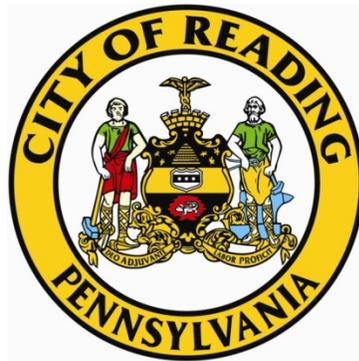


REQUEST FOR INFORMATION

**Reading Officer and Employees (O&E) Pension Fund
Pension Fund Investment Consulting Services**

CITY OF READING, PENNSYLVANIA



City of Reading, Pennsylvania
Reading Officer and Employees (O&E) Pension Fund
Pension Fund Investment Consulting Services

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City of Reading Officer and Employees (O&E) Pension Fund

General Investment Consulting Services Request for Information

INTRODUCTION

Overview. The Board of Directors (the Board) of the Reading O&E Pension Fund (the Plan) is requesting information from investment management firms regarding the provision of general investment advice and asset management services to the Board. This search was authorized by the Board and seeks to identify potential full-service investment management firm(s) that might assist the Board with 1) identifying and reconciling the Plan's investment objectives, portfolio constraints, and risk tolerance; 2) developing and recommending an appropriate investment strategy based on estimates of long term risk and return characteristics of different asset classes and appropriate risk management approaches; 3) developing and recommending an appropriate asset allocation to produce a diversified investment portfolio; and 4) initiating investment transactions upon the direction of the Board.

Investments. As of October 31, 2013, the Reading O&E Pension Fund had approximately \$50.6 million in plan assets invested in a diversified portfolio across various asset classes. The actual asset allocations, as of October 31, 2013, were as follows:

	<u>Actual</u>
Cash and sweep balances	4.49%
Equity Instruments	58.57%
Fixed Income Securities	29.55%
Real Estate	4.25%
Commodities	3.14%

Applicable Legislation. The Plan, trusts and custodial accounts of the City of Reading are intended to meet the requirements for governmental plans of Sections 401(a) and 501(a) of the Internal Revenue Code of 1986 (the Code), as amended from time to time, and of ERISA, as defined in the Plan. Because the Plan is maintained by the Board of Directors of Reading O&E Pension Fund for its employees, the Plan is a governmental plan under Section 3(32) of ERISA and Section 414(d) of the Code. The Plan is intended to be maintained and operated as necessary to retain its status as a governmental plan. As a governmental plan, the Plan is exempt from Titles I, III and IV of ERISA, certain provisions of Title II of ERISA, and various provisions of the Code.

SERVICES REQUESTED

The Board is seeking information regarding general investment management services and the various investment classes that might be used by the Board in accordance with its fiduciary responsibilities and applicable federal and state laws. The information provided should address methods and options for formulating and modifying the Plan investment policy, domestic and international performance measurement approaches, attribution analysis, and strategic asset allocation advice.

Specific services requested from the Board's investment management firm will include:

1. Review client's Investment Policy Statement and recommend potential revisions. This will involve:
 - a. Consulting with client for the purpose of identifying and reconciling client's investment objectives, portfolio constraints, and risk tolerance.
 - b. Developing and recommending an appropriate investment strategy based on estimates of long-term risk and return characteristics of different asset classes and appropriate risk management approaches.
 - c. Developing and recommending an appropriate asset allocation to produce a diversified investment portfolio.
2. Prepare and present to client a quarterly performance report package. This will involve consulting with Plan staff to assist in the development of the Board Meeting agendas and attending a minimum of four (quarterly) Pension Board meetings where the management firm will provide:
 - a. A comprehensive economic and market review and analysis.
 - b. A review and analysis of overall portfolio performance, including individual asset class and investment manager performance and performance attribution.
 - c. Recommendations to tactically and/or strategically rebalance the portfolio.
3. Advise client on the selection and retention of investment managers. This will involve conducting investment manager searches, helping to negotiate terms of the engagement, providing written guidelines to managers consistent with individual mandates and the Plan Investment Policy, conducting on-going due diligence and monitoring of investment manager performance.
4. Provide education to Board Members and staff on pertinent issues. This will involve attending one Board Education event annually of approximately three hours in length.
5. Provide recommendations on and assist in coordinating other investment related programs of the Plan. Other programs include custodial banking operations, transition management, securities lending, commission recapture and proxy voting.
6. Provide on-going information and alerts on important issues or impending risks that may affect the fund.
7. Other non-routine matters that may arise from time to time.

