for infringement of patent or copyright arising out of such selection.

MCERA'S rights under this Paragraph 9 shall not extend to any computer software used to create such Documents and Materials.

Notwithstanding the foregoing, MCERA acknowledges that CONSULTANT shall retain all of its rights in its methodologies, methods of analysis, ideas, concepts, know-how, techniques, skills, knowledge and experience possessed by CONSULTANT before the commencement of the term of this Agreement or acquired by CONSULTANT during the provision of the Services.

10. CONFLICT OF INTEREST; CONFIDENTIALITY: It is understood that CONSULTANT performs investment consulting services for other clients which may continue because the CONSULTANT covenants that it presently has no interest, and shall not have any interest, direct or indirect, which would conflict in any manner with the performance of services required under this Agreement. Without limitation, CONSULTANT represents to and agrees with MCERA that CONSULTANT has no present, and will have no future, conflict of interest between providing MCERA services hereunder and any other person or entity which has any interest adverse or potentially adverse to MCERA, as determined in the reasonable judgment of the Board of MCERA. CONSULTANT warrants that it will not recommend any person, contract or transaction in which CONSULTANT, or any employee has any interest, without full written disclosure of the nature and extent of such interest and representation under penalty of perjury that such interest has had no effect upon CONSULTANT'S recommendations.

The CONSULTANT agrees that any information, whether proprietary or not, made known to or discovered by it during the performance of or in connection with this Agreement for MCERA, will be kept confidential and not be disclosed to any other person. The CONSULTANT agrees to immediately notify MCERA by notices provided in accordance with Paragraph 11 of this Agreement, if it is requested to disclose any information made known to or discovered by it during the performance of or in connection with this Agreement.

These conflict of interest and future service provisions and limitations shall remain fully effective five (5) years after termination of services to MCERA hereunder.

For purposes of this section, information shall not be considered confidential to the extent that such information: (i) is already known to the receiving party free of any restriction at the time it is obtained from the other party; (ii) is subsequently learned from an independent third party free of any known restriction and without breach of this Agreement; (iii) becomes publicly available through no wrongful act of either party; (iv) is independently developed by one party without reference to any confidential information of the other; or (v) is required to be disclosed by law, regulation, court order or subpoena, provided that the disclosing party will exercise reasonable efforts to notify the other party prior to disclosure.

11. NOTICES: All notices, requests, demands, or other communications under this Agreement shall be in writing. Notices shall be given for all purposes as follows:

Personal delivery: When personally delivered to the recipient, notices are effective on delivery.

First Class Mail: When mailed first class to the last address of the recipient known to the party giving notice, notice is effective three (3) mail delivery days after deposit in a United States Postal Service office or mailbox. Certified Mail: When mailed certified mail, return receipt requested, notice is effective on receipt, if delivery is confirmed by a return receipt.

Overnight Delivery: When delivered by overnight delivery (Federal Express/Airborne/United Parcel Service/DHL Worldwide Express) with charges prepaid or charged to the sender's account, notice is effective on delivery, if delivery is confirmed by the delivery service.

Telex or facsimile transmission: When sent by telex or facsimile to the last telex or facsimile number of the recipient known to the party giving notice, notice is effective on receipt, provided that (a) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (b) the receiving party delivers a written confirmation of receipt. Any notice given by telex or facsimile shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.

Addresses for purpose of giving notice are as follows:

To MCERA: Mendocino County Employees'  
Retirement Association  
625B Kings Court  
Ukiah, CA 95482  
Attn.: James Wilbanks

Retirement Administrator

To CONSULTANT:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger, or overnight delivery service.

Any party may change its address or telex or facsimile number by giving the other party notice of the change in any manner permitted by this Agreement.

12. USE OF MCERA PROPERTY: CONSULTANT shall not use MCERA property (including equipment, instruments and supplies) or personnel for any purpose other than in the performance of his/her obligations under this Agreement.
13. EQUAL EMPLOYMENT OPPORTUNITY PRACTICES PROVISIONS:  
CONSULTANT certifies that it is in compliance with the Equal Employment Opportunity Requirement of the Civil Rights Act and any other federal or state laws pertaining to equal employment opportunity and that it shall not discriminate against any employee or applicant for employment on the basis of race, color, religion, age, sex, national origin, ancestry, marital status, political affiliation or physical or mental condition, in matters pertaining to recruitment, hiring, training, upgrading, transfer, compensation or termination.
  - a. CONSULTANT shall, in all solicitations or advertisements for applicants for employment placed as a result of this Agreement, state that it is an "Equal Opportunity Employer" or that all qualified applicants will receive consideration for employment without regard to their race, creed, color, disability, sex, sexual orientation, national origin, age, religion, Vietnam era Veteran's status, political affiliation, or any other non-merit factor.
  - b. CONSULTANT shall, if requested to so do by MCERA, certify that it has not, in the performance of this Agreement, discriminated against applicants or employees because of their race, creed, color, disability, sex, sexual orientation, national origin, age, religion, Vietnam era Veteran's status, political affiliation, or any other non-merit factor.
  - c. If requested to do so by MCERA, CONSULTANT shall provide MCERA with access to copies of all of its records pertaining or relating to its employment

