

**Request for Proposals**

**Senior Managing Underwriter  
and  
Co-Managing Underwriter**

**Pension Obligation Bonds**



**Milwaukee County, Wisconsin  
Department of Administrative Services**

**Requests Due by 3:00 PM Central Daylight Time**  
**April 3, 2008**

**Please Label Submission with Firm's Name and Address  
and "Request for Proposals - Pension Obligation Bonds"**

# **REQUEST FOR PROPOSALS FOR UNDERWRITING SERVICES**

## **Introduction:**

The purpose of the Request for Proposals (“RFP”) is to solicit information from qualified firms concerning the potential issuance of Pension Obligation Bonds to fund all or a portion of the County’s unfunded prior service pension liability.

The County's 2008 budget contemplates the issuance of the Pension Obligation Bonds assuming several conditions are met, including changes to state statutes, a favorable credit market, and the development of a proposal by a County POB Work Group, which is approved by the County Board. To date, the proposed changes to the State Statutes have been approved by the Senate and the Assembly (SB 366) and the County POB working group is in the process of developing a proposal to present to the County Board for consideration.

If the County Board chooses to proceed with the Pension Obligation Bonds, the County intends to select an underwriting team for the proposed transaction consisting of one or more firms serving in the following positions: book-running senior manager, co-senior manager and co-manager.

## **Description of Milwaukee County:**

Milwaukee County serves as a population, economic and financial center of the State of Wisconsin. Milwaukee County is located in southeastern Wisconsin on the Lake Michigan shoreline. The County covers an area of approximately 242 square miles and consists of ten cities and nine villages. The City of Milwaukee, which acts as the County seat, contains approximately 63 percent of the County’s population and 48 percent of its taxable property value. Milwaukee County’s 2007 population estimate is 937,324.

## **Milwaukee County Retirement System**

The Employee Retirement System (“ERS”) of the County of Milwaukee was established in 1938. It became, in most instances, non-contributory in 1969. The ERS is currently a defined benefit pension plan. The normal retirement age is the earlier of age 60, or for non-union and certain union employees, when age and years of service total 75. Participants hired prior to January 1, 1982 receive pension benefits equal to 2.5% for deputy sheriffs and 2 percent for all other participants, of the average monthly salary in the final three years of earnings multiplied by the years of service, limited to 80 percent of pay, excluding any post-retirement increases. Participants hired after December 31, 1981, receive pension benefits equal to a percentage of their five-year final average monthly salary multiplied by the years of service, limited to 80 percent of pay, also excluding any post-retirement increases. These percentages are: 2.5% for deputy sheriffs, deputy sheriff lieutenants, deputy sheriff ECP’s and DA investigators hired before July 1, 1995 (2% if hired after June 30, 1995); 2% for elected officials; 2% for firefighters and non-represented firefighters as of January 1, 1999; and 1.5% for all other participants. A post retirement annual increase of two percent over the first full month’s benefits is provided.

There are also accidental or ordinary disability, deferred, reduced early and survivors' pensions. Retirement age and benefits vary for deputy sheriffs, elected officials, firefighters, and District Attorney investigators per union contracts.

In 2000, the County approved a number of changes to the system, effective January 1, 2001 that applied to all participants except deputy sheriffs;

- The vesting requirement was set to 5 years and most participants were immediately vested at age 60.
- The County would pay the accrued sick allowance in full upon retirement for participants hired before January 1, 1994; in 2002 the County adjusted this benefit for non-represented employees to pay for the first 400 hours of accrued sick allowance and 16% of any additional hours.<sup>1</sup>
- A bonus of 7.5% per year, up to a maximum of 25%, was added to the final average salary for participants who joined the system before January 1, 1982, or July 1, 1995, for a non-represented Deputy Sheriff.
- A 0.5% multiplier was added for all service credits earned after January 1, 2001 for participants who joined the system after December 31, 1981, or June 30, 1995, for non-represented Deputy Sheriffs.
- For each year of pension service earned before January 1, 2001, an additional multiplier of 0.5% was granted for each eight years of past service.
- For all non-sheriff members, a back drop benefit option was added that provided a lump sum cash payment for the total of monthly benefits, adjusted for COLA increases and plus compound interest that the member would be entitled to from a prior (back drop) date to the date the member terminates employment.