MINIMUM QUALIFICATIONS

Prospective management firms must meet the minimum qualifications to the Board's satisfaction to be given further consideration. Minimum qualifications are listed in **Attachment 1 – Respondent Certification**.

TERMS AND CONDITIONS FOR SUBMISSIONS

1. All responses must be delivered by **February 14, 2014, 3:00PM (Eastern)** to Robin Phillips, Pension Coordinator, robin.phillips@readingpa.org. Any questions may also be directed to the same email address.
2. Respondent acknowledges that City of Reading and the Reading O&E Pension Fund are subject to the Pennsylvania Right to Know Law and the documents submitted pursuant to this RFI may be subject to a public open records request. Accordingly, respondent must identify any material or documents that are confidential and clearly mark those items or documents at the time of submittal. If a request for records is made that includes information respondent has identified as confidential, the Plan will make reasonable efforts to contact the respondent in sufficient time to allow respondent to take appropriate legal steps to protect the confidential information from disclosure. If as a result of the position taken by respondent regarding the confidentiality of the information the City of Reading or the Reading O&E Pension Fund is assessed any damages or fees, respondent shall indemnify the City of Reading and the Reading O&E Pension Fund for such damages or fees. If no documents or materials are identified and marked by respondent as confidential, respondent will be deemed to have consented to the release of the document or material, and to have waived any cause of action against the City of Reading or the Reading O&E Pension Fund resulting from the release of the documents or materials.
3. The Reading O&E Pension Fund reserves the right without prejudice to reject any or all submissions. There are no expressed or implied obligations on the part of the Reading O&E Pension Fund to reimburse respondents for any expenses incurred in preparing responses to this request.
4. This RFI is not a contract, not meant to serve as a contract, and does not constitute a promise to enter into a contract.
5. All documents and other materials submitted in response to this RFI will become the property of the Reading O&E Pension Fund. Responses will be held in confidence and will not be revealed or discussed with other responders.
6. The responder agrees to comply with all terms, conditions and requirements described in the RFI. Any failure by any respondent to so comply shall be grounds for rejection of that respondent's submission, as determined by the Reading Police Pension Fund in its sole discretion.
7. If a contract results from this RFI, neither the successful respondent, nor anyone on its behalf (including its agents, affiliates, subcontractors and/or advisors), shall publish, distribute or otherwise disseminate any press release, advertising and/or publicity matter of any type or kind (collectively "advertising material") having any reference to the City of Reading, the Reading O&E Pension Fund, this RFI or their resulting contract, unless and until such advertising material first shall have been submitted to and approved in writing by the Reading O&E Pension Fund Board.
8. An individual who is authorized to contractually bind the Prospective Consultant must sign **Attachment 1 - Respondent Certification**. The signature must indicate the title or position the individual holds at the firm.

9. Offerors responding to this RFI must provide answers to the questions posed in the RFI Questionnaire. In response to each question asked in the Questionnaire, restate the question followed by your answers. Responses should be thorough and should answer the specific question asked.

EVALUATION PROCESS

1. All responses submitted will be evaluated in accordance with the provisions stated in this Request for Information. Clarifications may be requested from the Prospective Offeror at any phase of the evaluation process for the purpose of clarifying ambiguities in the information provided.
2. The purpose of the evaluation process is two-fold: (1) to assess the responses for compliance with the minimum qualifications, content and format requirements; and (2) to identify Prospective Offerors that have the highest probability of successfully performing the services as described herein. The evaluation process will be conducted in a comprehensive and impartial manner.

PROJECTED SCHEDULE OF EVENTS

Issue RFI	January 21, 2014
RFI Response Deadline	February 14, 2014
Demonstrations / Presentations completed by the end of	March 2014

The Reading O&E Pension Fund Board will use its best efforts to adhere to the time schedule specified above. However, the Board reserves the right to amend the time schedule as it deems necessary.

