

**Northampton Township
55 Township Road
Richboro, PA 18954
(215) 357-6800**

REQUEST FOR PROPOSALS

PENSION FUND INVESTMENT CONSULTING SERVICES

INTRODUCTION

Northampton Township is soliciting proposals from interested Firms for the provision of municipal pension fund investment consulting services to the Northampton Township Board of Supervisors, and its Police and Non-Uniformed Pension Advisory Committees, for the supervision, monitoring, and ongoing evaluation of Pension Plan investments, currently totaling approximately \$20 million in assets. The questions contained in the RFP will apply to all firms interested in responding with the intent of providing investment consulting services. Please complete all questions as briefly and succinctly as possible. **Brief and succinct responses are preferred.** Failure to furnish all information requested in the RFP in the order and format requested may disqualify the proposal. Any exceptions to the scope of each question may be highlighted and justified in this proposal.

Written proposals in accordance with the specifications and directions provided herein must be received no later than 12:00 p.m. (local time), March 4, 2011. Proposals must be sealed and clearly marked "Proposal for Pension Fund Investment Consulting Services" on the exterior of the envelope and addressed to: Robert Armelin, Finance Director, Northampton Township, 55 Township Road, Richboro, PA 18954.

Eight (8) complete copies of each proposal are to be submitted. Please note the following:

1. Proposals will not be accepted after the above stated date and time.
2. All proposals become the property of the Township and will not be returned. All costs incurred by the respondents in the preparation and submission of a proposal shall be the sole responsibility of the respondents.
3. The information submitted in the proposals may be subject to public disclosure pursuant to federal and state laws.
4. The Township reserves the right to reject any and all proposals.
5. The Township may select a proposal other than the lowest cost provider.
6. Before making any final selection the Township may select one or more applicants for interviews by the Pension Committees.

7. The Township reserves the right to suspend, withdraw or amend this RFP at any time.
8. All proposals must clearly indicate a contact person, office address, and telephone number for the bidding Firm.
9. Respondents shall receive notice in writing from the Township as to the award made pursuant to this Request for Proposals.
10. The selected firm will be required to comply with applicable provisions of the PA Second Class Township Code, Township Ordinances, PA Act 44 and any State and Federal laws including the Internal Revenue Code, as may be applicable.

Questions on the selection process or other aspects of this Request for Proposals, or the services solicited herein may be addressed to Robert Armelin, Finance Director, Northampton Township, 55 Township Road, Richboro, PA 18954. 215-357-6800 x241. rarmelin@northamptontownship.com or Robert M. Pellegrino, Township Manager, 215-357-6800 x201. rmpellegrino@northamptontownship.com

MINIMUM CRITERIA

1. The firm must be registered under the Investment Advisors Act of 1940.
2. The firm must have at least five (5) years of working experience in direct investment consulting services management, pension administration and in the regulatory field.
3. The firm must state that all actions and recommendations will be for the sole purpose and benefit of the members of the Northampton Township Pension System.
4. The firm must act as and represent itself as a "fiduciary" with respect to the Township and the Plan, and the firm will not delegate such fiduciary responsibilities to any other entity.
5. The firm must maintain an errors and omissions insurance policy and/or fiduciary liability insurance policy providing an appropriate amount (in excess of plans assets) of coverage for negligent acts or omissions and/or breaches of fiduciary obligations and duties, and that such coverage will be applicable to the firm's actions under any resulting Investment Consulting Agreement with the Township. Proposals must specify the carrier and the coverage limits. The Township has the option to require higher policy limits if it feels the limits in existence are not sufficient.
6. By submitting a proposal, the firm agrees that it will not bring any claim or cause of action against the Township, the Pension Committee, the Plan, or any Plan representative based on any information provided herein or with respect to this prospective engagement.