Additional changes made subsequent to the year 2000 changes include the following:

- Non-represented employees and elected officials hired on or after March 15, 2002 are not eligible to receive the back drop pension benefit. Employees represented by a labor agreement must also be hired prior to the date specified in the labor agreement to be eligible to receive the back drop benefit.
- Individuals elected after March 15, 2002 are not eligible to receive the additional 0.5% pension benefit multiplier.
- Effective January 1, 2003, the pension benefit for employees who became members after December 31, 1981 shall be based upon a final average salary equal to the three highest consecutive years of earnings, except for represented sheriffs.

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<sup>1</sup> In 2002, the County changed the sick pay out benefit upon retirement for non-represented employees by reverting to the previous pay out (400 hours plus 16 hours for each additional 100 hours or part thereof). This change 2002 sick Pay Change) has had the impact, as stated above, of accelerating retirements prior to the effective date of this change, plus increasing the sick payout expense. A recent analysis showed the total cost of sick pay outs to County retirees was \$7,015,000 in 2002, \$2,666,680 in 2003, and \$12,866,100 in 2004. These costs were either absorbed in departmental budgets or were formally recognized by the County setting aside segregated funds to cover the payout costs on behalf of County departments.

Contributions due from the County to the ERS consist of amounts sufficient to fund the annual normal cost (the actuarial liability for future benefits and expenses allocated to the year), and the amortization of the unfunded or over-funded actuarial accrued liability plus interest. The budgeted funding level for 2008 covers the annual normal cost and a portion of the recommended UAAL payment. A substantial portion of the current year's contribution is paid to the ERS in the following year.

The County makes contributions to the ERS based upon actuarially determined contribution requirements with adjustments made at the discretion of the County Board and County Executive. Actuarially determined requirements are set during the County's budget process. The ERS funding policy provides for periodic County contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, accumulate sufficient assets to pay benefits when due. Payroll contribution rates are determined using the Aggregate Entry Age Normal method of funding. The ERS also uses the level percentage of payroll method to amortize the unfunded liability over a 30-year period. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation. The rate of return assumption used by the County is 8.0%, a rate consistent with most other public-sector pension systems.

As of January 1, 2007, the most recent valuation date, the pension plan had an unfunded actuarial accrued liability of approximately \$406 million, based on an actuarial value of liabilities of \$1.931 billion and actuarial accrued assets of \$1.525 billion. The funded ratio on January 1, 2007, was 79 percent. The method used to calculate the liability is in accordance with GASB 25. In computing these values, all of the assumptions used in the annual valuation for pension expense including the changes noted above were incorporated.

During the past five years retirement system assets and liabilities<sup>2</sup> (in 000's) have been as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Funded Ratio (a/b)	(Overfunded)	Covered Payroll (c)	UAAL as a
				Unfunded AAL- UAAL (b-a)		Percentage Of Covered Payroll ((b-a)/c)
01/01/2007	\$ 1,525,532	\$ 1,931,220	79.0 %	\$ 405,688	\$ 223,005	181.9 %
01/01/2006	1,454,302	1,909,321	76.2 %	455,020	225,722	201.6 %
01/01/2005	1,424,918	1,782,884	79.9 %	357,966	209,796	170.6 %
01/01/2004	1,446,726	1,707,999	84.7 %	261,273	233,478	111.9 %
01/01/2003	1,446,860	1,542,045	93.8 %	95,185	234,679	40.6 %

<sup>2</sup> **NOTE:** Analysis of the dollar amounts of plan assets, actuarial accrued liability, and unfunded (overfunded) actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actual accrued liability provides an indication of the Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement system's financial position. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

Changes in 2001 and 2002 to certain employee benefits have resulted in some County employees retiring at an accelerated schedule. Hundreds of employees have retired annually since these benefit enhancements were approved, including 350 in 2002, 290 in 2003, and more than 750 in 2004. Retirees declined in 2005 to 186. Nonetheless, the accelerated retirements from 2002 – 2004 reduced employee contributions for health care benefits by changing the status of employees to retirees, plus they also increase the cost of accumulated sick leave paid at retirement.

