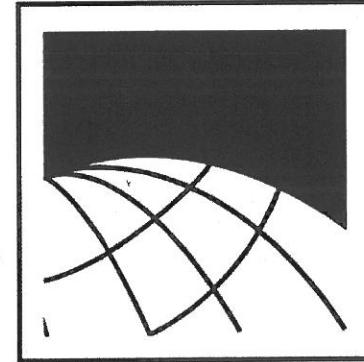


ORIGINAL

# PROPOSAL TO PROVIDE INVESTMENT CONSULTANT SERVICES

**PRINCE WILLIAM COUNTY  
PUBLIC SCHOOLS**

**RFP # R-FP-10014**

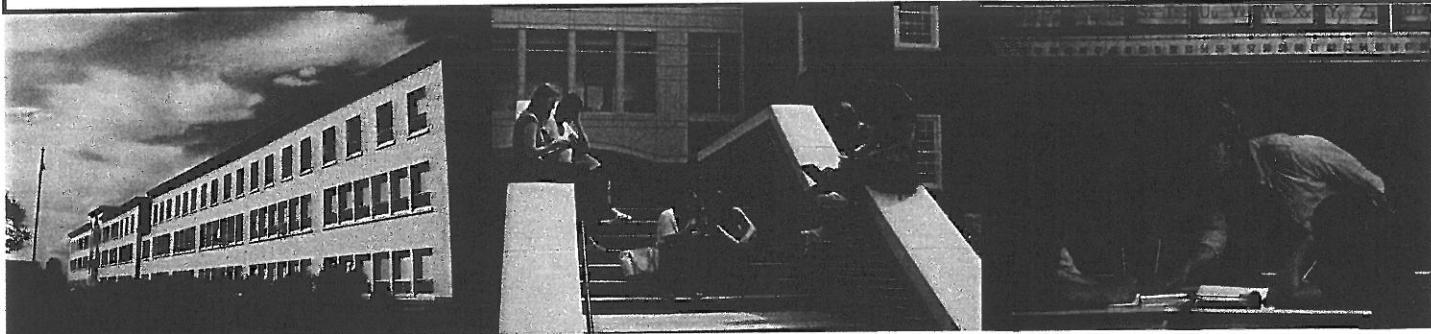


**Robert A. Liberto**  
*Senior Vice President*  
(212) 251-5324  
[rliberto@segaladvisors.com](mailto:rliberto@segaladvisors.com)

Segal Advisors  
One Park Avenue  
New York, New York 10016  
[www.segaladvisors.com](http://www.segaladvisors.com)

November 19, 2009

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★ **SEGAL ADVISORS**

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YEARS  
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# ★ SEGAL ADVISORS

One Park Avenue New York, New York 10016-5895  
T 212.251.5324 F 212.251.5290 [www.segaladvisors.com](http://www.segaladvisors.com)

Robert A. Liberto  
Senior Vice President  
[rliberto@segaladvisors.com](mailto:rliberto@segaladvisors.com)

November 18, 2009

Ms. Frances Peacher  
Contract Administrator  
Prince William County Public Schools  
Edward L. Kelly Leadership Center  
Attn: Financial Services/Purchasing Room #1500  
14715 Bristow Road  
Manassas, Virginia 20112

**Re: Proposal to Provide Investment Consultant Services for Supplemental Retirement Plan(s)  
RFP #: R-FP-10014**

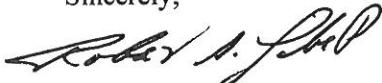
Dear Ms. Peacher:

Segal Advisors is pleased to submit this proposal to provide investment consulting services for the *Prince William County Public Schools* ("PWCS"). Segal Advisors, as a comprehensive benefits consulting firm, is fully capable of, and committed to, providing the entire scope of consulting services described herein.

Since its inception, Segal Advisors has assisted clients in 1) measuring and evaluating investment performance, 2) selecting investment managers and 3) formulating practical investment policies. The resources Segal Advisors brings include a highly qualified and experienced professional staff. Segal Advisors believes that our experience and familiarity with 457(b), 401(a) and the 403(b) plans makes us uniquely qualified for this assignment.

Thank you for considering Segal Advisors for this important assignment. Segal Advisors would be privileged to be the investment consultant for PCWS. Upon review, if there are any questions or need for additional information regarding the proposed services and related fees, please feel free to contact me.

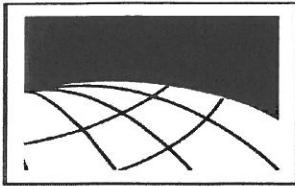
Sincerely,



Robert A. Liberto

/wd

7206540v1/96022.902



# Prince William County

PUBLIC SCHOOLS

*Providing A World-Class Education*

®

## REQUEST FOR PROPOSALS

ISSUE DATE: October 29, 2009

RFP #: R-FP-10014

TITLE: Investment Consultant for Supplemental Retirement Plan(s)

DUE DATE/TIME: Sealed Proposals will be received until November 19, 2009 at 1:00 p.m., Local Prevailing Time for furnishing the services described herein. Facsimile and/or electronic proposals will **not** be accepted.

Any Changes and/or Addenda to this solicitation will be posted on the PWCS Web site at [www.pwcs.edu/purchasing](http://www.pwcs.edu/purchasing). Offerors are responsible for checking this Web site prior to proposal submission. Failure to acknowledge all addenda may result in declaration of your bid as non-responsive.

All inquiries for information regarding Procurement Procedures, Selection Criteria, Proposal Submission Requirements, or other Fiscal/Administrative concerns shall be directed to:

Willie Frazier, Jr., CPCM, Supervisor of Purchasing  
Frances Peacher, CPPO, Administrative Coordinator, Purchasing  
E-Mail: peacherf@pwcs.edu  
Phone: 703. 791.8743; Fax: 703.791.7462

**PROPOSALS MAILED SHALL BE SENT  
DIRECTLY TO:**

Prince William County Public Schools  
Attn: Financial Services/Purchasing Rm #1500  
P.O. Box 389  
Manassas, VA 20108

**PROPOSALS HAND DELIVERED AND/OR  
EXPRESS COURIER SERVICES SHALL BE DELIVERED  
TO:**

Prince William County Public Schools  
Edward L. Kelly Leadership Center  
Attn: Financial Services/Purchasing Rm #1500  
14715 Bristow Road  
Manassas, VA 20112

PWCS does not discriminate against faith-based organizations in accordance with the *Code of Virginia*, Section 2.2-4343.1 or against any Bidder or Offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

In Compliance With This Request For Proposals and To All The Conditions Imposed Herein, The Undersigned Offers and Agrees To Furnish The Services In Accordance With The Signed Proposal Or As Mutually Agreed Upon By Subsequent Negotiation.