GENERAL DESCRIPTION OF SERVICES TO BE PROVIDED

The firm will work directly with the Northampton Township Pension Committees, Township Manager, Board of Supervisors, Township Solicitor, Township Actuary, plan administrators, custodians, and other staff and consultants as designated by the Township to provide pension plan consultation services for all investment matters involving the Pension Plans of Northampton Township.

Communication and correspondence on an as needed basis is required between the firm's representatives, Pension Committees, and elected and appointed officials.

Attendance at meetings of the Northampton Township Pension Committee and Board of Supervisors, on an as needed basis as it may relate to the investment consulting services.

GENERAL REQUIREMENTS

Insurance Coverage/Indemnification: The firm shall indemnify Northampton Township and its pension committee from all suits, actions, or claims of any kind brought on account of any losses sustained by any person in consequence of any negligence in performing this work, or on account of any act or omission by the firm or its employees, or from any claim or amounts arising or uncovered under the law, ordinance, regulation or decree violated by the firm.

Oral Presentation/Public Comments: Any firm who submits a proposal in response to this Request for Proposals (RFP) may be required to make an oral presentation of the proposal to the Northampton Township Board of Supervisors and/or the Northampton Township Pension Committee and/or the financial Planning committee upon notification of such request. All submissions shall be considered public documents.

Right to Reject/Negotiate: The Board of Supervisors reserves the right to reject or dismiss any and all proposals received by reason of this request or to negotiate separately in any manner necessary to serve the best interests of the Township. Firms whose proposals are not accepted will be notified in writing.

Preparation/Execution of Agreement: The final engagement of the firm chosen by the Township shall be conditioned upon the firm and the Township agreeing upon an Investment Consulting Agreement to be executed by and between the firm and the Township in the form and substance and with the terms and conditions determined to be in the best interests of the Township and the Plans. The contents of the proposal submitted by the selected firm responding to this RFP may also become part of the written agreement between Northampton Township and said firm. Unwillingness on the part of the selected firm to agree to such terms and/or execute the agreement may result in the Township selecting an alternative firm.

SCOPE OF SERVICES

The following is the intended Scope of Services under this Request for Proposals for investment consulting services, among other services that may become necessary or be requested by the Township:

- A. Assisting in the review and enhancement of investment policies, guidelines, and objectives, including the Investment Policy Statement of the Township.
- B. Developing an asset allocation plan based upon expected return, risk, capital market performance expectations, the plans demographic characteristics, cash flow requirements, liabilities, and funding status to create a sound investment program meeting the fiduciary obligations of the Plans Trustees.
- C. Providing "watch list" placements and terminations of investment managers associated with the investment of plan assets.

- D. Conducting the search and recommending the selection of investment managers to the Pension Committees and providing that any investment manager submit a certification fully disclosing to the Township any association, relationship, or affiliation in any form whatsoever, and/or any fees, payments, compensation, gratuities, or referrals in any form whatsoever, between your firm and any other third party or individual with regard to the investment manager, including a breakdown of any brokerage commissions between the investment manager and your firm.
- E. Providing analysis and advice regarding the capabilities, performance, status, and any other pertinent information on investment managers engaged on behalf of the Plans including the analysis of a firm's personnel, investment philosophies,, processes, internal and risk controls, risk adjusted performance, performance relative to applicable benchmarks, standards, peers or any other relevant factors.
- F. Overseeing investment managers and conducting periodic reviews, interviews and on-site visits, and arranging for investment managers to meet with the Pension Committees as requested.
- G. Providing quarterly performance reviews and written reports to the Pension Committees concerning all of the Plans investment managers, the general market environment, and making recommendations in investment allocations, re-balancing to the Investment Policy Statement adopted by the Township and any other relevant investment information deemed important to the Pension Committees.
- H. Working cooperatively with Township appointed consultants and Township staff.
- I. Advising the Pension Committees on investment strategies and suggesting creative and prudent investment techniques.
- J. Preparing special reports as requested by the Pension Committees, Board of Supervisors or Township staff.
- K. Suggesting methodologies for the reduction of fees and charges associated with the investment of pension plan assets.
- L. Providing information on new and pending legislation on public pension plan issues, including the impact of such legislation on the Plans.

