

Request for Proposals (RFP) – Transition Management

The Employees' Retirement System (ERS) of Milwaukee County is requesting proposals from interested firms for transition management services. The Pension Board is seeking to identify one or more firms who will be eligible over a three year time period to facilitate asset transitions on an as need basis.

Responses are due: May 25, 2009

The RFP questions can be obtained by e-mailing:

Ray Caprio  
Assistant Vice President  
Marquette Associates, Inc.  
180 N. LaSalle Street, Suite 3500  
Chicago, IL 60601  
E-mail: [rcaprio@marquetteassociates.com](mailto:rcaprio@marquetteassociates.com)

**In addition the RFP information may be downloaded:**

<http://www.county.milwaukee.gov/PensionBoard16144.htm>



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**A. Purpose**

This Request for Proposal (“RFP”) has been issued by the Pension Board of the Employees’ Retirement System of Milwaukee County (“the ERS” or “System”) to identify one or more firms (“Manager”) who will be eligible over a three-year period to provide transition management services for potential future transitions of assets. The ERS seeks proposals from Managers experienced in managing asset transitions with the objectives of controlling the risks and minimizing the costs associated with transition events.

The ERS anticipates selecting Manager(s) that it identifies, through the RFP process, who will be best at successfully transitioning portfolios. In the event of a transition, the ERS will require the pre-qualified Manager(s) to submit transition proposals specific to that transition, and the ERS will select the proposal that provides the lowest cost and least risk for the transition. There is no guarantee that the ERS will ever use the services of the Manager(s). However, the ERS anticipates at least \$400,000,000 of transactional assets over the next year.

The ERS’s Investment Consultant, Marquette Associates, will be receiving and analyzing all responses from this manager search. Please contact Ray Caprio via email with any questions.

Proposals are being distributed to firms familiar to the ERS and known to provide transition management services. However, qualified firms that do not receive a Request for Proposal from the ERS are encouraged to compete and may obtain the RFP document from the Milwaukee County website:

<http://www.county.milwaukee.gov/PensionBoard16144.htm>



**B. Minimum Qualifications**

In order to be considered for selection as a Transition Manager, the Proposer must meet the following minimum qualifications:

- The Manager must have the ability to act as a fiduciary to the ERS in any transition.
- The Manager must be registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended, and the registration must be current.
- The Manager must have provided transition management services to at least three (3) public funds over the last three (3) years.
- The Manager must have a dedicated transition management unit with a minimum of three (3) years of experience managing transitions of client portfolios in the following asset classes: Fixed Income, U.S. Equities and Non U.S. Equities.
- The Manager must have conducted at least \$5 billion in transition management activities for the last year, as of December 31, 2008, and an aggregate of \$10 billion over the last three (3) years.
- The Manager must have the ability to trade on an agency basis for the ERS.
- The Manager must have the ability to provide pre-transition and post-transition analysis and reporting.
- The Manager must maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to the ERS account.
- The Manager and its personnel must have all authorizations, permits, licenses, and certifications as may be required under federal, state, or local law to perform the services specified in this RFP at the time it submits a response to the RFP.



**C. Scope of Services**

The ERS is looking to establish a platform of qualified transition managers to provide services as the need for these services arise. The manager will be required to provide the following scope of services if selected by the ERS:

- A proposal and pre-trade analysis to the ERS for each transition event including:
  - 1). Analysis of the risk and cost associated with the event.
  - 2). The strategy for mitigating the risks and minimizing the costs.
  - 3). An execution timetable.
  - 4). Estimate of all commission costs and trading costs for the transition.
- Coordination of the entire transition process in cooperation with the ERS Staff, the custodian bank, the investment managers, and any other third parties to ensure that the assets are transitioned in the most efficient and cost-effective manner possible.
- Provide recurring written reports to the ERS throughout the transition process updating the progress according to plan.
- A post trade report upon completion of the transition that summarizes the following:
  1. Transition performance
  2. Costs and savings
  3. Details on all trades that were executed and the costs of each trade.
  4. Comparison of the initial cost estimate with the realized cost.
- Participate in meetings or conference calls as needed to provide information to the System concerning a transition project.



