

Request for Proposals (RFP) – Core Infrastructure (Private/Open Ended)

The Employees' Retirement System (ERS) of Milwaukee County is requesting proposals from interested firms for Core Infrastructure (Private/Open Ended) management. The Pension Board is seeking to identify one or more firms to manage a Core Infrastructure allocation of approximately \$118 million.

Responses are due: September 22, 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
Phone : (312) 527-5500
E-mail: rcaprio@marquetteassociates.com

In addition the RFP information may be downloaded:

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



Table of Contents

A. Purpose

B. Qualifications

C. Scope of Services

D. Submission of Proposals

E. Evaluation and Selection

F. Request for Proposal

i. Appendix



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 to manage Core Infrastructure assets. The ERS seeks proposals from Managers experienced in managing assets relative to a benchmark of T-Bills + 4% (“Benchmark”).

The ERS anticipates selecting Manager(s) that it identifies, through the RFP process, that are most likely to successfully outperform the Benchmark with controlled risk. The ERS anticipates funding the Manager(s) with approximately \$118 million.

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

Proposals are being distributed to firms familiar to the ERS and the Investment Consultant known to fit the parameters. However, qualified firms that do not receive a RFP 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 Manager, the Proposer must meet the following minimum qualifications:

- The Manager must have the ability to act as a fiduciary to the ERS.
- The Firm must be a registered investment advisor 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 a Core Infrastructure product with a Private and Open Ended structure and a minimum track record of 5 years.
- The Firm/Manager must have an E&O Insurance Policy minimum of \$5 million.
- The Manager must have at least 2 senior members of the investment team that have been in place on the product for at least 3 years.



*Employees' Retirement System of Milwaukee County
Core Infrastructure RFP*

- The Manager must maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all 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 place assets with a Manager that can perform the following services:

- Provide monthly and quarterly reporting to ERS and the Investment Consultant.
- Complete quarterly and/or monthly requests for information from the Investment Consultant.
- Participate in meetings or conference calls as needed.

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 Investment Management Agreement, Form ADV II, PPM, and the most competitive cost proposal available.
- RFP must indicate the exact title of the proposed fund, fund type, target size, initial close, focus, region, and whether the product is an onshore or offshore structure.
- Candidates must also complete Appendix I (page 12 separate excel attachment) which should accompany **Part F**.
- Upon completion of **Part F**, submit by September 22, 2009, electronically to:

Ray Caprio
Assistant Vice President
Marquette Associates, Inc.
E-mail: rcaprio@marquetteassociates.com



E. Evaluation and Selection

Proposals received will be evaluated by a panel that will be composed of some of the members 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 evaluation panel 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, history, and past performance of the organization
- Manager team experience
- Process and philosophy of Manager
- Return and Risk of the Manager relative to the Benchmark
- Fees

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 Managers(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

(please use data as of June 30, 2009 unless otherwise directed)



I. Firm/Organization

- 1) What year was your organization established? Please give a brief history of your organization and discuss the general ownership structure.
- 2) Please provide the organization's name, as well as the name, title, address, phone number, fax number, and email address of the individual who will be serving as our primary contact.
- 3) Please provide the address and website address of the firm's headquarters and all branch offices.
- 4) Please comment on the financial solvency of your firm. Do you have any firm debt? What is the minimum asset level to which your firm would remain profitable?
- 5) Please provide a brief description of your firm's plans for growth, such as asset growth, personnel growth, succession planning, over the next 3-5 years.
- 6) Please provide a succession plan for key employees if any key retirements are planned within the next 5 years.
- 7) Please provide total assets under management and infrastructure assets under management for both the ultimate parent entity and the entity providing infrastructure investment services as of June 30, 2009
- 8) Please list city and state of all directly related offices (indicate headquarters), the opening date of the office(s), and indicate whether the office(s) is used for portfolio management, acquisitions, asset management, research, marketing and/or client servicing.
- 9) Please provide details (and diagrams if available) of the legal structure of the General Partner, and all affiliated management companies or corporations.
- 10) If your firm is an affiliate/subsidiary of a larger organization or a joint venture partner with another organization, describe the method of communication and quality control between the two organizations. Define the specific responsibilities of each of the parties

II. Ownership



*Employees' Retirement System of Milwaukee County
Core Infrastructure RFP*

- 11) Please discuss your general ownership structure, including what percentage of your firm is owned by current active employees.
- 12) Is your firm owned by a parent company? If so, please describe the relationship in detail.
- 13) Describe how the infrastructure investment entity manages potential conflicts of interest with other business units of your parent entity.
- 14) Have there been any changes in the ownership structure of your firm in the past five years? If yes, please explain in detail.
- 15) Are there any known or contemplated firm changes in ownership or changes in firm personnel? If so, please explain.