### **Scope of Services**

The county will select a senior manager(s) for its Pension Obligation Bond financing.

The scope of services to be provided by the senior manager(s) includes, but is not limited to:

- Assisting the County and its financial advisor in developing the optimal plan of finance, including the quantitative analysis needed to support this effort;
- Participating in planning, structuring, and executing the financings contemplated under the plan of finance;
- Assessing market conditions and their impact on the timing of any financings;
- Reviewing all disclosure, sale and other relevant financing documents in conjunction with Bond Counsel;
- Assisting in obtaining credit ratings and bond insurance, including preparing presentations, and attending and participating in rating agency and bond insurer meetings;
- Managing the marketing and sale of any bonds issued pursuant to the plan of finance;
- Completing all administrative obligations required to properly close any financing;
- Attending all required meetings and conference calls.

### **Response to RFP Format**

Completed responses to this RFP should include the following elements:

- Profile of Organization and Summary of Experience and Qualifications in a cover letter (Maximum of two Pages)
- Responses to Questions (Maximum of 20 Pages)

### Profile of Organization and Summary of Experience and Qualifications

A profile of the respondent firm in a cover letter is requested for general background information. The description of the firm's qualifications will be used in the evaluation of each underwriter proposal. Please include the following information:

1. Describe your firm's relevant experience, organizational structure, and size. Describe the firm's scope of operation and areas of concentration.
2. Discuss the location of the office from which the work is to be performed and indicate the number of professional staff employed at that office.
3. Indicate the names and locations of the individuals who will be primarily responsible for providing the requested services.
4. Provide a brief description of your firm's approach to the plan of finance.

### Questions

1. Provide a brief description of your firm and its municipal bond and/or public finance department. Provide in tabular form for 2005, 2006, and 2007, the firm's capital and excess net capital. Describe two situations in which the firm's capital was used to underwrite the unsold balance of a municipal bond issue.
2. In tabular form, please provide the staffing levels for municipal finance for 2005, 2006, and 2007, for investment banking, institutional sales, trading and underwriting and municipal derivatives with totals. Separately, list municipal retail sales personnel including retail liaisons, Wisconsin retail sales persons and other national retail sales persons.
3. Describe your firm's sales and distribution capabilities. (Limit one Page)
4. In tabular form list and total all taxable municipal financings over \$100 million in which your firm has participated as lead manager since January 1, 2005. Please include sale date (most recent first), issuer, amount, role of your firm, and an issuer contact and phone number for all transactions in which your firm has served as lead manager.
5. In tabular form, list and total all pension obligation bond financings in which your firm has participated as lead manager since January 1, 2005. Provide names of key personnel assigned to the transaction.
6. Provide the names and brief resumes for the lead banker, the supporting banker, the quantitative analysis banker, underwriter, institutional sales manager, retail sales manager, and any other members of the team. For the lead banker, please provide three references (name, title, issuer, address, phone and fax numbers, and email address).

7. Provide a description of at least one, but not more than three, examples of your firm's experience with Pension Obligation Bonds.
8. Identify issues related to security, structure, and rating which should be considered by the County related to the issuance of the Bonds.
9. Discuss your firm's marketing plan for the County's Pension Obligation Bonds. (Limit two Pages)
10. Indicate the amount of any political contribution to current Milwaukee County officials (as defined in MSRB Rule G37), made by principals of your firm within the last two years.
11. If your firm has a preference, list three law firms that your firm would consider for underwriters' counsel.
12. Based on preliminary analysis by the County's financial advisor it is currently anticipated that the greatest portion of County's proposed borrowing will be done through fixed rate serial bonds. In addition, variable rate instruments and capital appreciation bonds have also been evaluated and seem plausible as part of the overall financing plan. Please provide a fee schedule for underwriting the transaction including: management fee, average takedown, underwriting fees (risk), and expenses (excluding underwriter's counsel) on a per bond basis for fixed rate serial, variable rate, and capital appreciation debt instruments.