ATTACHMENT 1 - RESPONDENT CERTIFICATION

READING O&E PENSION FUND

**Pension Fund Investment Consulting Services
Request for Information**

Prospective Offeror Firm Name

The Prospective Offeror must substantiate that the firm satisfies the following minimum criteria, to the Board's satisfaction. This certification and the associated documentation must contain sufficient information, as prescribed, to assure the Board of its accuracy.

The Prospective Offeror must:

- 1) Be registered as an Investment Advisor with the Securities and Exchange Commission under the federal Investment Advisors Act of 1940.
- 2) Have all corporate and individual authorizations, permits, licenses and certifications required by federal and state laws and regulations to perform the services specified in this RFI at the time Prospective Consultant submits a response to the RFI.
- 3) As of December 31, 2013, and for at least the three (3) most recent continuous years, have a verifiable operating history with at least one (1) institutional fund client with similar size, complexity and asset mix to the Reading Officer & Employee Pension Fund.
- 4) If hired, agree to acknowledge in writing that it has a fiduciary obligation as an investment advisor to the Plan while providing the consulting services described in this RFI.

The Prospective Offeror certifies:

- 1) To the best of our knowledge, all information and representations provided are true, complete and accurate.
- 2) We warrant and represent that our firm did not confer with any other persons or organizations submitting information regarding the search in progress.
- 3) We have read the complete materials and agree to the terms and requirements upon which this Request for Information is conditioned.
- 4) The signature affixed hereon and dated certifies compliance with all the requirements of this Request for Information.

Yes: _____ No: _____

Prospective Offeror - Authorized Signature

Printed Name

Title

Date

INVESTMENT MANAGEMENT RFI QUESTIONNAIRE

Organization

1. Provide the address of the office that would service this account. If you have other office locations, where are they located (address and telephone number), and what are the primary functions performed within each office?
2. Provide a brief history of your firm and its operations. Include the year formed, ownership structure, and any ownership changes that occurred during the past five years. Are ownership changes planned or anticipated at this time?
3. Provide copies of the following organizational charts as **Exhibit A:**
 - Organizational structure, including parent/subsidiary relationships, if any;
 - Proposer's consulting unit listing major functional areas with the names and titles of key staff in each area along with the total number of staff in each area and their experience. If there are staffing overlaps, please indicate and explain as a footnote.
4. List your firm's lines of business and the approximate contributions of each business to your organization's total revenue. If you are an affiliate or subsidiary of an organization, what percentage of the parent firm's total revenue does your subsidiary or affiliate generate?
5. Is your firm registered as an investment adviser under the federal Investment Advisers Act of 1940? If so, when was the firm first so registered? Please provide Form ADV I and II as **Exhibit B.**
6. Do you consider yourself a fiduciary under ERISA with respect to recommendations you will provide? If hired, will you acknowledge in writing that you have a fiduciary obligation as an investment advisor to the plan while providing the consulting services we are seeking?
7. Provide details on the financial condition of your firm as **Exhibit C.** The most recent annual report filed with the SEC is acceptable, but any recent material changes should be included.
8. Briefly summarize your philosophy relating to the consultant's relationship with Boards/Committees; Staff; Investment Managers; Brokers.
9. Disclose any relationship you have or have had with any Reading O&E Pension Fund Board Member or City of Reading employee. If there are none, so state.
10. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to clients? If so, describe those relationships.
11. Do you or a related company receive any payments from money managers that you recommend, consider for recommendation, or otherwise mention to clients? If so, what is the extent of these payments in relation to your other income (revenue)? What percentage

of your clients utilizes money managers, investment funds, brokerage services or other service providers from whom you receive fees?

