

QUESTIONS + ANSWERS  
FOR  
REQUEST FOR PROPOSALS FOR  
INVESTMENT  
MANAGER/ADVISER/CONSULTANT



*CITY OF YORK*  
*PENSION FUNDS*

DECEMBER 16, 2016

*RESPONSES DUE JANUARY 6, 2017*

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## OVERVIEW

This document answers Questions received by the City of York, Pennsylvania, (the “City” or “York”) regarding the City’s Request For Proposals (the “RFP”) issued on November 28, 2016 seeking an Investment Manager, Adviser or Consultant for its Municipal Pension Funds (the “Funds” or “Pension Funds”).

Answers to submitted Questions follow the general comments below and are grouped by Information regarding:

- A. PLAN + FUND
- B. CITY OF YORK
- C. RESPONDING FIRMS

### Investment Management Service + Approach

The City will consider all proposed investment management services, approaches and solutions that help the City achieve its obligation to meet the Plan liabilities as efficiently, effectively and securely as possible while assuming appropriate risk.

### Form of Proposal

Firms will not be held to rigid response or form requirements in their responding Proposals – we recognize the effort required to respond to a Request for Proposals. The City is looking for sufficient information to be of assistance in selecting, in its opinion, the best-qualified investment management services proposed. The RFP provides an indication of the information being sought. Firms are invited to use their judgment in responding, knowing, of course, that they will be evaluated in comparison to other responding Firms’ Proposals.

### Fees + Performance

Responding Firms that recognize and address the impact of fees on long-term Fund performance and the ability of the City to meet its Plan obligations, and Firms that propose managing Plan assets accordingly, will be well-considered. Sealed Cost Proposals will be opened separately and after the Service Proposals have been evaluated.

### Other Information

Additional information regarding the Plans is available in the Annual Financial Reports available at <http://yorkcity.org/finances>.<sup>i</sup> Management’s Discussion and Analysis (page i *et seq.*), Note 14 regarding Employee Retirement Plans (Pension Trust Funds) (page 58 *et seq.*), Note 15 regarding Other Post-Employment Benefits (OPEB) (pages 74 *et seq.*), and Schedules of Changes, City Contributions and Funding Progress in the Required Supplementary Information (pages 85 *et seq.*) of the 2015 Annual Financial Report may be helpful.

Information regarding Conflicts of Interest disclosure is found under City Information, Conflicts of Interest Disclosure below, summarized in the RFP, and in a copy of the relevant sections of the Act posted at <http://www.yorkcity.org/rfp>.

## PLAN + FUND INFORMATION

### 1. INVESTMENT MANAGEMENT SERVICES + APPROACHES SOUGHT

- A. The City will consider all proposed investment management services, approaches and solutions that help the City achieve its obligation to meet the Plan liabilities as efficiently, effectively and securely as possible while assuming appropriate risk.
- B. For example, fully discretionary investment management, Outsourced Chief Investment Officer ("OCIO"), advisory and consulting services will be considered. Similarly, active and passive approaches, alternative strategies, absolute return strategies, specialized investment vehicle structures, and others will be considered.

### 2. INVESTMENT POLICY STATEMENT

- A. The Investment Policy Statement is available at the website referenced above.<sup>ii</sup> Target allocations and indices are contained therein.

### 3. CURRENT ALLOCATION, PERFORMANCE, QUARTERLY + ACTUARIAL REPORTS

- A. More detailed and additional information regarding current Plan asset allocation and performance, such as a recent quarterly report, will be provided to Firms selected for interviews. Some additional information regarding the Plans is available in the Annual Financial Reports referred to above.

### 4. CURRENT INVESTMENT MANAGEMENT

- A. The City currently employs an Investment Consulting Firm that provides overall portfolio management, investment manager selection, and performance monitoring and reporting services. The Consulting Firm has been invited to respond to the RFP and will be considered with other responding Firms.
- B. Additional information regarding current Plan asset allocation and performance will be provided to Firms selected for interviews.

### 5. FEES AND PERFORMANCE

- A. Responding Firms that recognize and address the impact of fees on long-term fund performance and the ability of the City to meet its Plan obligations, and Firms that propose managing Plan assets accordingly, will be well-considered.

### 6. ASSET/LIABILITY STUDY

- A. An Asset/Liability Study and Recommendations has not been performed for the Funds. Responding Firms may address this, if desired.

7. ERISA

- A. The Pension Funds are governed by the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, Act. 205, 1984 as amended by Act 44, 2009, available online<sup>iii</sup> and posted at the website above.

8. FUNDING RATIO + ACTUARIAL INTEREST RATE

- A. The City's 2016 Municipal Pension Funding Ratio is 65% as reported by the Pennsylvania Department of the Auditor General under the Municipal Pension Reporting Program,<sup>iv</sup> which was, until recently, determined by the Pennsylvania Public Employee Retirement Commission ("PERC").<sup>v</sup> The Funding Ratio is determined based upon 2015 Actuarial Valuations performed by the Funds' Actuarial Consultants.
- B. The actuarial interest rate is 8%. Additional information is available in the Notes to the Annual Financial Reports referred to above.

9. OTHER POST-EMPLOYMENT BENEFITS

- A. Other Post-Employment Benefits ("OPEB"), such as post-retirement health care benefits, are provided by the City through its Internal Service Fund. They are not funded by the Pension Plan assets. Additional information is available in the Notes to the Annual Financial Reports referred to above.

10. PENSION PLAN ASSETS

- A. The Funds consist solely of Pension Plan assets. The Plan assets contain proceeds from bonds issued by the City many years ago (1995 + 1998, see Management's Discussion and Analysis to the Annual Financial Reports referred to above). They are Plan assets.