All costs proposals are final and may not be adjusted.

**Include all information related to these fees in a separate sealed envelope accompanying the response to RFP.**

*Disadvantaged Business Enterprises (DBEs)*

DISADVANTAGED BUSINESS ENTERPRISE (DBE) UTILIZATION

1. The successful consultant/service provider shall comply with CFR 49 Part 26, and Chapter 42 of the Milwaukee County Ordinances, which requires Good Faith Efforts (GFE) to achieve participation of certified Disadvantaged Business Enterprise (DBE<sup>3</sup>) firms on all USDOT and Milwaukee County funded professional service contracts. In accordance with this Milwaukee County policy and US DOT requirements, the consultant/service provider shall ensure that DBEs have an opportunity to participate in this project/contract. Refer to Section (8) for the specific DBE participation contract goal.

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<sup>3</sup> The term "DBE" means small business concerns known as Disadvantaged Business Enterprise (DBE) firms owned at least 51% by socially and economically disadvantaged individuals, and certified by Milwaukee County under CFR 49 Part 26.

2. The Community Business Development Partners (CBDP) Office of Milwaukee County is authorized to make the determination that consultant/service provider has made a good faith effort (GFE) to achieve the required DBE participation by doing either of the following:
  - a. Shows evidence that it has met the DBE participation by submitting a complete Commitment to Subcontract to DBE Firms form (Form DBD-014PS—See Attachment 1); or
  - b. Documents that it made good faith efforts to meet the DBE participation goal, even though it did not succeed in achieving it. In this case, the consultant/service provider must submit the Certificate of Good Faith Efforts Form (Forms DBD-001PS and DBD-003PS—See Attachment 2) and all relevant documentation to the CBDP office for its GFE determination within three (3) working days of notification of being the successful proposer.
3. The efforts employed by the consultant/service provider should be those that one could reasonably expect a consultant/service provider to take if the consultant/service provider were actively and aggressively trying to obtain DBE participation sufficient to meet the DBE contract goal. Mere pro forma efforts are not good faith efforts to meet the DBE contract requirements. (49 CFR §26.53 and Appendix A to 49 CFR Part 26 which provides guidance regarding GFE). (Refer to Milwaukee County DBE Provisions governing GFE).
4. In the event the CBDP Office determines that the consultant/service provider has failed to meet the GFE requirements, the consultant/service provider is entitled to appeal this determination. The provisions of 49 CFR §26.53(d) apply to such an appeal. A request for administrative reconsideration must be sent within three (3) calendar days of receiving written notice from the CBDP office of the failure to meet the GFE requirement. The request should be sent to:

CBDP Office  
City Campus, Room 830  
2711 West Wells Street  
Milwaukee, WI 53208
5. Prime consultant/service provider must submit with its proposal, the Sub-consultant Information Sheet Form (Form DBD-002PS).
6. When evaluating a contractor's proposed DBE commitment, Milwaukee County reserves the right to request any documentation from both the prime consultant and the listed DBE subcontractors. If the information requested is not submitted by the contractor within the time specified for such submission, Milwaukee County may award the contract to the next lowest responsive, responsible proposer. The consultant/service provider shall prepare and submit accurate and timely forms and reports on DBE utilization to the Community Business Development Partners (CBDP) Office. These shall include, but not be limited to, Milwaukee County Commitment to Subcontract with DBE Firms form,

DBE Utilization Reports, and Sub-Consultant Information Sheet as directed. Failure to submit forms and reports as prescribed herein, will result in disqualification of proposal, delay of payments, or other sanctions deemed appropriate by the County, including those listed under Section (7), below.