III. Client Breakdown

- 16) Please provide the firm's and product's breakdown by clients as of the current date (as measured by % of assets under management) using the following format. Please provide a brief explanation as to the contents of "other."

	Foundation/ Endowment	Corporate	Public	Taft- Hartley	High Net Worth	Foreign	Other
Firm							
Product							

- 17) Please provide the approximate client turnover in the *firm's total Infrastructure* business using the format below.

	2005	2006	2007	2008	2009
# of Clients Gained					
Assets (\$MM) Gained					
# of Clients Lost					
Assets (\$MM) Lost					

- 18) Please provide the approximate client turnover in the *proposed product* using the format below.



	2005	2006	2007	2008	2009
# of Clients Gained					
Assets (\$MM) Gained					
# of Clients Lost					
Assets (\$MM) Lost					

IV. Investment Professionals

Firm Specific:

- 19) Please provide brief biographies of the investment professionals (analyst/portfolio manager) in the firm. List ownership and % held by the investment professionals.
- 20) Please describe your dedicated infrastructure resources (i.e. number of people including partners, front office (operations), back office, legal, IR, etc...).
- 21) Please discuss the compensation plan of the investment professionals. Please breakout the differences between the fund manager's compensation and analyst compensation. Please specifically describe whether the bonus plans are based on asset growth, investment performance, or some combination. If any or part of the compensation is based on investment performance, please specifically cite the performance measurement and the time period involved.
- 22) Are the investment professionals under employment contracts/non-compete agreements with the firm?
- 23) What are the vesting provisions?
- 24) Discuss all turnover of investments professionals (analysts, fund managers, and marketers) in the firm during the last three years. Specify each professional's role.
- 25) Is your firm represented by any third party firm or individual whose purpose is marketing and/or gathering assets for the firm and are compensated as such? If so, list all relationships, their nature and compensation structure.
- 26) Are you a registered minority or female (at least 51% minority or female owned) investment manager? If so, please attach state or local registration.



--	--	--	--	--	--	--

VI. Compliance/Conflicts of Interest

- 33) Is the entity providing infrastructure investment services an SEC registered investment advisor? If yes, append a copy of your Form ADV and include the date of registration. If no, please explain why not.
- 34) Please provide a brief description of any past or pending regulatory action, litigation, or other legal proceedings involving the firm or any registered employees and/or principals as defendants in the last 5 years.
- 35) Have the principals of the General Partner, the Fund, or any of the General Partner's affiliates been the subject of a regulatory action, censure or legal action alleging fiduciary misconduct within the past 5 years? If yes, please attach a detailed review.
- 36) Has your firm been audited by the SEC, DOL, or any regulatory agency in the past 5 years? Please explain any key findings. Please attach a copy of the SEC Review findings and firm responses.
- 37) Do you have a dedicated compliance officer? Does this person serve other roles within the firm? If so, please describe.
- 38) Who is the firm's independent auditor? How long have they been serving in this capacity?
- 39) Who is the firm's legal counsel or do you use an in-house legal team? Please provide brief biographies for them, indicating how long they have been serving in this capacity.
- 40) Please describe your firm's disaster recovery and business continuity plans, specifically addressing the most recent date and the numbers of times you have practiced and tested your procedures in the past 5 years, and the results of those exercises. Please provide a copy of your firm's disaster recovery and business continuity procedures.
- 41) Please address your back-up capabilities and/or offsite location, particularly related to your trading desk, in the event your primary office location was inaccessible.
- 42) Identify and discuss any actual or potential conflicts of interest with respect to the principals of the General Partner, the Fund, or any of the General Partner's affiliates? Describe how the principals of the General Partner, the Fund, or any of the General Partner's affiliates manage potential conflicts of interest with other business units of your parent entity.