Name and Address of Firm:

Segal Advisors  
One Park Avenue  
New York, New York 10016

Date: November 18, 2009

By: Robert A. Liberto

Signature In Ink

Robert A. Liberto

Print/Type

Senior Vice President

Title

R.Liberto@segaladvisors.com

13-2646110

**QUESTIONS:** Any questions regarding this RFP must be submitted in writing directly to the Contract Administrator, Frances Peacher no later than November 9, 2009 @ 10:00 a.m. Questions may be sent by Facsimile at 703.791.7462 or e-mail Frances Peacher, Administrative Coordinator at [peacherf@pwcs.edu](mailto:peacherf@pwcs.edu).

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# **Statement of Needs**

As outlined in your RFP, Segal Advisors, is prepared to offer the following scope of services:

- 5.1. Provide independent and objective advice to PWCS for the purpose of assisting PWCS in meeting fiduciary responsibilities. Segal Advisors shall provide research, analysis, advice and recommendations with respect to supervision of the governance functions and any appropriate revisions to investment policies, information, selection of funds for inclusion in the Program and fund and administrator performance evaluation. Additional services in the nature of financial or investment advice may be requested periodically.
- 5.2. Assist with the periodic solicitation process for both vendor and plan administration services, including preparation of the draft request for proposal (RFP) with selection criteria using a PWCS template, identification of prospective vendor contacts, evaluation of proposals, interviews of selected firms and quantified rankings of offerors based on prescribed selection criteria. This would also include any additional services needed if a decision is made by PWCS to change the Fund Administrator with an associated change in fund options. Additional services could include a review of the investment lineup and assistance with implementation of a new program.
- 5.3. Review and evaluate PWCS Investment Policy Statement as necessary in order to maintain policy provisions consistent with the PWCS responsibilities as plan sponsor and in accordance with generally accepted best practices in the industry, providing recommendations for changes to the policy when needed. Determine (or validate) which asset classes should be included, as well as identify the standards for evaluation and objectives within each asset class represented.
- 5.4. Assist PWCS in analyzing available investments options with the objective of making a determination as to conformance with the objectives of the Investment Policy Statement.
- 5.5. Evaluate available investments in the Supplemental Retirement Plan, examining style, risk, consistency, cost and performance against appropriate peers and benchmarks based on the Investment Policy Statement to identify asset class gaps or overlaps. To the extent a fund does not meet the objective established, recommend action to Watch List, or terminate the fund and if applicable analyze the available funds for an appropriate replacement and make a recommendation for replacement and transition.
- 5.6. Conduct an expense audit of the Supplemental Retirement Plans upon request by PWCS using data received from PWCS or obtained from the administrator; and provide an analysis of all fees (explicit and implicit) being paid by the program. In order to provide this analysis, review the administrator's contract, any information filings by the administrator and other data that might prove necessary to perform an analysis of the program fees.

- 5.7. Attend quarterly meetings and provide quarterly written performance reports of the program with consolidated and separate information for Section 457(b), and 403(b) pretax and 403(b) Roth aftertax plans containing information on manager performance, risk, costs, peer analysis, style and consistency for each fund in the program. This will include specific fund analysis as it relates to the investment policy. Segal Advisors will compare each fund against appropriate benchmarks as well as appropriate peer groups. This will also include specific recommendations for funds to be monitored, maintained, eliminated or replaced based on the objectives previously established. To the extent a fund no longer meets the established objectives. Segal Advisors will make specific recommendations as to continued monitoring, Watch Listing, or the availability of an appropriate replacement and recommend transition measures. Attend quarterly meetings to present/review the quarterly written reports
- 5.8. Assist PWCS in maintaining an Investment Policy Statement with any necessary amendments consistent with best practices in the industry and advises PWCS on the provision of investment options in accordance with the investment policy statement.
- 5.9. Evaluate the performance of the current investment options, advising on the use of "watch lists" or other means of monitoring the performance of such investment options, advising on best practices regarding any necessary changes in investment options, and assisting with issues, which may include advising on the contract with the administrator and any related solicitations, and providing any other financial or governance advice required for management of the Supplemental Retirement Plan.
- 5.10. Present the program to staff and/or school board as deemed necessary, if required.

## **Proposed Approach / Methodology / Schedule**

Offeror shall respond to all sections of the Statement of Needs. Offeror shall provide a written narrative describing the ability to meet the minimum requirements set forth herein. Sufficient detail shall be provided to demonstrate the Offeror's understanding, ability and/or willingness to satisfy all specified requirements. Offeror should demonstrate an awareness of difficulties in the completion of this undertaking, and a plan for surmounting them.

Offeror shall include in the proposal a description of any significant task not listed in the Statement of Needs which they know to be necessary for services to be performed.

### **Consulting Approach**

We have completed work on similar, related projects for all types of defined contribution and deferred compensation plans in the education 403(b) and 457(b) marketplace. This experience has made our company highly efficient in the area of plan design, program structure, and in vendor selection and evaluation, thereby enhancing our ability to provide the required services in the most cost effective and timely manner.

As one of the largest providers of consulting services to employee benefit plans in the country, Segal Advisors is staffed with a highly trained and experienced professional staff. Our consultants have a unique combination of "real world" experience as plan sponsors and investment bankers, along with distinguished academic credentials.

We see our consulting role as one providing the necessary professional and technical information to our clients so that well-defined decisions can be formulated, implemented and monitored. Our advice is solidly grounded in a thorough understanding of retirement and deferred compensation plan dynamics, *i.e.*, plan design, compliance, administration, investments and communications.

Our consulting services are designed to provide concrete evidence of PWCS's attention to their fiduciary responsibilities, to the participants in the Plan and the Plan's overall mission, goals and objectives. We view our role as helping to ensure that the due diligence process is designed and conducted in a manner that focuses on the establishment and operation of the best possible program and service configuration to delivering top notch services for participants in the plans.

As requested by PWCS, we would provide the following services:

### ***Investment Policy***

One of the most important responsibilities of the plan sponsor is to develop a written investment policy that documents the rationale and method for selecting the investment options in the plan and offers a prudent process to monitor these options on an ongoing basis.