12. Do you have any written policies or procedures to address conflicts of interest, including (but not limited to) the payment of fees or other consideration from other clients, relationships, or entities that may compromise your fiduciary duty to your clients? If so, please include a copy as **Exhibit D**.
13. In addition to the investment consulting fees paid to your firm by clients who retain your firm as their investment consultant, what other sources of revenue does your firm and/or your firm's affiliates receive that relate (directly or indirectly) to the provision of investment consulting services?
14. Is your firm or affiliate a broker/dealer? If yes, does this broker/dealer execute trades for portfolios for which your firm provides consulting services? Do you have any arrangement with broker/dealers under which you or an affiliated/related company will benefit if money managers place trades for their clients with such broker/dealers?
15. Has your firm or any officer or principal of your organization been involved in litigation or any SEC or other regulatory action relating to investment management, brokerage, or consulting activities in the last 10 years? If so, provide a brief explanation and indicate the current status of the proceedings.
16. Do you subcontract or outsource any parts of your investment consulting business? If yes, please describe in detail which parts are performed externally and the reason for doing so. Please provide the name(s) of the providers, their office location, how long they have been in business, and the qualifications of the specific people who would be working on our account.
17. Describe the levels of coverage for errors and omissions insurance and any other fiduciary and professional liability insurance the firm carries. List the insurance carriers providing the coverage.
18. What are your firm's consulting specialties and strengths? What investment consulting services do you provide to clients that are not among the specific services requested in this RFI? What differentiates your firm from your competition? What are your firm's limitations? Who are your top 5 competitors? Why should the Reading O&E Pension Fund hire your firm rather than your competitor(s)?

Clients

1. Please describe the type, size and number of clients your firm currently provides a full range of investment consulting services for in the table below.

Client Type	# of Consulting Clients	Total Client AUM (\$mil)
Public Pension Plans		
Under \$100 million		
\$100 million to \$1 billion		
Over \$1 billion		
Other ERISA plans		
Under \$100 million		
\$100 million to \$1 billion		
Over \$1 billion		
Foundations & Endowments		
Under \$100 million		
\$100 million to \$1 billion		
Over \$1 billion		
Other (provide detail)		
Total		

2. Indicate the total amount of assets under your pension fund consulting management at the end of each calendar year from 2009 to 2013.

	12/31/13	12/31/12	12/31/11	12/31/10	12/31/09
# of clients					
Assets (\$)					

3. Indicate the approximate aggregate market value in US Dollars of your full service clients' investments in various asset classes as of 12/31/13 (do not overlap amounts).

Asset Class	Total Client AUM (\$mil)
Domestic equities	
Domestic fixed income	
Non-U.S. equities	
International bonds (not included above)	
Commercial mortgages	
Cash (not included above)	
Real estate	
Alternative investments (describe)	
Hedge Funds	
Other (describe)	
TOTAL	

4. List the total number and provide at least 3 references for all public pension funds with assets equal to or greater than \$50 million for whom you provide primary consulting services comparable to the services requested in this RFI, and whether they are a full-retainer client. For each reference listed, include **client name, name of contact person, title, address, telephone number, and email address**. Please secure advanced permission to contact no less than two of these references and provide the name and title of the person(s) at your firm who secured the permission. In addition, for each client referenced, include number of managers monitored, fund diversification by asset class, inception date of consulting relationship, and the total number of dollars under management. If you do not have at least three public pension fund clients with assets above \$50 million, list at least two of the next largest pension plan clients that you have, providing the same reference information and the amount of their funds, and whether they are a full-retainer client.
5. Provide a list of clients that have terminated your services within the last five (5) years, the dollar amount of assets under management at time of termination, and the reasons for termination of each. Indicate the primary and back-up consultants within your firm who were assigned to each client at time of termination.
6. Describe your plans for managing the future growth of your firm in terms of staff, maximum assets, number of clients, etc.
7. Briefly describe how a new client would transition to your firm. Do you backload transaction and/or investment performance data? What problems have you encountered in transitioning a new client to your firm from their previous consultant? Please provide at least one reference (name, fund name, address, phone, e-mail) of a recent client of yours whom we may contact regarding the transition process.