7. When evaluating the performance of this contract, Milwaukee County reserves the right to conduct compliance reviews and request, both from the prime consultant/service provider and DBE sub-consultant(s), documentation that would indicate level of compliance. If the consultant/service provider is not in compliance with the specifications, the County will notify the consultant/service provider in writing of the corrective action that will bring the consultant/service provider into compliance. If the consultant/service provider fails or refuses to take corrective action as directed, Milwaukee County may take one or more of the actions listed below:
  - a. Terminate or cancel the contract, in whole or in part.
  - b. Remove the consultant/service provider from the list of qualified consultant/service providers and refuse to accept future proposals for a period not to exceed three (3) years.
  - c. Impose other appropriate sanctions, including withholding any retainage or other contract payments due which are sufficient to cover the unmet portion of the DBE goal, where the failure to meet the goal is the result of a finding by the CBDP Office of consultant/service provider's bad faith.
  - d. If the consultant/service provider has completed its contract, and the goal was not met due to an absence of good faith on the part of the consultant/service provider as determined under Section 4, above, the parties agree that the proper measure of damages for such non-compliance shall be the dollar amount of the unmet portion of the DBE goal. The county may in such case retain any unpaid contract amounts and retainage otherwise due the consultant/service provider, up to the amount of the unmet goal. If insufficient funds remain in the contract account to compensate the county up to that amount, Milwaukee County may bring suit to recover damages up to the amount of unmet goal, including interest at the rate of 12% annually, plus the County's costs, expenses and actual attorney's fees incurred in the collection action.
8. DBE Participation Goal: Each prime consultant/service provider shall utilize DBE firms to a minimum of 17% of the total contract. DBE participation requirement relative to contract award shall be based upon the approved Milwaukee County Commitment to Subcontract to DBE Firms (DBD-014PS form). Consultants/service providers receiving additional work on the contract in the form of addendum, etc., shall be expected to increase DBE participation proportionally.
9. Consultant/service providers should note that for the purpose of proposal evaluation, only DBEs certified at the time of proposal submission will be counted toward the goal. Consultants/Service Providers must submit a Commitment to Subcontract to DBE Firms Form or a DBE Utilization Plan in their proposal including, but not limited to, the following information (see form DBD-014PS):

- a. Name(s) of DBE(s) firm(s) being considered for utilization.
  - b. Description of services that will be provided by the DBE(s).
  - c. Percentage of the work assigned to the DBE(s). Also, include dollar amount.
10. Only DBEs that have been certified by Milwaukee County's Community Business Development Partners (CBDP), Certification Section, prior to the proposal due date may be listed on the "Commitment to Subcontract with DBE Firms" form and counted towards the DBE requirements on this project. In order to identify any certified DBE firms, and prevent any delay or disqualification of your proposal, refer to the Directory issued by CBDP. The directory can be viewed at [www.milwaukeecounty.org](http://www.milwaukeecounty.org), do a search for "vendor", scroll down and double click on "Certified Vendor List". If you need additional assistance, contact the CBDP Office at (414) 278-5248.
  11. For a list of certified DBEs, call the Certification Section at (414) 278-4747. If you need additional assistance in the identification of DBEs, contact the Community Business Development Partners (CBDP) Office at (414) 278-5248.
  12. Prime consultant/service provider shall count towards the DBE requirement and be credited one hundred percent (100%) of expenditures to DBE firms, if all of the identified scope of work has a commercially useful function in the actual work of the contract and is performed directly by the listed certified DBE firm. The Director of the CBDP Office through the application of 49 CFR §26.55(c) will be responsible for the determination and evaluation of whether or not the firm is performing a commercially useful function on this project.
  13. Prime consultant/service provider is required to notify the CBDP office if their DBE subcontractors will further subcontract out work on this project. Credit will be given based on actual participation by DBE firms.
  14. Listing a DBE on the Commitment to Subcontract to DBE Firms Form or Plan shall constitute a written representation and commitment that the prime consultant/service provider has communicated and negotiated directly with the DBE firm(s) listed, and that it will use the listed firm(s). If awarded the contract, the prime consultant/service provider will enter into a subcontract agreement with the DBE firm(s) listed on the Commitment to Subcontract to DBE Firms form for the work and price set forth thereon. This agreement must be submitted to the CBDP Office within seven (7) days from the Notice to Proceed.
  15. Prime consultant/service provider must maintain DBE participation and performance logs. If the DBE firm(s) cannot perform, or if the prime consultant/service provider has a problem in meeting the DBE goal, or any other problem relative to the DBE goal requirement, the prime contractor shall immediately contact the CBDP Office at (414) 278-5248. If needed, prime contractor must submit a written request for substitution, including the reason for the request and the log. Approval must be obtained prior to

making substitutions. Any difference in the cost occasioned by such substitution shall be borne by the prime contractor.