The policy will serve as the general framework of the program and will document:

- The Plan's purpose
- The participant's responsibilities
- The goal of investment communication/education
- The monitoring and evaluation of fund options
- The broad array of fund offerings and how they were selected
- The guidelines for adding or deleting a fund from the line up
- Criteria to identify funds to be placed on/off a watch list review process

The creation of the investment policy and guidelines will be included as part of Segal Advisors' first year services. This document will serve as a working guide that will be carefully monitored and modified as part of Segal Advisors' ongoing review services.

### ***Investment Fund Search***

Segal Advisors maintains a dedicated research group that is based in New York. The group is lead by a Director of Research and is supported by a team of dedicated Research Analysts, where 100% of their time is spent conducting research on investment managers as well as other topical issues. One of the many roles of the research group is to stay abreast of the latest issues regarding the mutual fund industry. If any fund company is named in an SEC investigation, or changes in fund management, we have first hand knowledge in providing our clients timely information, so that a well informed decision can be made during a quick turnaround, if so required. The wealth of information made available to our staff from our research departments assist us in the decisions related to the selection of the Plan's investment options.

The role of our research group is to continually analyze and review investment products relevant to our client programs. The group meets with portfolio managers and investment staff of investment management organizations to qualitatively and quantitatively assess their investment process, key people, organizational stability and performance track record.

We believe detailed and carefully constructed screening procedures are critical when a client considers choosing investment managers/funds and their related investment products.

The procedures provide evidence that the client has made the selection in a prudent fashion after considering a variety of alternatives. Our services in this area is to ensure that the best in class investment option is made available to the plan and that the fund selections are not limited to the service provider fund alliance partners so as to retain required revenue sharing to support plan

administration costs. We have first hand knowledge of how fund changes/replacements effect vendor-pricing arrangements. Our goal is to screen the universe of all available funds based on minimum fund criteria to ensure that competitive funds are made available to the plan participants.

In assisting the sponsor in the selection process, we would proceed along the following lines:

1. *Develop a search profile.* Work closely with the client to develop a search profile. The search profile will include the type of investment manager/investment product sought including returns, risk, performance and fees.
2. *Designate investment management organization.* We will provide a list of organizations based on our database files, and the limitations of fund offered through the service providers' alliance partners which are capable of effectively carrying out the investment parameters and strategy previously indicated.
3. *Summary report.* We prepare a written summary report and meet with the client to review it. This procedure will permit the elimination of those candidates who appear less likely to meet your requirements and preferences.
4. *Personal interviews.* If required, we then arrange and participate in interviews of the finalist candidates. We assist in questioning the candidates with respect to aspects of their services and differentiating each candidate.
5. *Selection of options.* We then assist in summarizing the key features of both the written and oral presentations to aid the sponsor in reaching a decision.

The systematic procedures we have suggested are designed to make the choice of a new fund option as objective as possible and to provide a foundation for a good working relationship with the organization selected. Adding a new investment option can be a time consuming and expensive process and we believe every effort should be made to assure that the job would not soon need to be repeated.

It should be noted that we have assisted many clients in the process of reducing the number of investment options to a best in class approach. We help to define the communication and education process related to the fund consolidation and mapping process. Our goal is to ensure that the mapping strategy conforms to Pension Protection Act requirements regarding mapping existing funds to ones with similar investment styles and characteristics. We have extensive experience in communicating this process and ensuring that the participants fully understand the benefits and rewards related to the new investment offerings of the program.

### ***Performance Review***

Our ongoing monitoring services and reports are designed to address the need for and provide evidence of PWCS's efforts to comply with their fiduciary responsibilities. This objective is achieved through our reporting capabilities, which include the following:

- Provide an overview of economic and general market conditions over the relevant time periods;
- Compare each investment option's results to appropriate market indices and universes of similarly managed vehicles;
- Verify investment style of each option;
- Measure the risk characteristics of each investment option;
- Historical performance with a focus on consistency;
- Morningstar ratings;
- Comment on manager tenure;
- Monitor fund expense ratios and eligibility for lower share class opportunities;
- Monitor fund companies involved in SEC investigations;
- Popularity of funds among participants;
- Review expenses and returns of each fund options;
- Analyze the extent to which investment policies have been carried out and how they have affected the actual results;
- Recommend alternatives for dealing with any of the issues noted above.

Actual investment returns relative to pre-established benchmarks are obviously important. Additionally, the level of risk associated with achieving results is equally important. In summary, the following factors are critical in reporting performance reviews for mutual funds:

- 3 and 5 year Sharpe Ratio
- 3 and 5 year Absolute Return
- Consistency vs. Benchmark
- Consistency vs. Universe
- Expense Ratios

We reconcile our mutual fund absolute performance to consistency and reasonableness to its benchmarks and indices. In addition, we also reconcile plan level accounting reports provided by the service provider to audit beginning balances, contributions, and cash flow activity from one reporting period to the next period as part of due diligence process associated with our performance monitoring services.

Segal Advisors' reporting system allows for a high degree of flexibility in performance report production. This allows us to add or modify various charts and tables to tailor our reports to meet the individual client needs and levels of sophistication. Clearly, certain core tables are necessary in all reports to accurately convey information necessary to the investment decision making process. However, we have the ability to add various additional analyses to highlight more complex areas of concern. Examples include detailed exhibits of fund characteristics, performance attribution and index relative fund statistics.

Segal Advisors uses a variety of databases for our consulting services. This includes AIM (asset allocation/indices), Morningstar (mutual funds), eVestment Alliance (manager data) and Wilshire and Informa Solutions (universe data). Each of these software packages provide different information which is used to generate analysis and comparative statistics.

Finally, we will produce a report, which will communicate our findings and recommendations. We will determine the individual funds' strengths and weaknesses in the Plan.

We believe it is necessary, at a minimum, to have a semi-annual formal review of the Plan's funds. The information in the report contains all metrics dictated in the Plan's investment policy statement. In addition, we can provide our reports electronically.

### ***Administrative Services***

Our administrative review service would include the following:

- Ensuring that there exists adequate controls over financial reporting, recordkeeping, compliance and providers performance and quality.
- Providing general advice ad assistance regarding the current communication and enrollment materials.
- Reviewing service standards performance and all related administrative fees.
- Assisting the Plan with an action plan to resolve any administrative issues or deficiencies that may require solution.
- Conducting a review of the administrative reports, provide guidance in interpreting usage of the plan by the participants, *i.e.* types of inquiries, data regarding usage of Internet, Voice Response and Customer Service Center support among the numbers.
- We will work with your service provider to obtain data related to the usage of the plan by the participants. Trends and inquiry types will be identified and reported to the Plan in our performance review reports.
- Provide consulting support pertaining to advice and guidance in interpreting new federal regulations related to defined contribution programs.