practices, except to the extent such records or portions of such records are confidential or privileged under state or federal law.

- d. Nothing contained in this Agreement shall be construed in any manner so as to require or permit any act, which is prohibited by law.
  - e. The CONSULTANT shall include the provisions set forth in paragraphs A through E (above) in each of its subcontracts.
14. DRUG-FREE WORKPLACE: CONSULTANT and CONSULTANT'S employees shall comply with MCERA's policy of maintaining a drug-free workplace. Neither CONSULTANT nor CONSULTANT'S employees shall unlawfully manufacture, distribute, dispense, possess or use controlled substances, as defined in 21 U.S. Code § 812, including, but not limited to, marijuana, heroin, cocaine, and amphetamines, at any MCERA facility or work site. If CONSULTANT or any employee of CONSULTANT is convicted or pleads *nolo contendere* to a criminal drug statute violation occurring at a MCERA facility or work site, the CONSULTANT, within five days thereafter, shall notify the head of MCERA department/agency for which the contract services are performed. Violation of this provision shall constitute a material breach of this Agreement.
  15. ENERGY CONSERVATION: CONSULTANT agrees to comply with the mandatory standards and policies relating to energy efficiency in the State of California Energy Conservation Plan, (Title 24, California Code Of Regulations)
  16. COMPLIANCE WITH LICENSING REQUIREMENTS: CONSULTANT shall comply with all necessary licensing requirements and shall obtain appropriate licenses and display the same in a location that is reasonably conspicuous, as well as file copies of same with MCERA.
  17. AUDITS; ACCESS TO RECORDS: The CONSULTANT shall make available to MCERA, its authorized agents, officers, or employees, for examination any and all ledgers, books of accounts, invoices, vouchers, cancelled checks, and other records or documents evidencing or relating to the expenditures and disbursements charged to MCERA, and shall furnish to MCERA, its authorized agents, officers or employees such other evidence or information as MCERA may require with regard to any such expenditure or disbursement charged by the CONSULTANT.

The CONSULTANT shall maintain full and adequate records in accordance with MCERA requirements to show the actual costs incurred by the CONSULTANT in the performance of this Agreement. If such books and records are not kept and maintained by CONSULTANT within MCERA of Mendocino, California, CONSULTANT shall, upon request of MCERA, make such books and records available to MCERA for inspection at a location within MCERA or CONSULTANT shall pay to MCERA the reasonable, and necessary costs incurred by MCERA in

inspecting CONSULTANT'S books and records, including, but not limited to, travel, lodging and subsistence costs. CONSULTANT shall provide such assistance as may be reasonably required in the course of such inspection. MCERA further reserves the right to examine and reexamine said books, records and data during the four (4) year period following termination of this Agreement or completion of all work hereunder, as evidenced in writing by MCERA, and the CONSULTANT shall in no event dispose of, destroy, alter, or mutilate said books, records, accounts, and data in any manner whatsoever for four (4) years after MCERA makes the final or last payment or within four (4) years after any pending issues between MCERA and CONSULTANT with respect to this Agreement are closed, whichever is later.