16. DBE Utilization Reports/Payment Applications. DBE Utilization Reports (Form DBD-016PS) must be submitted with the Payment Applications. These reports must cover the period from the start of the project to the end of the period covered by the payment application being submitted or the period since the last payment application. The reports must be submitted even if no DBE activity took place during the period being reported. The County Project Manager will reject payment applications that are not in compliance with this section.
17. Final Payment Verification. The prime consultant/service provider must submit the "DBE Subcontractor Payment Certification" form (DBD-018PS form) and the final DBE Utilization Report along with their Final Payment Application. The County Project Manager will not process the Final Payment Application if these reports are not submitted.
18. County reserves the right to waive any of these specifications when it is in the best interest of the County and with the concurrence of the CBDP Office.

**Evaluation of Responses to RFP:**

Responses to this RFP will be evaluated by a review panel.

**Terms and Conditions:**

The County has the right to reject any and all responses for any reason; to disqualify any firm whose response does not meet the RFP's due date; to disqualify any firm whose response does not follow the RFP's communication procedures; and to disqualify any firm whose response does not respond to the criteria specified for evaluation. The County has the right to take into consideration the abstract and the formal content of the responses to this RFP. The County reserves the right to request clarification of submitted information and to request additional information from applicants.

Prior to making a final decision, the County reserves the right to negotiate with the recommended firm(s) any terms and conditions which may be different from those originally proposed or required by this RFP. The County will not be liable for any costs incurred by proposers in the preparation or production of the proposal nor will pre-agreement costs be authorized to any proposer. All proposals and materials submitted in conjunction with the proposals will become the property of the County.

All contracts will be reviewed and approved, in writing, by the County's Risk Manager for financial responsibility and liability management, including appropriate insurance provisions and modification in indemnity agreements. If there is a discrepancy between this RFP and the contract, the language of the contract will rule.

**Contents of Response to RFP:**

All attachments, additional pages, addenda or explanation supplied by the vendor in the response package will be considered as part of the RFP response. The material will be evaluated as part of the vendor’s response to the RFP and will eventually be incorporated as part of the terms and conditions of the successful firms’ contract with Milwaukee County.

**Milwaukee County Contact Person:**

Questions about request for proposal requirements should be directed to Pamela Bryant, Capital Finance Manager at (414) 278-4396.

**Changes in Request for Proposals:**

If it becomes necessary to revise any part of this RFP or otherwise provide additional information to potential bidders, an addendum will be posted on the County’s website.

**Proposal Process Timeline and Due Date:**

**Please Label Responses to this RFP with Firm’s Name and Address and “Request for Proposals - Pension Obligation Bonds”.** Seven (7) sealed copies of the response to RFP shall be submitted. Five (5) copies must be received in the Office of the County Clerk, no later than 3:00 PM, Central Time on April 3, 2008. The other two (2) copies of the response to RFP should be sent to the County’s financial advisor as follows:

*Please include all information required by Question 12, (relating to fees), in a separate sealed envelope.*

Five Copies of Response to:  
Ms. Cindy Archer, Acting Director of DAS  
C/o Milwaukee County Clerk’s Office  
Courthouse, Room 105  
901 North Ninth Street  
Milwaukee, Wisconsin 53233

Two Copies of Response to:  
Mr. David Anderson  
Public Financial Management  
115 South 84th Street  
Suite 100  
Milwaukee, WI 53214

Proposals will be evaluated by the review panel. Interviews may be held with select firms. The anticipated schedule of events is shown below:

<b>Action</b>	<b>Date</b>
Request for Proposals Issued	03/11/2008
Proposals Due to County	04/03/2008
Interviews with Selected Firms	04/22 and 4/23/2008
Recommendation to Finance and Audit Committee	May 2008
Recommendation to County Board	May 2008