### ***Vendor Evaluation and Search Project***

We have completed work on similar, related projects for all types of defined contribution and deferred compensation plans. This experience has made our company highly efficient in the area of plan design, program structure, and in vendor selection and evaluation, thereby enhancing our ability to provide the required services in the most cost effective and timely manner.

As one of the largest providers of consulting services to employee benefit plans in the country, Segal Advisors is staffed with a highly trained and experienced professional staff. Our consultants have a unique combination of "real world" experience as plan sponsors and investment bankers, along with distinguished academic credentials.

We see our consulting role as one providing the necessary professional and technical information to our clients so that well-defined decisions can be formulated, implemented and monitored. Our advice is solidly grounded in a thorough understanding of retirement and deferred compensation plan dynamics, *i.e.*, plan design, compliance, administration, investments and communications.

Our consulting services are designed to provide concrete evidence of the Plan's attention to their fiduciary responsibilities, to the participants in the Plan and the Plan's overall mission, goals and objectives. We view our role as helping to ensure that the due diligence process is designed and conducted in a manner that focuses on the establishment and operation of the best possible program and service configuration to delivering top notch services for participants in the plans.

In conducting a fact finding project planning meeting, to determine the most effective service arrangement, we employ a strategic planning and analysis process. This initial planning process incorporates the following elements or steps:

1. Identify with the Plan the current state of the existing program and vendor service arrangements.
2. Identify with the Plan the desired state of the program.
3. Identify existing, proposed and other possible solutions.
4. Identify best service arrangements, vendor consolidation issues and compliance services
5. Select best achievable solution.
6. Develop and implement action plan.
7. Monitor for success of implemented solution.

Through this approach, we are able to:

1. Establish a factual base on which our consulting services can be provided.
2. Advise the Plan as to any new or additional factors not yet considered that might affect the successful completion of the project.
3. Clarify and modify as necessary the goals and objectives of the project.
4. Focus the RFP terms, conditions and vendor minimum qualifications to ensure the best qualified bidders.
5. Maximize the opportunity to find the best outcome based on objective and relevant criteria.

More specifically, our approach to this project will include a preliminary meeting to:

- Discuss the requirements of the new 403(b) regulations.
- Discuss the delegated duties to identify those discretionary fiduciary duties and plan oversight and governance responsibilities to be retained by the Plan.
- Identify the full scope of duties to be delegated to the administrator/ recordkeeper/ compliance vendor .

The outcome of this preliminary meeting will be a better understanding and confirmation or modification of the overall goals and objectives for the development of the specific vendor criteria for the RFP.

We believe detailed and carefully constructed planning procedures are well worth the effort when the Plan considers choosing a service provider. Specific procedures provide evidence that the Plan has made the selection in a prudent fashion after considering a variety of alternatives.

Once the initial feasibility study has been completed and we have acquired the necessary information to develop a comprehensive Request for Proposal to seek competitive bids from potential service providers, we would then assist the Plan in a formal vendor evaluation and analysis process. The following is a detailed description of the services that we would provide to assist the Plan in identifying a service provider(s) and a compliance vendor to administer the program.

The following is a description of our vendor search and evaluation service that we are offering to the Plan:

#### *Phase I – Preliminary Work*

Our goal for this phase of the project is to determine the exact needs of the Plan regarding its overall provisions of retirement benefits and identification of key issues surrounding the administration and asset management preferences.

We will work with the Plan to provide the following services:

- Review the Plan's current plan design and structure.
- Review the current state of administration through information gathering with various staff members responsible for the administration of the plan. This will include participant investment education and communication materials.
- Identify the Plan's strengths and weaknesses and recommend any changes that should be accounted for in the RFP.
- Determine goals and objectives, development of a time line schedule of events, and assign responsibilities.
- Determine investment strategy, types and number of fund options to be offered.
- Meet with the Plan to obtain the necessary background information for inclusion within the Request of Proposal (RFP).
- Identify the vendors to be included in the RFP process and address the Plan's procurement requirements related to the solicitation process.

#### *Phase II – Development of Request For Proposal (RFP)*

- Develop a comprehensive RFP based on the goals and objectives of the Plan;
- Develop a summary of the Plan's significant plan provisions, retirement plan objectives, employee demographics, employee participation, investment fund assets, eligibility and any other unique plan features;
- Define the expected investment strategy;
- Review the draft RFP with the Plan; make revisions based on input and dialogue;
- Mail RFP to selected vendors;
- We will be responsible for answering all provider questions regarding the RFP.

#### *Phase III – Evaluation of Proposals*

- Establish evaluation criteria and response rating system;

- Create an evaluation matrix to assist in analyzing the RFP responses;
- We will be responsible for receiving proposals and reviewing each document;
- We will provide an administrative analysis of vendor responses, review providers investment and compliance services, and provide a summary of our analysis for the Committee's review. We will meet with the members of the Committee to select the finalists.

As described above, Segal Advisors will assist in determining the future investment strategy of the program (i.e., the number and type of investment options to be offered).

Segal Advisors will provide an analysis of the finalists' investment offerings, which meet the future investment strategy of the Plan. We will identify which provider stands out ahead of the others in the management of participant directed plan assets. As a result, the plan could be designed so it meets on a voluntary basis the requirements of ERISA Section 404(c) with respect to the selection of investment options, which will help limit any potential fiduciary liability of the Plan.

The analysis of the potential investment options will focus on:

- The variety of investment choices;
- Return analysis, particularly consistency;
- The degree of risk (*i.e.*, return volatility) associated with each option;
- Fund characteristics;
- Longevity of the Portfolio Manager; and
- Investment expenses.

#### *Phase IV – Selection of New Provider*

- Contact finalists and coordinate presentation dates/schedules;
- Segal Advisors will assist in the selection of the final fund investment options;
- Attend finalists presentations;
- Contact finalist references for past experiences;
- Participate in fee negotiations with selected vendor(s);
- Coordinate and participate in vendor site visits with designated members of the Plan (optional service as requested by the Plan); and

#### *Phase V – Contract Negotiations*

Once a vendor has been selected, it is essential that all service contracts and agreements be in accordance with the terms of the proposal. Our services in this process would include:

- Review service contracts, trust agreements, service standards and final fee negotiations.
- Negotiations of specific contract terms with selected vendors in collaboration with legal counsel.