Personnel

1. Identify the different classifications of employees within your firm and the totals for each classification. What policies are in effect to control the workload as it relates to the number of clients serviced by each consultant/relationship manager? Is there a limit on the number of accounts that a consultant/relationship manager may handle? What is the average number of accounts per consultant?
2. Identify and provide biographies of your firm's senior leadership and the primary and backup consultants who would be assigned to this engagement as **Exhibit E**. Who are the clients these consultants currently serve? Which of these consultants would attend the Reading O&E Pension Fund Board meetings? To which office are they assigned? What measures will your firm employ to ensure that either the primary or the backup consultant be readily available to answer questions from the Plan's Staff?
3. Describe the firm's compensation and incentive program for hiring and retaining key consultant personnel. How does the firm tie client performance and satisfaction to a consultant's compensation?
4. Has your firm adopted the CFA Code of Ethics and Standards of Professional Conduct? If so, how is compliance monitored?

5. Explain turnover in key professional personnel (senior management and consultants) over the last two (2) years.

Investment Management

1. Describe your public pension fund experience and approach in developing and monitoring, and updating investment policies and objectives for a diversified pension fund. Comment on your process for analyzing a client's legal and regulatory restrictions, liquidity needs, time horizon, social responsibility, funding status, portfolio structure, and for recommending modifications, including frequency of review.
2. Describe your firm's experience in customizing asset allocation studies for individual clients, including integration of liabilities and funding. How often does your firm recommend reviewing asset allocation?
3. Describe your firm's capital markets model. Is the model proprietary, or does your firm rely on an outside vendor's model? If your firm relies on an outside vendor, indicate the name of the vendor, name of the model, etc.
4. How does your firm develop inputs to the model? Does your firm develop standard inputs to the model for all clients? Can these inputs be customized based upon individual client views, needs or requirements?
5. Provide your firm's current inputs to the asset allocation model. Include at a minimum expected returns, standard deviations and correlation coefficients for U.S. equities (large cap, small cap, total market), international equities (developed and emerging markets), global equities, U.S. bonds, U.S. TIPS, international bonds, U.S. treasuries, real estate and other significant asset classes for which your firm has developed inputs.
6. Describe your firm's view on portfolio rebalancing. Include discussion on targets, ranges, frequency and implementation methods.
7. How do you define risk? Briefly describe the risks to which a public pension fund is exposed.
8. How does your firm monitor risk? List the measurements that are used when evaluating risk.
9. Describe your firm's view on risk budgeting. Have you created a risk budget model that is utilized by your clients?
10. Describe any other risk management capabilities that are offered to clients.
11. Discuss the steps your firm would take to analyze the current Plan portfolio.
12. Discuss how you optimize the number and types of managers and how you assess the effect of including new managers. Discuss any statistical analysis that is performed.

13. Describe your firm's philosophy with respect to manager evaluations (formal review, ad hoc, etc.). Briefly describe any on-going due diligence process. What critical issues are examined in the due diligence process? At what point would your firm recommend terminating an investment manager?
14. Describe your firm's view of the role of passive management (by asset class) in a client's portfolio. Indicate the active/passive allocation in your typical public pension fund client's portfolio.
15. Describe your firm's view on securities lending. Do you typically recommend lending with the client's custodian or with a third party lender? Describe your viewpoint on each method of implementation.
16. Briefly describe the capabilities associated with the evaluation and monitoring of securities lending programs. Briefly describe the capabilities associated with the evaluation and monitoring of short term investment funds (STIF) or other cash management programs.
17. Do you believe a plan should have a permanent allocation to cash? Why or why not?
18. Describe your firm's view on performance-based fees. What percentage of your firm's clients utilizes these types of fees?
19. Discuss your firm's philosophy on transition management. Do you recommend clients maintain a pool of approved transition managers? How have you assisted with a search for qualified transition managers?

Performance Measurement/Portfolio Analytics & Reporting

1. Describe your firm's experience and capability for calculating performance. Describe differences, if any, in the way the firm would calculate performance among different asset classes. How would the firm ensure accuracy in the performance calculations? How soon after receipt of settlement-date accounting data from the custodian would accurate performance reports be available to present to the plan's administrative committee?
2. Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can the firm provide custom benchmarks? Style benchmarks? Normal portfolios? Please indicate whether your firm has ever developed benchmarks, and if so, please provide a description of the benchmarks developed.
3. Describe the content and format of your firm's standard quarterly performance reports for the total fund, major asset classes, and individual investment managers. Provide a sample report for one of your firm's clients that is structured similarly to the Reading Police Pension Fund as **Exhibit F**. Provide samples of other kinds of non-standard reports available to clients as **Exhibit G**.
4. Can these reports be customized to accommodate the Plan's information needs? Are there charges for these additional information requests? Within what time frames can these requested changes be implemented?
5. Describe the process and data needed to input historical Plan performance data into the responding firm's system.

