Request for Proposals (RFP) – U.S. Small Cap Value Equity

The Employees' Retirement System (ERS) of Milwaukee County is requesting proposals from interested firms for U.S. Small-Cap Value Equity management. The Pension Board is seeking to identify a small-cap value manager to manage approximately $37 million.

Responses are due: June 18, 2009

The RFP questions can be obtained by e-mailing:

Kelli Schrade
Director of Manager Research
Marquette Associates, Inc.
180 N. LaSalle Street, Suite 3500
Chicago, IL 60601
Phone : (312) 527-5500
E-mail: kschrade@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 to manage U.S. equity small-cap value assets. The ERS seeks proposals from Managers experienced in managing assets relative to the Russell 2000 Value Index ("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 as well as complement the current small-cap value manager. The ERS anticipates funding the Manager with approximately $37 million.

The ERS's Investment Consultant, Marquette Associates, will be receiving and analyzing all responses from the RFP. Please contact Kelli Schrade 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 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's process must be primarily a fundamentally-based strategy.
- The Manager must have a GIPS compliant U.S. Equity Small-Cap Value composite with a minimum track record of 3 years.
- The Manager must have the GIPS compliance verified by an outside auditor within the last 3 years.
- The Manager must have at least $200 million in assets in the Small-Cap Value composite as of March 31, 2009.

- The Manager must have at least 2 senior members of the Small-Cap Value team that have been in place on the product for at least 3 years.

- 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, a GIPS verification letter, and a cost proposal.

- Candidates must also complete Appendix I that should accompany **Part F.**

- Upon completion of **Part F**, submit by June 18, 2009, electronically to:

  Kelli Schrade
  Director of Manager Research
  Marquette Associates, Inc.
  E-mail: kschrade@marquetteassociates.com

E. Evaluation and Selection

Proposals received will be evaluated by a panel of selected 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 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, 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 March 31, 2009 unless otherwise directed)

I. Firm

1) What year was your organization established? Please give a brief history of your organization.

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.

II. Ownership

7) Please discuss your general ownership structure, including what percentage of your firm is owned by current active employees.

8) Have there been any changes in the ownership structure of your firm in the past five years? If yes, please explain in detail.

9) Are there any known or contemplated firm changes in ownership or changes in firm personnel? If so, please explain.

III. Client Breakdown

10) 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							

11) Please provide the approximate client turnover in the *firm* using the format below.

	2005	2006	2007	2008	2009
# of Clients Gained					

Assets ($MM) Gained					
# of Clients Lost					
Assets ($MM) Lost					

12) Please provide the approximate client turnover in the *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:

13) Please provide brief biographies of the investment professionals (analyst/portfolio manager/trader) in the firm. List ownership and % held by the investment professionals.

14) Please discuss the compensation plan of the investment professionals. Please breakout the differences between the portfolio 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 (performance vs. peers, vs. benchmark) and the time period involved (1 year, 3 years, or a weighted measurement).

15) Are the investment professionals under employment contracts with the firm?

16) Discuss all turnover of investments professionals (analysts, portfolio managers, traders and marketers) in the firm during the last three years. Specify each professional's role.

17) 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.

18) Are you a registered minority (at least 51% minority owned) investment manager? If so, please attach state or local registration.

Product Specific:

19) Please provide brief biographies of the investment professionals (analyst/portfolio manager/trader) on this product.

20) Please note the estimated percentage of time each professional devotes solely to this product.

21) Do your investment professionals invest their own assets in this product? Does the day-to-day portfolio manager have more than one-third of his or her liquid net worth invested in this product?

V. Products Offered

22) What are the total assets for the various investment products offered by your firm using the following table:

	Assets Under Management (in millions)					
Product	**2005**	**2006**	**2007**	**2008**	**2009**	**Availability: CF, SA, or MF**

23) What is the minimum account size for a separately-managed portfolio for all your products? Please specify by product.

VI. Compliance

24) Is your firm affiliated with a broker dealer?

25) Are you compliant with GIPS® Standards? If yes, please indicate the last audit year. If

yes, please provide the most recent verification letter.

26) Are you a registered investment advisor? Please attach a copy of your ADV Part II.

27) 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.

28) Are you currently or have you been in the last 5 years out of compliance with the SEC, DOL, or any regulatory agencies? If yes, please explain thoroughly.

29) 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.

30) Do you have a dedicated compliance officer? Does this person serve other roles within the firm? If so, please describe.

31) Who is the firm's independent auditor? How long have they been serving in this capacity?

32) 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.

33) 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.

34) 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.

35) What are your procedures for personal trading policy violations? How many violations of your personal trading policy have occurred in the past 12 months?

VII. Trading and Soft Dollars

36) What is your firm's personal trading policy?

37) Please describe your firm's policy on soft dollar trading.

38) If your firm utilizes soft dollar, please list the top five brokers utilized in the **last calendar year**:

Broker
1)

2)
3)
4)
5)

39) If your firm utilizes soft dollars, please rank by dollar value, in descending order, your top-five soft dollar relationships within the last year:

Item/Vendor	**Dollar Value ($)**
1)	
2)	
3)	
4)	
5)	

40) If a client requests no soft dollars be used in the construction of their separate account, can you comply?

41) If you didn't use soft dollars, what impact would that have on portfolio performance and trading costs?

42) Please describe the trading platforms utilized by your firm's trading desk.

43) Do you utilize minority-owned brokerage firms for trades? Are these step-outs? What percentage of your firm's actual trades are with minority-owned brokerage firms?

44) Please discuss your portfolio manager's interaction with your trading desk. How are orders communicated, does the portfolio manager specify price, etc.

VIII. Product Investment Process

45) Please provide a complete review of your firm's investment methodology for the product and the decision making process. Please comment specifically on:

- Top-down versus bottom-up analysis, if appropriate
- Initial stock universe/benchmark
- Market capitalization criteria
- Liquidity criteria
- Stock selection criteria
- Buy/sell decision
- Sector weightings
- Number of portfolio holdings

- Average portfolio turnover

46) Against what benchmark is the product evaluated? Do you think this is the appropriate benchmark or would you prefer an alternate benchmark? If so, please discuss.

47) What part(s) of your process add the most value? Please provide backup data on your answer.

48) Has there been a time when the product significantly underperformed its benchmark over a consecutive three-quarter period? If so, please explain.

49) Has there been a performance time period that best highlights your investment style? If yes, please explain in detail.

50) Have there been any changes to the product's investment process over the past five years? If yes, please describe in detail.

51) Please discuss your risk analysis and control methodology.

52) Are sector weightings determined relative to a benchmark? If so, what is the range relative to the benchmark?

53) Will there ever be a time when a sector is not represented?

54) At what asset level, if any, will you close this product?

55) Please discuss your assessment of the current market outlook and how your firm plans to provide superior performance for clients in the years ahead.

56) What distinguishes your firm from other investment managers with respect to this product?

57) What can be expected from the product in a bull market? In a bear market?

58) Please list the holdings overlap (number and % of assets) between your various products, using the following table:

	Product A		Product B		Product C		Product D		Product E	
	#	%	#	%	#	%	#	%	#	%
Product A										
Product B										
Product C										
Product D										
Product E										

Appendix I.

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