VII. Product Investment Process

Strategy:

- 43) What is the firm's investment philosophy? Does the Fund have a sector and regional/country focus?
- 44) List the types of investment opportunities potentially available in this strategy. What does your firm interpret as infrastructure assets?
- 45) Please summarize the partnership's investment guidelines. What are the limits on an investment as a percent of capital? Are there sector limits? Geographic limits? What are the maximum leverage guidelines? Is the partnership limited to specializing in only specific types of investments?
- 46) Discuss the risks involved in your strategy, and how you plan to manage these risks.
- 47) Does the fund hedge interest rate risk and/or currency risk? If so how?
- 48) What is the average length of time infrastructure investments are held or are expected to be held?
- 49) Will the Fund make follow-on investments into portfolio companies? What is the decision-making process for investing additional capital in existing portfolio companies?
- 50) How is deal flow sourced: Internal, Investment Bank, Private Equity, Other Investment Professionals, etc...? How is deal flow unique for the firm? Does the Fund source deals independently or jointly with others?
- 51) Do you expect to be involved in public company takeovers?
- 52) What is the average number of opportunities reviewed by the firm per year? What is the average number of opportunities that the firm performs full due diligence for per year? What is the average number of opportunities that the firm submits a bid on per year?

Process:

- 53) Provide an overview of the Fund's investment process. Describe each stage of your firm's internal decision-making processes. Please explain the Investment Committee process in detail. How many members are on the Investment Committee? Does it take a unanimous or majority vote to pass the committee?



- 54) How often do the professionals meet as a group? What forum(s) do the professionals use for information and idea sharing?
- 55) What is the Fund's documentation process (e.g. due diligence lists, deal logs)? Are the following professionals always engaged in the due diligence process and what reports do they typically provide?
- a) Accountants
 - b) Outside law firms
 - c) Other outside consultants and advisors
- 56) Please explain the firm's pricing discipline, including an explanation of the approach to the valuation of investment opportunities.
- 57) Can the Fund use bridging/leverage in investments? If so, what is the average target debt/equity ratio for investments? What is the leverage limit?
- 58) When does the Fund insist on Board representation? What controls and rights does the Fund seek when taking minority positions?
- 59) What is the Fund's post-acquisition deal monitoring process? What will be the major factors monitored in the portfolio companies? How frequently will the firm interact with portfolio company management post investment? How often and in what form will reporting be received from portfolio companies? Are there separate teams/people responsible for monitoring investments?
- 60) Please discuss how liquidity is factored into the deal decision making process.

Current Offering

Please fill-in the following table covering terms and conditions for your current partnership offering.

Fund Name:
General Partner ("GP"):
Placement Agent Name:
Target Fund Size:
GP Commitment:
Hard LP Commitments:
Min. Commitment Size:
Max. Commitment Size:
Commitment Period:
Target Return (Gross IRR, Net IRR, Current Return):
Term:



Management Fee:

Preferred Return:

Carried Interest:

Acquisition Fee:

Financing Fee:

Other Fees:

Termination Provision:

Removal of the GP:

- 61) Please provide an update on fundraising activities to date, including: signed commitments, soft commitments, number of signed LP's, planned/ actual first close, and planned final close? Please indicate the percentage of international commitments and percentage of U.S. commitments?
- 62) What are the requirements for an Advisory Board seat? Will an Advisory Board give final approval to distributions?
- 63) What steps have you taken to ensure that the Limited Partners will not be liable for any issues beyond the term of the partnership?
- 64) Does the fund have a Responsible Contractor Policy? If so, please provide a copy.

Miscellaneous

- 65) Please discuss the current reporting available for the fund. What type of information is available? How long after quarter end are performance reports available, etc...? Please provide a typical performance report.
- 66) Does your firm provide online electronic access to capital calls, capital balance statements, K-1's, and/or Annual Audited Reports?
- 67) Does the proposed product have the ability to implement a queue if redemption requests exceed current cash levels? If so, please elaborate on liquidity.
- 68) Please provide us with the following material:
 - A copy of your most recent ADV, if applicable.
 - A copy of the PPM, LP Agreement, and Subscription Agreement.
 - A copy, via email, of your most recent presentation on the product.
- 69) Please fill-out the attached Excel spreadsheet.



*Employees' Retirement System of Milwaukee County
Core Infrastructure RFP*

- a) Fund Characteristics
- b) Firm Profile
- c) Fund(s) Summary
- d) Asset(s) Summary

Appendix I.

Download the excel spreadsheet, complete utilizing 6/30/09 data, and submit as a separate attachment with **Part F.**