ORGANIZATION AND GENERAL FIRM INFORMATION

The following information must be submitted with the proposal:

1. The firm name, home office address, address of the office which will be providing service to the Township, the addresses of any branch offices, and the primary contact's name and telephone number.
2. A general description of the firm, including when the firm was founded and by whom; current ownership and affiliations; names and titles of key officials or officers and their percentage of ownership.
3. The number of professionals hired and the number of professionals who have left your firm since 2005 from the office that will be providing services to the Township.
4. Any significant changes or developments in your firm's organization that have occurred since 2005, such as change in ownership, change in management, change in structure of the Firm's entity, mergers, acquisitions, and loss of key personnel, and any changes in the ownership of the firm planned or anticipated during the next 24 months.
5. The number of years the firm has provided pension fund consulting services to corporate pension plans, municipal pension plans, and tax-exempt plans.
6. A detailed discussion of what is considered to be the firm's consulting specialties, strengths, and limitations, including a description of how services are individualized to a particular client.
7. What services, if any, the firm offers in addition to pension fund consulting, and what percentage of organizational revenue results from such services.
8. Whether the firm or any parent or affiliate is a broker/dealer, accepts trades for client accounts through a broker/dealer arrangement or manages money for clients.
9. Whether the firm is registered with the Securities and Exchange Commission under the Investment Act of 1940.
10. A description of any fees charged for an investment management firm to be listed in your firm's consulting database and how your database is constructed, maintained, updated and verified.
11. A description of what your firm considers its fiduciary responsibility with regard to pension fund consulting services.

12. The services provided by your firm and the attributes of your pension investment consulting philosophy that distinguish your firm from competitors.
13. A description of any currently pending or threatened litigation involving your firm, and any litigation since January 1, 2000 involving key personnel, officers or principals, or other legal proceedings or government investigations involving fraud, negligence, criminal activity or breach of fiduciary duty.
14. A description of any non-routine SEC inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization of key personnel, officers or principals and the status of each inquiry or investigation.
15. The details of any errors & omissions insurance, fiduciary liability insurance, fidelity bond insurance, or any other insurance that would cover matters associated with engagement by the Township, and whether such insurance requires notice of pending cancellation to your clients.
16. The total number of investment consulting clients your firm services and a representative list of clients for whom similar services are performed, including the client turnover (gains and losses over the last three years).
17. Three current references for pension plan clients that have utilized the firm's investment consulting services in the last three (3) years.

PERSONNEL QUALIFICATIONS AND EXPERIENCE

1. Provide a list of key personnel who will be assigned to our account, including their background and qualifications.
2. Provide the name(s) and location(s) of the individual(s) who will be responsible for the Township account and a brief biography including titles, functions, academic credentials, professional affiliations, relevant work experience and number of years with the firm.
3. Provide the number of client accounts assigned to each of the person(s) named above, the range in asset values of their client accounts, and if there is a limit to the number of accounts that your firm will assign to any one individual.
4. Identify at least three references for the individual who would be responsible for our account, including size of their asset portfolio, years with the firm, and services provided. Include names of the client, address, telephone number, and contact.