#### *Phase VI – Implementation/Conversion Project Management*

When the new service provider(s) are retained, Segal Advisors will act as primary liaison to ensure a smooth and accurate plan installation, implementation, enrollment process and accurate transition from the current administrative system to new service provider.

During the implementation/conversion period we will discuss procedures and communications regarding enrollments and plan education. In summary, our role in this process would be to fully monitor the implementation and conversion process.

## **Organization / Experience / Qualifications / Ability to Perform**

The Offeror must describe their organization, qualifications and staff experience and provide resumes of proposed full-time and part-time management team who would be assigned to work on this project; resumes provided must indicate education, background, recent relevant experience with the subject matter of this project.

Segal Advisors was established in 1969 as an independent firm, specializing in investment related consulting services. Segal Advisors is a national firm providing services to all types of employee benefit plans from offices throughout the United States and Canada. The firm is headquartered in New York City and has offices in Boston, Cleveland, Los Angeles, Portland and Toronto, Ontario with a combined staff of fifty-two. Currently, we have on-going relationships with 240 clients representing \$65 billion in assets. Segal Advisors' only line of business is providing investment consulting services, this ensures that our services are objective and client-focused.

Segal Advisors is a wholly-owned subsidiary of The Segal Group, established by the firm's parent (The Segal Company) when the company saw a need to provide independent and unbiased investment consulting advice. The Segal Company is a privately held corporation owned entirely by its active senior employees, including employees of Segal Advisors. There are no anticipated changes to the firm's corporate or organizational structure.

Segal Advisors is not affiliated with any other companies or joint ventures. Segal Advisors does not offer investment management or securities brokerage services or serve as a consultant to investment managers, investment advisors, brokers or registered investment companies. We have no involvement in brokerage commission arrangements. One hundred percent of our revenue represents fees paid by clients for investment consulting services rendered. Segal Advisors has consciously forgone these additional revenue opportunities to maintain the highest level of independence in the industry. We work diligently to maintain our independence and avoid any conflicts of interest.

For 40 years, Segal Advisors has provided independent consulting services to clients with the information they need to organize and implement effective investment programs including:

- Investment Guidelines and Objectives
- Asset Allocation Studies
- Asset/Liability Studies
- Investment Manager/Fund Searches
- Performance Evaluation with Attendance at Periodic Meetings
- Trustee Education and Training
- Selection of Master Trustee/Custodian
- Custodial Fee Analysis

- Investment Management Fee Analysis
- Defined Contribution Vendor Searches
- Defined Contribution Plan Assessment Reviews/Fee Analysis
- Special Studies

Segal Advisors is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisors Act of 1940. We file a disclosure statement (Form ADV) with the SEC. The form contains information about the services we render and key people in our organization and is available upon request.

We have completed similar work on a number of "k" thru twelve 403(b) and 457(b) program plans. The scope of services on these clients include investment policy, performance review, administrative review, the vendor searches, contract negotiations and plan transition services as outlined in your proposal request.

The following is a representative list of similar public sector deferred compensation clients for whom we have provided similar services:

- American Federation of Teachers 403(b) Plan
- Amtrak Defined Contribution Plan
- Arizona State University Optional Retirement (ORP) and 403(b) Plans
- City of Chicago Deferred Compensation Plan
- City of Hollywood, FL Deferred Compensation Plan
- City of Oakland Deferred Compensation Plan
- Fairfax County Public Schools 457 and 403(b) Plans
- Loudon Public School District 403(b) Plan
- Mesa Unified School District 403(b) Plan
- Metropolitan Government of Nashville & Davidson County 457 Plan
- Metropolitan Water Reclamation of Greater Chicago 457 Plan
- Minnesota State College & Universities Defined Contribution & 403(b) Programs
- Monmouth University 403(b) Plan (Project is just underway)
- Nassau, NY County Deferred Compensation Plan
- State of Kansas Deferred Compensation Plan
- State of Maryland Optional Retirement Plan
- State of Michigan Deferred Compensation Plan
- State of New Hampshire Deferred Compensation Plan
- State of Nevada Deferred Compensation Plan
- State of New Jersey Deferred Compensation Plan
- State of South Carolina Deferred Compensation Plan
- State of West Virginia Deferred Compensation Plan
- Tempe Union School District 403(b) Plan
- University of Missouri 457 Plan
- University of North Texas Defined Contribution TSA Plans
- Westchester County, NY Deferred Compensation Plan
- West Virginia Higher Education System
- Yeshiva University 403(b) Plan

Our selection in this market place is directly attributable to our experience and excellent client references. It should also be that we have been engaged to provide ongoing investment and administrative monitoring services to a number of deferred compensation clients. With the recent 403(b) regulations, there is now a significant trend, for the education market, to engage our services were they have been traditional provided by the service provider(s) with no independent oversight management.

Segal Advisors employs a team approach to the delivery of our investment consulting services. We feel that this approach allows us to not only exploit the knowledge and practical experience of our entire staff but also provide each client with a consistent, high level of service. **Mr. Robert A. Liberto** will serve as your consultant, **Mr. Frank Picarelli** will serve as back-up consultant and **Ms. Taylor Dabrowski** will coordinate the analytical responsibilities of the relationship and assist the team on all related evaluations and report preparations.

**Mr. Robert A. Liberto, Senior Vice President**, joined The Segal Company's New York office in 1988 as director of the defined contribution services department. He was appointed vice president in 1990. In 1998, Mr. Liberto was appointed practice leader for DC-Connect®. In 2006, he was promoted to senior vice president. DC-Connect which operates through Segal Advisors, the investment consulting affiliate of The Segal Company, is a comprehensive defined contribution search and vendor selection service, which he developed. As a nationally known expert on defined contribution plan design and technical administration issues, Mr. Liberto has written numerous articles on defined contribution plan issues and has been quoted in national news, business and trade publications. In addition, he frequently speaks at employee benefit seminars.

Mr. Liberto is a delegate to the Profit Sharing Council of America. As a member of the Steering Committee for the Society of Professional Administrators and Recordkeepers (SPARK), he was the Committee Chairman for the industry-wide RFP standardization, which developed SPARK's RFP Guide for Plan Sponsors. He has served on the Investment Policy Committee of the National Association of Government Defined Contribution Administrators (NAGDCA). He has also served on Schwab's Institutional Pension Administrators Service Advisory Board.

Prior to joining The Segal Company, Mr. Liberto was vice president of a major commercial bank's defined contribution services division. He has more than 30 years of experience in the employee benefits field.