18. **DOCUMENTS AND MATERIALS:** CONSULTANT shall maintain and make available to MCERA for its inspection and use during the term of this Agreement, all Documents and Materials, as defined in Paragraph 9 of this Agreement. CONSULTANT'S obligations under the preceding sentence shall continue for four (4) years following termination or expiration of this Agreement or the completion of all work hereunder (as evidenced in writing by MCERA), and CONSULTANT shall in no event dispose of, destroy, alter or mutilate said Documents and Materials, for four (4) years following MCERA'S last payment to CONSULTANT under this Agreement.
19. **TIME OF ESSENCE:** Time is of the essence in respect to all provisions of this Agreement that specify a time for performance; provided, however, that the foregoing shall not be construed to limit or deprive a party of the benefits of any grace or use period allowed in this Agreement.
20. **TERMINATION:** MCERA has and reserves the right to suspend, terminate or abandon the execution of any work by the CONSULTANT without cause at any time upon giving to the CONSULTANT prior written notice. In the event that MCERA should abandon, terminate or suspend the CONSULTANT'S work, the CONSULTANT shall be entitled to payment for services provided hereunder prior to the effective date of said suspension, termination or abandonment. Said payment shall be computed based on a pro-rated share of the work performed prior to the effective date of termination. At its sole discretion, CONSULTANT may terminate this Agreement for its convenience upon six months prior written notice by CONSULTANT to MCERA.
21. **CHOICE OF LAW:** This Agreement, and any dispute arising from the relationship between the parties to this Agreement, shall be governed by the laws of the State of California, excluding any laws that direct the application of another jurisdiction's laws.
22. **ADVERTISING OR PUBLICITY:** CONSULTANT shall not use the name of MCERA, its officers, directors, employees or agents, in advertising or publicity releases or otherwise without securing the prior written consent of MCERA in each instance.

23. **ENTIRE AGREEMENT:** This Agreement, including all attachments, exhibits, and any other documents specifically incorporated into this Agreement, shall constitute the entire agreement between MCERA and CONSULTANT relating to the subject matter of this Agreement. As used herein, Agreement refers to and includes any documents incorporated herein by reference and any exhibits or attachments. This Agreement supersedes and merges all previous understandings, and all other agreements, written or oral, between the parties and sets forth the entire understanding of the parties regarding the subject matter thereof. The Agreement may not be modified except by a written document signed by both parties.
24. **HEADINGS:** Herein are for convenience of reference only and shall in no way affect interpretation of the Agreement.
25. **MODIFICATION OF AGREEMENT:** This Agreement may be supplemented, amended or modified only by the mutual agreement of the parties. No supplement, amendment or modification of this Agreement shall be binding unless it is in writing and signed by authorized representatives of both parties.
26. **ASSURANCE OF PERFORMANCE:** If at any time MCERA believes CONSULTANT may not be adequately performing its obligations under this Agreement or that CONSULTANT may fail to complete the Services as required by this Agreement, MCERA may request from CONSULTANT prompt written assurances of performance and a written plan acceptable to MCERA, to correct the observed deficiencies in CONSULTANT'S performance. CONSULTANT shall provide such written assurances and written plan within ten (10) calendar days of its receipt of MCERA's request and shall thereafter diligently commence and fully perform such written plan. CONSULTANT acknowledges and agrees that any failure to provide such written assurances and written plan within the required time is a material breach under this Agreement.
27. **SUBCONTRACTING/ASSIGNMENT:** CONSULTANT shall not subcontract, assign or delegate any portion of this Agreement or any duties or obligations hereunder without MCERA's prior written approval.
- a. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. Any agreement that violates this Section shall confer no rights on any party and shall be null and void.
  - b. CONSULTANT shall remain fully responsible for compliance by its sub-CONSULTANTS with all the terms of this Agreement, regardless of the terms of any agreement between CONSULTANT and its sub-CONSULTANTS.
28. **SURVIVAL:** The obligations of this Agreement, which by their nature would continue beyond the termination on expiration of the Agreement, including

without limitation, the obligations regarding Indemnification (Paragraph 2), Ownership of Documents (Paragraph 9), and Conflict of Interest (Paragraph 10), shall survive termination or expiration.

29. SEVERABILITY: If a court of competent jurisdiction holds any provision of this Agreement to be illegal, unenforceable, or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them, will not be affected, unless an essential purpose of this Agreement would be defeated by the loss of the illegal, unenforceable, or invalid provision.
30. PATENT AND COPYRIGHT INDEMNITY: CONSULTANT represents that it knows of no allegations, claims, or threatened claims that the materials, services, hardware or software (“CONSULTANT Products”) provided to MCERA under this Agreement infringe any patent, copyright or other proprietary right.

CONSULTANT shall defend, indemnify and hold harmless MCERA of, from and against all losses, claims, damages, liabilities, costs expenses and amounts (collectively, “Losses”) arising out of or in connection with an assertion that any CONSULTANT Products or the use thereof, infringe any patent, copyright or other proprietary right of any third party.