D. Submission of Proposals

- Proposals should first indicate whether or not the firm meets all the minimum requirements stated in **Part B**.
- Completed responses must include a proposed sample Transition Management Agreement, Form ADV II, and a 3 year explicit cost proposal.
- Candidates must also complete Appendix I that should accompany **Part F**.
- Upon completion of **Part F**, submit by May 25, 2009, electronically to:

Ray Caprio  
Assistant Vice President  
Marquette Associates, Inc.  
E-mail: [rcaprio@marquetteassociates.com](mailto:rcaprio@marquetteassociates.com)



## E. Evaluation and Selection

Proposals received will be evaluated by five members of the Investment Committee of the Pension Board, with the advice and assistance of the ERS's investment consultant, staff and legal counsel. Proposers may be requested to present at an interview or interviews. The Investment Committee will make recommendations to the Pension Board of the System, which will make the final selection of a firm or firms.

The recommendation(s) of the evaluation panel will be made on a consensus basis after reviewing the proposals submitted based on the following criteria:

- Compliance with the Minimum Requirements in Section B
- Overall experience and past performance of the organization
- Process and Philosophy of Transition Management, including absence of conflicts of interest
- Cost or fees
- Reporting Capabilities

The Pension Board of ERS will make its selection(s) by a majority vote at a public meeting of the Board. The ERS will select the Manager(s) the ERS determines to be fully qualified and best suited among those submitting proposals. *All proposals received in response to this RFP may be rejected and the ERS may seek new or additional proposals or may decline to select any Manager(s).*

Please note: The ERS is subject to Wisconsin open records law, 19.21 *et seq* of the Wisconsin statutes. All proposals will be deemed open records upon completion of the selection process. If a proposer believes that any portion of its proposal constitutes a trade secret pursuant to 19.36(5), Wis. Stats., the proposal must designate in some fashion those portions that the proposer asserts are trade secrets. In the event an open record request is received by ERS, ERS will make an independent determination of those records that it will release and is not bound by any designations made by proposers.

Candidates will be notified of their status in the RFP process when available.



## F. Request for Proposal

### **General Information**

- 1) Please provide a brief general history of your firm.
- 2) What is the ownership structure of the firm? Indicate all entities that have an ownership stake. Please provide a chart detailing owners by percentages.
- 3) How long has your firm been in the business of transition management?
- 4) Are you a certified Minority, Woman, or Disabled-Owned (at least 51% Minority, Woman, or Disabled-Owned) business? If so, please attach certification.
- 5) Please provide the names, roles, and years of experience of any professional staff fully dedicated to transition management at your firm.
- 6) Please provide the names, roles, years of experience, and reason for departure of any professional staff fully dedicated to transition management that have left your firm in the last 5 years.
- 7) Please indicate the professional(s) who would be responsible for this account.
- 8) Discuss your firm's transition management business growth over the last five years, including any increase or decrease in dedicated professionals, increase or decrease in technological resources, and increase or decrease of actual transition management events.
- 9) Is your firm represented by a third party firm, an outside individual(s) whose purpose was marketing and/or gathering assets for the firm, or an introducing agent that would be compensated for marketing and/or gathering assets for this RFP? If so, list all relationships and compensation structure.



10) Does your firm consider itself a specialist in any specific asset class? If not, please identify **one** asset class your firm believes it can add the most value in through its transition management group.

11) How do you add value to the process? Why should your firm be selected?

**Legal Information/Conflicts of Interest**

12) Describe the procedures that are in place to safeguard confidentiality throughout a transition. How do you avoid information leakage to the market?

13) Disclose any sanctions or disciplinary actions taken against the firm or any of its affiliates by the SEC, NASD, or other regulatory body within the last five years.