6. Describe your firm's source, if any, to determine comparable plan sponsor returns. Indicate the size (#'s and \$'s), composition (#'s and \$'s), and data compilation method.
7. Describe your firm's view on the most relevant methods of evaluating performance. Include the firm's approach to the measurement risk-adjusted performance.
8. Describe your firm's performance attribution capabilities. Include a breakdown of domestic and international performance attribution capabilities. Does your firm's quarterly reporting package contain attribution analysis at the total fund, asset class and investment manager level?
9. Please list and describe the specific analytical tools and/or software programs used by the firm with regard to:
 - General Market & Economic Research
 - Asset/Liability Modeling and Asset Allocation
 - Risk Management
 - Public Market Investment Manager Oversight, Selection & Monitoring
 - Private Markets/Real Estate Opportunities
 - Performance Measurement/Attribution
 - Other (please specify)
10. Are your performance reports and attribution analysis tools available on-line?

Selection and Retention of Investment Managers

1. Describe your experience and capabilities in conducting searches for investment managers and other investment services.
2. During calendar years 2011, 2012, and 2013, what type and how many manager searches did you conduct for clients with over \$50 million in assets for each year? How many **different** managers were recommended by you **for each year** in each asset category?
3. Describe your database that is used for manager searches.
 - How many managers do you maintain on your manager search database?
 - Is your system purchased or proprietary?
 - How do you gather, verify, analyze, and update manager information? How frequently? How many years of performance data are on the system?
 - What criteria do you use in evaluating managers for inclusion in your database?
4. What fees or other consideration do you receive from managers who wish to be maintained on your database?
5. How do you categorize managers? List manager styles and characteristics that distinguish each style in your classification system, and include concise definitions. How does the firm monitor consistency of style?

6. Describe the firm's methodology and sources of data for analyzing and evaluating a potential manager's performance. Discuss benchmarks and comparisons with other managers. How is risk factored into this analysis? How do you verify investment manager information such as performance history and their compliance with CFA Institute performance reporting standards?
7. Describe the firm's experience and capability for assessing an investment manager's total performance. Besides investment returns, what key criteria do you consider in your overall evaluation of an investment manager?
8. Describe the firm's process for monitoring managers and notifying clients of developments at management firms. At what point would your firm recommend terminating an investment manager?

Other Information

1. Describe your firm's capabilities in providing educational opportunities for board members and staff. Provide a sample of educational materials developed as **Exhibit H**.
2. How does your firm evaluate the quality of its consulting services? Describe any benchmarks the firm has developed to evaluate its performance and the performance of its primary/lead consultants.
2. Provide a yardstick, benchmark, measurement methodology, or other technique that a public fund plan sponsor might use for ongoing quantitative and qualitative evaluation of a full service consultant.
4. Describe your emergency preparedness and backup office/computer system plans. Have you ever had to activate any parts the plan? If so, describe the effectiveness of the plan and any post-activity modifications to that plan.
5. Describe how the firm implements and uses the latest technology, and how such technology adds value to the firm's clients. What internet technology do you provide to your clients?
6. List the frequency or schedule of specific services that will be provided under your proposed fee.

Fees

1. What are your standard fees for providing investment consulting services? Include separate schedules for any item in the Services Requested that is not covered under your standard fee arrangement.

Summary of Exhibits

The firms' response should include the following Exhibits:

- Exhibit A: Organizational Charts**
- Exhibit B: Form ADV I and II**
- Exhibit C: Most Recent Annual Financial Report**
- Exhibit D: Written Policies or Procedures to Address Conflicts of Interest**
- Exhibit E: Key Personnel Biographies**
- Exhibit F: Sample Quarterly Performance Report**
- Exhibit G: Samples of Non-Standard Reports**
- Exhibit H: Sample of Educational Materials**