- a. MCERA will: (1) notify CONSULTANT promptly of such claim, suit or assertion; (2) permit CONSULTANT to defend, compromise, or settle the claim; and, (3) provide, on a reasonable basis, information to enable CONSULTANT to do so. CONSULTANT shall not agree without MCERA’S prior written consent, to any settlement, which would require MCERA to pay money or perform some affirmative act in order to continue using the CONSULTANT Products.
- b. If CONSULTANT is obligated to defend MCERA pursuant to this Section 30 and fails to do so after reasonable notice from MCERA, MCERA may defend itself and/or settle such proceeding, and CONSULTANT shall pay to MCERA any and all losses, damages and expenses (including attorney’s fees and costs) incurred in relationship with MCERA’S defense and/or settlement of such proceeding.
- c. In the case of any such claim of infringement, CONSULTANT shall either, at its option, (1) procure for MCERA the right to continue using the CONSULTANT Products; or (2) replace or modify the CONSULTANT Products so that that they become non-infringing, but equivalent in functionality and performance.
- d. Notwithstanding this Section 30, MCERA retains the right and ability to defend itself, at its own expense, against any claims that CONSULTANT Products infringe any patent, copyright, or other intellectual property right.

31. CONSULTANT agrees that its senior consultant and all consultants that will be assigned to MCERA will file a Statement of Economic Interests (California Form 700) with the MCERA Administrator as soon as possible after execution of this agreement and annually thereafter by April 1<sup>st</sup> of each year. MCERA agrees to mail the form 700 to CONSULTANT each year with a reminder of the reporting requirement.
32. CONSULTANT shall promptly notify MCERA in the event of any anticipated or actual material change in the ownership, membership or management control of CONSULTANT, including those personnel represented to be assigned to the MCERA account.
33. OTHER AGENCIES: Other tax supported agencies within the State of California who have not contracted for their own requirements may desire to participate in this contract. The CONSULTANT is requested to service these agencies and will be given the opportunity to accept or reject the additional requirements. If the CONSULTANT elects to supply other agencies, orders will be placed directly by the agency and payments made directly by the agency.
34. GOVERNING LAW AND VENUE: This Agreement will be construed and governed by the laws of the State of California. Any suit filed by either party over any matter arising out of this Agreement shall be filed in the County of Mendocino, State of California and all parties to this Agreement hereby consent to such venue and personal jurisdiction of the Mendocino County Courts.
35. FORM ADV: MCERA acknowledges receipt of CONSULTANT'S disclosure statement, Form ADV, Part II, more than 48 hours prior to the date of the execution of this Agreement. (Exhibit E)
36. CONSULTANT'S INVESTMENT MANAGER CLIENT LISTING DISCLOSURE: MCERA acknowledges receipt of CONSULTANT'S disclosure list of investment manager clients no later than the date of the execution of this Agreement. (Exhibit F)
37. FIDUCIARY STATUS OF CONSULTANT: STANDARD OF CARE:
  - a. CONSULTANT acknowledges that this Agreement places it in a fiduciary relationship with MCERA. As a fiduciary, CONSULTANT shall discharge each of its duties and exercise each of its powers under this Agreement (i) solely in the best interest of MCERA, and (ii) with the competence, care, skill, prudence and diligence under the circumstances then prevailing and that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, in conformance with the California Constitution, Article XVI, section 17, and California Government Code sections 31594 and 31595, and with the customary standard of care of a professional investment

consultant providing services for a U.S. employee pension trust (“Standard of Care.”) CONSULTANT shall cause any and all of its Agents to adhere to the same Standard of Care. CONSULTANT shall be liable to MCERA for any claim which arises from or relates to any failure by CONSULTANT or any of its Agents to exercise this Standard of Care.

[END OF GENERAL TERMS AND CONDITIONS]

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## EXHIBIT A

### DEFINITION OF SERVICES

#### GENERAL

CONSULTANT will provide comprehensive pension fund investment consulting services, working closely with the Board of Retirement and staff. Services will include:

1. Evaluations of portfolio managers' performance, quarterly written and verbal presentations to the board
2. Asset allocation studies, with or without liability studies, as directed
3. Investment policy statement development
4. Manager guideline development
5. Portfolio structure development
6. Manager searches (domestic and international)
7. Custodian Searches
8. Transaction analyses
9. Special investment research projects

#### SPECIFIC

In performing the above duties, CONSULTANT is expected to:

- A) Be proactive with regard to investment recommendations and investment ideas.
  1. Prepare comprehensive research, analysis and advice on specific issues and work cooperatively with the board and staff.
  2. Advise the board and staff of new investment vehicles and techniques or major changes in existing practices within the industry and, upon request, prepare a comprehensive analysis and recommendations concerning these activities.
  3. As requested, provide training to staff on specific topics.
- B) Monitor current asset managers and make recommendations concerning all managers where appropriate, including, but not limited to:
  1. Evaluating managers' performance consistent with their benchmarks/performance objectives (including style benchmarks), guidelines, and risk undertaken.
  2. Advising the staff and the board on questions or issues that arise in the course of administering the external manager program. For example, advice on appropriate benchmarks, investment guidelines or fee structures for various managers.