14) Disclose any legal or arbitration claims the firm or any of its affiliates has settled or been required to pay within the last five years.

15) Can your firm act as a fiduciary for this transition as a Registered Investment Advisor under the 1940 act? Has your firm served in this capacity in the past?

16) Describe those services/functions which would be performed when acting in a fiduciary capacity vs. not acting as a fiduciary.

17) Does your firm, including subsidiaries or closely held firms, receive any economic benefit other than what is explicitly quoted as a fee or commission for transition services? Please disclose all such means for economic benefit including soft dollars in addition to the fee or quoted commission charges.

18) Does your firm or an affiliate have a company or proprietary account in which you may be the other side of a given transaction? If so, what safeguards can you describe that ensure you are placing the goals of the client ahead of your firm's capability to book revenue in this manner?

19) Does your firm have any counterparty arrangements with hedge fund trading accounts? If so, please explain why this will not have a negative impact on the transition.



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- 20) Please list all insurance carriers supplying your firm with coverage, including the type of coverage, and coverage amount.
- 21) Will your firm attest that your firm's only sources of material benefit resulting from this transition will be from commissions or fees explicitly accounted for with regard to the transition? Will you attest that your firm provides no opportunity for any outside party to gain knowledge of the trades that will be implemented?

**Process**

- 22) Discuss the primary goals of your transition management process.
- 23) Describe the relevant factors influencing your choice of transition execution strategy for a particular client circumstance.
- 24) Discuss your firm's process in determining the optimal mix between opportunity cost and market impact.
- 25) Describe the quantitative tools your firm uses during a transition management event.
- 26) Is your firm an agency, principal brokerage, or solely a manager? Please describe the brokerage relationships your firm has in place. Please describe the process used to select brokers for trades.
- 27) Discuss the risk management tools (both from an operational and trading standpoint) your firm utilizes during a transition management event.
- 28) Discuss your firm's methods for maintaining market and currency exposure to asset classes during a transition management event. Does your firm favor a particular method?
- 29) Discuss how the FX trades associated with international portfolios are executed.
- 30) Discuss your firm's capabilities handling non-U.S. equity and fixed income transition management events.



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- 31) Please discuss your firm's usage of internal and external crossing, including your firm's definition for each. Please discuss what role your firm believes internal and external crossing should play in a transition management event.
- 32) Does your firm internalize order flow? If so, please list the various conflicts this situation creates and explain how you assure client orders are given best execution in regard to timing and price?
- 33) If given this transition, your firm will be expected to provide advice on methods to minimize both implicit costs and explicit costs, including trading costs. If your fees are based solely on commissions, how will you handle this conflict of interest?
- 34) How will you verify that you have performed and accounted for the transition properly?
- 35) Explain your firm's communication process with the client and investment consultant during the transition.
- 36) Explain the communication process with the target and legacy investment managers during the transition.
- 37) Please list all Minority, Woman, or Disabled-Owned broker/dealers that your firm utilizes for open market trading in the transition process. In the previous calendar year, what percentage of commissions of open market trades was executed through Minority, Woman, or Disabled-Owned broker/dealers?

**Reporting**

- 38) Discuss your firm's calculations of relevant data when submitting a pre-trade report. Please make sure to discuss the estimated bid/ask spread, opportunity cost, market impact costs.
- 39) Discuss your firm's method of determining a security's liquidity when submitting a pre-trade report, and when determining the strategy for a transition management event.
- 40) How does your firm measure its relative success or failure after the completion of a transition management event?



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- 41) Does your firm provide any reporting that shows the quality and cost effectiveness of FX trades that are performed?
- 42) Is your firm capable of providing a daily on-line report depicting transition activity?
- 43) Please provide a sample pre-trade and post-trade report.

**Appendix I.**

Download the excel spreadsheet, complete, and submit as a separate attachment with **Part F.**