**Frank Picarelli, Vice President**, joined The Segal Company in 1994 as director of the defined contribution services department, responsible for all aspects of defined contribution plan administration. In 1998, Mr. Picarelli became a senior consultant with Segal Advisors, the investment consulting affiliate of The Segal Company. In 2005, he was promoted to vice president. Mr. Picarelli specializes in providing defined contribution plan consulting services and vendor evaluation/selection services to a diverse client base.

Mr. Picarelli has almost 30 years of experience in all aspects of defined contribution consulting and plan administration from a banking, insurance, mutual fund and consulting firm's perspective. He has been quoted in numerous business and trade publications.

Mr. Picarelli's responsibilities include assisting clients with:

- Selecting and evaluating defined contribution services providers,
- Assisting in plan design from both investment and administration for all types of defined contribution programs,
- Conducting plan assessment and evaluation studies; and
- Providing ongoing investment monitoring and evaluation services.

Prior to joining The Segal Company, Mr. Picarelli managed the installation/administration unit for a major financial institution providing daily participant recordkeeping and investment management services.

Mr. Picarelli is a graduate of Queens College, NY.

**Taylor Dabrowski, Senior Associate**, worked in Segal Advisors' New York office as an investment associate, and later, a senior associate, from 2004 to 2007. In 2008, she rejoined Segal Advisors. Her responsibilities include client relationship oversight, analyzing performance evaluation reports, assisting in the manager search process, developing investment strategy and asset allocation studies, and other duties critical to investment program processes.

Prior to joining Segal, Ms. Dabrowski worked as a business analyst for Hewitt Associates. Her primary responsibilities revolved around the administration and maintenance of 401(k) plans through the firm's custom administration system.

Ms. Dabrowski graduated from Providence College with a BS in Finance. She is also a Level I candidate in the Chartered Financial Analyst (CFA) program. Ms. Dabrowski currently spends a portion of her time in Baltimore, Maryland.

A staffing plan is required which describes the Offeror's proposed staff distribution to accomplish this work.

As mentioned above, Segal Advisors uses a team approach to client servicing, guaranteeing a member of our staff is familiar with the account should the lead consultant be unavailable.

The Offeror shall provide pertinent financial data which demonstrates the Offeror's corporate capability to successfully perform (e.g., annual financial reports and statements, Dun and Bradstreet and/or other credit bureau ratings.)

Segal Advisors is privately-owned by its employees and, accordingly, its financial statements are not released to the public nor to any of the financial credit rating services and an annual report is not prepared. However, we would be pleased to provide an official bank reference if our firm is retained. Our statements are audited annually by Grant Thornton, LLP who provides us with an unqualified report. Segal Advisors has been profitable throughout its entire history.

Offeror must address ability to meet or exceed the insurance requirements under Section 9.9. Provide what level of Errors & Omissions insurance your firm currently carries.

Segal Advisors is insured by Chubb (Federal, Great Northern Ins. and Vigilant) in the amount of \$2,000,000 for General Liability, \$1,000,000 for Auto and in most cases we can meet the Statutory limits for Workers' Compensation. In addition, Segal Advisors maintains Professional Liability/Errors and Omissions insurance through XL Insurance in the amount of \$5,000,000. Since we do not handle client assets, we do not maintain Fidelity Bond or Fiduciary coverage.

Describe any special strengths, insight or innovativeness, which may be applicable to your firm but not requested herein.

There are several factors that showcase the firm's qualifications to provide reviewing and ongoing monitoring services for deferred compensation and defined contribution plans.

- ***Stability and Independence*** – Founded in 1969, Segal Advisors has extensive experience in providing investment consulting services all types of public sector employee deferred compensation plans. As an independent consulting firm, we have no affiliation with brokerage organizations and investment management firms. We receive no brokerage commissions from and we do not sell services to investment management firms. We believe this philosophy avoids any possible conflict of interest.
- ***Top Talent*** – Segal Advisors is qualified for this assignment and has assigned its top team of defined contribution, administration and investment consultants. We have experience in assisting higher education clients in re-evaluating, re-designing and implementing these changes into their plans. Segal Advisor's staff possesses well recognized professional credentials in combination with many years of experience. Its advice reflects a thorough understanding of plan administration, asset and liability dynamics (*i.e.*, plan design, risk tolerance) and how each of these factors influences investment strategy, performance results and the overall effectiveness of plan administration.
- ***Consulting Approach*** – Segal Advisors listens. While Segal Advisors' team of consultants draws upon years of experience, its focus is on the particular environment in which the County operates. Segal Advisors is experienced in working with commissions, boards, legislatures, staff and additional stakeholders. Segal Advisors views its consulting role as providing the necessary professional and technical information to our clients to assist in the formulation, implementation and evaluation of a well-defined investment strategy.
- ***Commitment to Quality and Service*** – Segal Advisors internal quality control standards require a three-stage production and review process of the work performed.
- ***Clear Communication*** – Consulting is teaching, not telling clients what they ought to do. Segal Advisors recognizes that any large plan has the attention and interests of a wide

range of individuals. Knowing that its audience may not be investment experts, Segal Advisors' reports are written and presented in easily understood terms.

- ***Exploring the Cutting-Edge*** – Plan sponsors today are facing a number of challenges including a growing interest in defined contribution plans, demographic shifts, cash flow shortages, protection of plan assets, federal law compliance and communicating with an increasing number of constituencies. Segal Advisors has recent consulting experience in all of these areas and helps its clients to anticipate future demands and identify long-term goals and strategies.
- ***Dedicated Defined Contribution Consulting Practice*** – Segal Advisors is one of the few consulting firms to have a dedicated team of experienced defined contribution professionals with extensive regulatory and compliance knowledge, investment expertise and experience in conducting vendor searches and evaluation projects.

Segal Advisors has currently developed a proprietary multifactor model that scores the entire mutual fund universe. This program is currently being tested and we plan to roll out our score card in the first quarter 2010.

The model incorporates the board categories of performance, organization structure, style consistency, risk and fees.

Within each category the factors utilized for the ranking may change over time as the usefulness of a factor may diminish over time. Studies have shown that the usefulness of Morningstar ratings is at best marginal. This is the reason we felt the need to create our proprietary model to analyze mutual funds on a relative basis. In addition, we can provide scoring within each category as to understand the calculation of the total score.