3. Assisting the staff in reviewing written guidelines with respect to placing managers on probation and guidelines to establish cause for termination. Preparing analyses on problem managers, as needed.
  4. As requested, calculating custom benchmarks.
  5. As requested, providing reports to the board (e.g. trading cost analysis and trends in investment management).
  6. Providing commentary and manager termination recommendations, when needed.
  7. Advising the staff and the board on questions or issues that arise in the course of administering the external manager programs on strategic issues related to structure, policy and benchmarks.
  8. Notwithstanding any of the foregoing, CONSULTANT shall not be responsible for reviewing the risks of individual securities nor the compliance/non-compliance of individual security holdings with MCERA'S Investment Policy Statement and manager guidelines.
- C) Conduct searches for specialized investment advisory firms and investment managers and make recommendations with respect to hiring and performance measurements of all specialized advisory firms and investment managers.
1. Maintain a broad database of investment managers including their philosophies, organizations, performance and client bases.
  2. Review with the staff and board the Association's needs for particular manager styles and, as requested by the board, screen prospective investment managers for suitability with respect to those needs.
  3. In the event the board should engage in one or more searches during the contract term, assist staff as requested, which may include but not be limited to, development of Requests for Proposals (RFPs), development of evaluation factors and methods, preparation of background material and interviewing managers.
- D) Monitor the portfolio for risk. Work in conjunction with the Association's actuary, as needed. MCERA acknowledges that CONSULTANT will not be providing actuarial services.
- E) Assist the board and staff in investment policy development and compliance, asset allocation exercises and in determinations of investment portfolio and manager structure, as needed.
- F) Provide board and staff member education on a special project basis.
- G) Be responsive to staff requests and concerns on a daily basis.
- H) Attend board meetings upon request (with agreed upon notice). These meetings are regularly held on the third Wednesday of each month.

- I) Provide assistance on special projects, as needed.
- J) Assist the staff in learning your approach to various projects.
- K) Other duties as directed by the board or staff that are consistent with the general scope of services.

**EXHIBIT B**

**PAYMENT TERMS**

1. MCERA will pay CONSULTANT in accordance with the following fee schedule. CONSULTANT'S invoice shall be reviewed and approved for payment and paid by the Retirement Administrator within forty-five (45) days of receipt. All invoices shall be submitted on a quarterly calendar basis and shall attach all supporting documentation evidencing work performed.

**Fee Schedule**

## EXHIBIT C

### INSURANCE REQUIREMENTS

Insurance coverage in a minimum amount set forth herein shall not be construed to relieve CONSULTANT for liability in excess of such coverage, nor shall it preclude MCERA from taking such other action as is available to it under any other provisions of this Agreement or otherwise in law.

CONSULTANT affirms that s/he is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for the Workers' Compensation or to undertake self insurance in accordance with the provisions of the Code and CONSULTANT further assures that s/he will comply with such provisions before commencing the performance of work under this Agreement. CONSULTANT shall furnish to MCERA certificate(s) of insurance evidencing Workers' Compensation Insurance coverage to cover its employees, and CONSULTANT shall require all SUBCONSULTANTS similarly to provide Workers' Compensation Insurance as required by the Labor Code of the State of California for all of CONSULTANT'S and SUBCONSULTANTS' employees.

CONTRACTOR shall demonstrate proof of General and/or Professional Liability Insurance in the amount of \$2,000,000.00 per occurrence and an annual aggregate of at least \$5,000,000. This policy shall name MCERA as an additional insured.

## **APPENDIX D CERTIFICATION**

The following certifies that all services and systems described are available, deliverable, and performed by professionals abiding to the highest fiduciary standards. In addition, audits performed by independent parties are diligently accomplished and documented. The undersigned hereby certifies that he or she is authorized to execute this RFP on behalf of \_\_\_\_\_ and that the information, commitments, representations, and other provisions of the foregoing RFP are true and correct.

Name \_\_\_\_\_

Signature \_\_\_\_\_

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