INVESTMENT MANAGER PERFORMANCE MEASUREMENT

1. Describe how your firm selects a database of managers to compare performance, and the process for the evaluation and selection of investment managers. Include how your firm evaluates the manager's personnel, organization, investment philosophy, investment styles, and total assets under management, client services, investment performance, and fees. Describe any bias that your evaluation may produce.
2. Describe what asset categories are tracked in your performance measurement system, how many investment managers are included within each asset category, and how many years of performance data are on your system.
3. Describe your firm's investment manager performance measurement system, including your database for comparative performance of investment managers compared to other managers of like style, and the methodology used to compute individual manager returns.
4. Describe how cash flow and fees are reflected in the calculation of returns and how your firm monitors the investment managers' compliance with investment policies and guidelines.
5. Describe how your firm categorizes an investment manager into a specific style and how your firm monitors managers for consistency of style.
6. Describe how soon after the end of each period performance reports are available and if reports can be customized for your clients.
7. Describe your firm's reporting capabilities, what databases are used for performance comparison. and the methods your firm employs to ensure the accuracy and integrity of the data.
8. Describe the methods and resources the firm uses for customizing and tracking benchmarks used in analyzing and evaluating portfolio performance.
9. Provide a sample of a quarterly performance report.
10. Describe what additional steps your firm follows to monitor a manager's performance when the performance is not up to expectation, and the threshold for terminating a manager.

ASSET ALLOCATION

1. Address your philosophy, methodology and process used in determining equity strategy and asset allocation.
2. Describe what variables your firm considers essential in reviewing and developing long-range investment strategies, and any particular actuarial results or calculations that you consider critical to the process?
3. Describe your firm's philosophy regarding strategic versus tactical asset allocation, active versus passive management, and the use of global versus regional mandates.
4. Indicate the asset categories in which your firm has experience and expertise.
5. Explain the firm's views on the use of international investment vehicles or managers.
6. Explain the firm's views on the use of hedge funds, derivative-type investment vehicles, or other "non-traditional" or "alternative" investment vehicles, and if your firm recommends that municipal pension plan clients consider investments in these types of allocations.
7. Describe how often and what criteria your firm uses to recommend that a portfolio be rebalanced.

INVESTMENT POLICY DEVELOPMENT

1. Describe your philosophy and process for the development of an overall investment policy as well as investment policies for specific asset classes.
2. Outline your process for analyzing a client's investment portfolio structure, and setting benchmarks for the total fund as well as for each manager/equity asset category.
3. Describe how your firm will provide a review of the Township's investment policy, investment strategy, and portfolio mix.

CODE OF ETHICS

1. Explain in detail any potential for conflict of interest which may be created by your firm's representation of the Township. Include other client relationships which may inhibit services to Northampton Township.
2. Describe any financial relationship or joint ventures with any other organization, such as an insurance company, brokerage firm, investment management firm, commercial bank, investment banking firm, etc, and whether your firm sells or brokers any investment vehicles, actively manages the investment of any accounts or accepts or pays finder fees to (or from) investment managers or any third party.
3. Describe any relationships in which your firm receives any form of compensation or revenue from investment managers that your firm recommends, considers for recommendation, or otherwise mentions to clients.
4. Describe your firm's approach to conflicts of interest between investment consulting services and other services or products your firm offers.
5. Describe any policies or procedures to address conflicts of interest or apparent conflicts of interest and to prevent any related payments or relationships from being a factor when your firm provides advice to clients..

FEE STRUCTURE

Provide an asset based fee proposal for the services outlined in this Request for Proposals, whether your firm will guarantee the fee for a specific period of time, what that fee covers, and whether there are any additional fees charged in addition to the asset based fee.

COMPLIANCE WITH PA ACT 44

In compliance with the provisions of PA Act 44 please disclose the following:

1. The payment of any political contributions, as well as financial, commercial, business relations with municipal officials.
2. Whether the firm, or any representative or employee of is a former official of Northampton Township.
3. Whether any representative or employee of your firm is a registered federal or state lobbyist.

4. Whether any representative or employee of your company has made political contributions within the Commonwealth of Pennsylvania to any office holder, candidate or political party that exceeded \$500.00 annually.

The Agreement to be executed by the successful firm and the Township will include a Conflict of Interest Provision that will restrict, for a minimum of one (1) year, the participation by a former employee of a contractor or a potential contractor in the review of a proposal or negotiation of a contract to that contractor, and participation of a former employee of the municipal pension system in the submission of a proposal or the performance of a contract.