The scoring categories for evaluation can be broken down as follows:

- ***Investment style*** – this includes an evaluation of the Morningstar category, portfolio characteristics such as market capitalization, sector distribution, portfolio concentration for equity portfolios and duration, maturity distribution and credit quality for fixed income portfolios, and style analysis.
- ***Investment Performance*** – this includes annualized returns for trailing 1, 3, 5, 7 and 10 years, calendar year performance, rolling period analysis and market cycle performance.
- ***Risk Analysis*** – this includes risk/return, tracking error, beta, sharpe ratio, correlation and bear market ranking.
- ***Organization*** – this includes the portfolio manager tenure, size of the mutual fund, assets across the firm in the strategy, and internal/external management.
- ***Expense*** – this includes a review of the expense ratio and an analysis of the various fees arrangement such as revenue sharing, 12b-1 fees and administrative charges.

In all mutual fund and investment manager evaluations, we focus on measures of absolute performance, relative performance, risk-adjusted performance, absolute risk measures, and consistency. Examples of statistical criteria would be Sharpe Ratio, Information Ratio, Treynor Ratio, Tracking Error, Standard Deviation, Batting Average and Upside/Downside Capture Ratio. The criteria would normally be evaluated over a business cycle and measured relative to a passive benchmark or an absolute value, where appropriate.

It should be noted that Segal Advisors places a significant emphasis on its qualitative assessment of an investment management firm. In addition, we believe it is very important to review quantitative data in light of current economic environment.

Offeror shall complete the Potential Conflict of Interest questionnaire form as provided (Attachment D).

We have completed the Potential Conflict of Interest questionnaire and submitted a completed Attachment D in Section 6.

## **Proposed Fees**

The Offeror shall submit an itemized list of all proposed fees to perform investment consulting and related services. Provide a list of hourly rates for all personnel proposed to be assigned work including proposed fees of subcontractors (and a listing of subcontractor hourly rates and other charges) and list all other anticipated costs and/or fees.

As an independent consulting firm, we have no affiliation with brokerage organizations and investment management firms. We receive no brokerage commissions from and we do not sell services to investment management firms. All of our revenues are generated by our consulting services to client funds. We believe that this philosophy avoids any possible conflicts of interest. Many investment performance advisors have agreements with brokerage houses to have portions of the commissions on stock trades rebated to them to pay for their investment performance consulting services. The rebates are known as "soft dollars". In keeping with our philosophy to have no affiliations with brokerage organizations or investment management firms, Segal Advisors has no "soft dollar" arrangement. We are compensated solely on a "hard dollar basis" basis.

Our fee for the services describe in this proposal have been based upon our hourly time charges for similarly related projects along with the assignment of related staff members that will be assigned to the engagement at their appropriate level.

Full Investment Consulting Services.....\$65,000

- Investment Policy
- Investment Fund Search
- Performance Review
- Administrative Review

Vendor Evaluation and Search Project.....\$65,000

- Preliminary Work
- Development of Request For Proposal (RFP)
- Evaluation of Proposals
- Selection of New Provider
- Contract Negotiations

Implementation/Conversion Project Management .....\$15,000

- Act as primary liaison to ensure a smooth and accurate plan installation, implementation, enrollment process
- Ensure an accurate transition from the current administrative system to new service provider

## **Favorable References**

The Offeror shall complete the Contractor Data Sheet (**Attachment C**), to include a minimum of three (3) school systems of the same size and scope for whom the company has provided these services and two (2) other references for whom the Offeror has provided these services of the same size and scope for an organization within the last three (3) years. Include the names, address, telephone numbers and email address of the owner's point of contact for each project.

We have completed Attachment C and included in Section 6.

7. Amendment to this statement's policies and objectives, and/or other changes to the investment structure of the Plan;
8. To review the effectiveness of ongoing investment education provided to Plan participants by the Plan's current 403(b) service provider; and
9. To determine whether there have been any changes in the Plan's circumstances, needs and/or objectives.

Meeting or communications can occur more frequently if significant concerns arise about the investment strategy or performance, or if key changes occur in the managers' personnel or organizational structure. Should PWCPS believe at any that changes, additions, or deletions to either the Plan's investment options, or this statement are advisable, it will implement those changes on a timely basis.

#### **VII. ACKNOWLEDGMENTS**

PWCPS will review the Plan's investment performance at least annually. The overall Investment Policy of the Plan will be reviewed annually and on an as needed basis. At its sole discretion, PWCPS may choose to make additional options available or to eliminate any option from the Plan or to otherwise exercise its duties to the Plan. This policy shall remain in effect until changed or modified in writing.

#### **Metropolitan Washington Council of Governments Rider Clause**

##### **USE OF CONTRACT(S) BY MEMBERS COMPRISING THE METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS PURCHASING OFFICERS' COMMITTEE.**

- A. If authorized by the offeror(s), resultant contract(s) will be extended to any or all of the listed members as designated by the bidder to purchase at contract prices in accordance with contract terms.
- B. Any member utilizing such contract(s) will place its own order(s) directly with the successful contractor. There shall be no obligation on the part of any participating member to utilize the contract(s).
- C. A negative reply will not adversely affect consideration of your bid/proposal.
- D. It is the awarded vendor's responsibility to notify the members shown below of the availability of the Contract(s).
- E. Each participating jurisdiction has the option of executing a separate contract with the awardee. Contracts entered into with a participating jurisdiction may contain general terms and conditions unique to that jurisdiction including, by way of illustration and not limitation, clauses covering minority participation, non-discrimination, indemnification, naming the jurisdiction as an additional insured under any required Comprehensive General Liability policies, and venue. If, when preparing such a contract, the general terms and conditions of a jurisdiction are unacceptable to the awardee, the awardee may withdraw its extension of the award to that jurisdiction.
- F. The issuing jurisdiction shall not be held liable for any costs or damages incurred by another jurisdiction as a result of any award extended to that jurisdiction by the awardee.