## CITY INFORMATION

11. RFP GOAL

- A. It is City policy to periodically re-issue RFPs for all service providers.

12. CONFLICTS OF INTEREST DISCLOSURE

- A. Responding Firms must certify that they have no conflicts of interest with the City as described in the RFP (pages 5-6) and required by the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, Act. 205, 1984, as amended by Act 44, 2009, ("Act 44", see RFP). A copy of the relevant section of Act 44 - Chapter 7-A, Standards For Municipal Pension Systems<sup>vi</sup> - has been posted at the website above.

- B. A general certification is satisfactory. Firms may select the form and manner of their certification. More specific certification may be required of Firms later selected in the RFP process.

### 13. MEETINGS

- A. The Pension Fund Boards meet quarterly. Currently, key service providers attend these meetings. Responding Firms may address this, if desired.
- B. 2017 Meetings are scheduled for the following Wednesdays; dates are subject to change:
  - i. February 22, 2017
  - ii. May 24, 2017
  - iii. August 16, 2017
  - iv. November 22, 2017

### 14. REPORTING FREQUENCY

- A. Current practice is to provide quarterly and annual performance reports for review at the Funds' quarterly Board meetings and to review the Investment Policy Statement and other issues on an ongoing basis. It is anticipated that this practice will continue. Firms may address this, if desired.

### 15. ANNUAL CITY CONTRIBUTIONS TO THE FUNDS

- A. See the Notes to the Annual Financial Reports referred to above.

## RESPONDING FIRMS INFORMATION

### 16. FORM OF PROPOSAL + INFORMATION REQUIRED

- A. Firms will not be held to rigid response or form requirements in their responding Proposals – we recognize the effort required to respond to a Request for Proposals. The City is looking for sufficient information to be of assistance in selecting, in its opinion, the best-qualified investment management services proposed. The RFP provides an indication of the information being sought. Firms are invited to use their judgment in responding, knowing, of course, that they will be evaluated in comparison to other responding Firms' Proposals.
- B. For example, regarding insurance coverage, information that substantiates the Firm's insurance coverage with sufficient clarity and evidentiary value will suffice. Similarly, information regarding a responding Firm's key personnel should be based on the information suggested in the Firm and Service Information sections of the RFP (pages 4 *et seq.*) and the Firm's judgment.

17. FIRM OFFICE

- A. Responding Firms can decide which office, location or team should respond based on their preferences and capabilities.

18. SPECIALIZED MANAGERS

- A. The Funds are seeking investment management expertise to manage the entire portfolio of Pension Plan assets, including the allocation thereof. Investment Managers, Advisers and Consultants for that role will be considered and one will be select based on the Proposals and Interviews. Firms that provide this expertise on their own or as part of a team will be considered. The City is not selecting specialized sub-advisers or managers of individual components of the Plan assets, at this stage.

19. MINIMUM REQUIREMENTS

- A. There are no specific minimum requirements, such as a minimum value of Assets Under Management (“AUM”). Responding Firms will be evaluated based on the overall quality of their Proposal and their Firm, and information provided during Interviews, if so selected. The RFP provides an indication of the information being sought. Firms may use their judgment in responding, knowing, of course, they will be evaluated in comparison to other responding Firms’ Proposals.

Additional questions and correspondence regarding the RFP may be submitted to:

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Fax: (717) 815-0494

TIMETABLE

RFP ISSUE DATE	November 28, 2016
QUESTIONS RE RFP DUE	December 12, 2016
RESPONSES TO QUESTIONS POSTED	December 16, 2016
<b>PROPOSALS DUE</b>	<b>January 6, 2017</b>
INTERVIEWEES NOTIFIED	February 17, 2017
INTERVIEWS	March 13-17, 2017
NOTIFY SELECTED MANAGER	May 19, 2017
SIGN INVESTMENT AGREEMENT	June 16, 2017
BEGIN MANDATE	July 1, 2017

## ENDNOTES

<sup>i</sup> ANNUAL FINANCIAL REPORTS:

<http://yorkcity.org/finances>

<sup>ii</sup> INVESTMENT POLICY STATEMENT: <http://www.yorkcity.org/rfp>

<sup>iii</sup> (ERISA) PA Municipal Pension Plan Funding Standard and Recovery Act, Act 205, 1984 as amended by Act 44, 2009: <http://www.yorkcity.org/rfp>; and

[http://www.legis.state.pa.us/cfdocs/legis/CH/Public/ucons\\_pivot\\_pge.cfm?session=1984&session\\_ind=0&act\\_nbr=0205.&pl\\_nbr=1005](http://www.legis.state.pa.us/cfdocs/legis/CH/Public/ucons_pivot_pge.cfm?session=1984&session_ind=0&act_nbr=0205.&pl_nbr=1005); and

<http://www.legis.state.pa.us/cfdocs/legis/LI/uconsCheck.cfm?txtType=HTM&yr=1984&sessInd=0&smthLwInd=0&act=0205>; and

<http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2009&sessInd=0&act=44>

<sup>iv</sup> FUNDING RATIO + ACTUARIAL INTEREST RATE (Department of the Auditor General):

<http://www.paauditor.gov/mprp-reports>

<sup>v</sup> FUNDING RATIO + ACTUARIAL INTEREST RATE (PERC):

<http://www.perc.pa.gov/Pages/default.aspx>

<sup>vi</sup> CONFLICTS OF INTEREST DISCLOSURE, Act 44:

<http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2009&sessInd=0&act=44>; and

<http://www.yorkcity.org/rfp>