##### **OFFEROR'S AUTHORIZATION TO EXTEND CONTRACT:**

YES NO JURISDICTION

YES NO JURISDICTION

✓ Alexandria, Virginia  
✓ Alexandria Public Schools  
✓ Alexandria Sanitation Authority  
✓ Arlington County, Virginia  
✓ Arlington County Public Schools  
✓ Bladensburg, Maryland  
✓ Bowie, Maryland  
✓ Charles County Public Schools  
✓ College Park, Maryland  
✓ Culpeper County, Virginia  
✓ District of Columbia  
✓ District of Columbia Courts  
✓ District of Columbia Public Schools  
✓ District of Columbia Water & Sewer Auth.  
✓ Fairfax, Virginia  
✓ Fairfax County, Virginia  
✓ Fairfax County Water Authority  
✓ Falls Church, Virginia  
✓ Fauquier County Schools & Government, Virginia  
✓ Frederick, Maryland  
✓ Frederick County, Maryland  
✓ Gaithersburg, Maryland  
✓ Greenbelt, Maryland  
✓ Herndon, Virginia  
✓ Leesburg, Virginia  
✓ Loudoun County, Virginia  
✓ Loudoun County Public Schools  
✓ Loudoun County Sanitation Authority  
✓ Manassas, Virginia  
✓ City of Manassas Public Schools  
✓ Manassas Park, Virginia  
✓ Maryland-National Capital Park & Planning Comm.  
✓ Metropolitan Washington Airports Authority  
✓ Metropolitan Washington Council of Governments  
✓ Montgomery College  
✓ Montgomery County, Maryland  
✓ Montgomery County Public Schools  
✓ OmniRide  
✓ Prince George's County, Maryland  
✓ Prince George's Public Schools  
✓ Prince William County, Virginia  
✓ Prince William County Public Schools  
✓ Prince William County Service Authority  
✓ Rockville, Maryland  
✓ Spotsylvania County Schools  
✓ Stafford County, Virginia  
✓ Takoma Park, Maryland  
✓ Upper Occoquan Sewage Authority  
✓ Vienna, Virginia  
✓ Virginia Railway Express  
✓ Washington Metropolitan Area Transit Authority  
✓ Washington Suburban Sanitary Commission  
✓ Winchester, Virginia  
✓ Winchester Public Schools

*Segal Advisors*

Vendor Name

## CONTRACTOR DATA SHEET

1. **QUALIFICATION OF OFFEROR:** The Offeror shall have the capability and the capacity in all respects to fully satisfying all the contractual requirements.
2. **YEARS IN BUSINESS:** Indicate the length of time the Offeror has been in business providing the services in this solicitation:  
40 Years \_\_\_\_\_ Months.
3. **REFERENCES:** Offerors shall provide a listing of at least five (5) references for which the company has provided specified services of the same or greater scope within the last three (3) years. Refer to Section 7.2.2. **PWCS cannot be a reference.**

1.	Customer Name: <i>Fairfax County Public Schools 457 and 403(b) Plans</i>	Address: <i>8115 Gatehouse Road, Suite 2700 Falls Church, VA 22042</i>
Contact Name: <i>Ms. De Hawley-Brown</i>	Contact Title	
Phone Number: <i>571-423-3201</i>	Fax No. <i>571-423-5031</i>	
Email Address: <i>de.hawleybrown@fcps.edu</i>		
2.	Customer Name: <i>Loudon County Public Schools 403(b) Plan</i>	Address: <i>21000 Education Court, Suite 319 Ashburn, VA 20148</i>
Contact Name <i>Ms. Carol A. Edwards</i>	Contact Title <i>Employee Benefits Supervisor</i>	
Phone Number:	Fax No.	
Email Address:		
3.	Customer Name: <i>Mesa Unified School District</i>	Address: <i>63 East Main Street Mesa, AZ 85201</i>
Contact Name <i>Ms Andrea Billings, MBA</i>	Contact Title <i>Director, Employee Benefits &amp; Risk</i>	
Phone Number: <i>480-472-0364</i>	Fax No. <i>480-472-0370</i>	
Email Address: <i>ambillin@mpsaz.org</i>		
4.	Customer Name: <i>Arizona Board of Regents Optimal Retirement Plan</i>	Address: <i>2020 North Central Avenue, Suite 230 Phoenix, AZ 85004</i>
Contact Name <i>Ms. Mary Adelman</i>	Contact Title <i>Assistant for Business &amp; Finance</i>	
Phone Number: <i>602-229-2523</i>	Fax No.	
Email Address: <i>mary.adelman@azregents.edu</i>		
5.	Customer Name: <i>Minnesota State Colleges &amp; Universities</i>	Address: <i>70 7th Street E, Suite 350 St. Paul, MN 55101</i>
Contact Name <i>Mr. Gary Janikowski</i>	Contact Title <i>System Director</i>	
Phone Number: <i>651-297-5540</i>	Fax No. <i>651-297-1972</i>	
Email Address: <i>gary.janikowski@so.mnscu.edu</i>		

POTENTIAL CONFLICT OF INTEREST - QUESTIONNAIRE	
1.	<b>Do you or a related company have relationships with fund managers that you recommend, consider for recommendation, or otherwise mention to the plan for consideration? If so, describe those relationships:</b>  No, Segal Advisors does not have any relationship with money managers.
2.	<b>Do you or a related company have contractual or other similar relationships with record keepers or administrators or receive fees from those sources? If so, describe those relationships and state the amount/s of annual fees.</b>  No, Segal Advisors does not have any contractual or other similar relationships with record keepers or administrators nor do we receive fees from those sources.
3.	<b>Do you or a related company receive any payments from fund managers you recommend, consider for recommendation, or otherwise mention to the plan for consideration? If so, what is the extent of these payments in relation to your other income?</b>  No, Segal Advisors does not receive any payments from money managers.
4.	<b>Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?</b>  Segal Advisors maintains a formal policy to retain our independence from external financial interests that would create real or potential conflicts of interest for the work we perform for our clients. We do not and will not accept projects to consult to the vendor community. In order to prevent such possible conflicts, all proposed consulting service projects are subject to review and approval by John DeMairo, Senior Vice President and Chief Operating Officer of Segal Advisors.  We are also mindful with regard to that rare circumstance involving situations when our clients may have differing interests or opinions regarding issues. If such circumstances occur, we have a formal policy of disclosing to each client the fact and nature of our involvement with each. If necessary we will work with each client to resolve the issue to the clients' satisfaction. Our clients' documents, reports, etc. are not shared with any other client.  We avoid any and all conflicts; actual and perceived. Segal Advisors is not affiliated with any other companies or joint ventures. Segal Advisors does not offer investment management or other securities brokerage services or serve as a consultant to investment managers, investment advisors, brokers or registered investment companies. We have no involvement in brokerage commission arrangements, and we do not enter into soft dollar arrangements with brokers for payment. All of our fees are payable in hard dollars only.

5. **If you are the successful Contractor, will you acknowledge in writing that you have fiduciary obligations as an investment advisor to the plans while providing advisory services we are seeking? Will you sign a PWCS contract, which makes you a cofiduciary?**

Yes, fiduciary language is included in our contracts.

Segal Advisors acts as a fiduciary in connection with the services and precisely to the extent such services are deemed to be fiduciary services under ERISA. In this role, we work closely with Trustees and Fund legal counsel to enable all parties to prudently fulfill their fiduciary responsibilities.