



# DISTRICT SCHOOL BOARD OF PASCO COUNTY

Kurt S. Browning, Superintendent of Schools

7227 Land O' Lakes Boulevard • Land O' Lakes, Florida 34638

## Purchasing Services

Nicole Westmoreland, MBA, Purchasing Agent

813/794-2221 Fax: 813/794-2111

727/774-2221 TDD: 813/794-2484

352/524-2221 email: nwestmor@pasco.k12.fl.us

July 22, 2014

## MEMORANDUM

TO: Honorable School Board Members

FROM: Nicole Westmoreland, Purchasing Agent *NW/AZ*

RE: RFP #14-041-PH, Investment Management Services  
PFM Asset Management, LLC

On May 20, 2014, Finance Services requested permission from the Board to directly negotiate contracts with Davidson Fixed Income Management (Davidson) and Manning & Napier Advisors as a result of RFP #14-041-PH for Investment Management Services. Permission was granted to directly negotiate contracts with Davidson and Manning & Napier. The resulting contract with Davidson was Board-approved on June 3, 2014. Finance Services was not able to successfully negotiate a contract with Manning & Napier and therefore negotiated a contract (attached) with the second lowest proposer, PFM Asset Management, LLC. The contract was reviewed and approved by Ms. Nancy Alfonso, School Board Attorney, on July 2, 2014. Please see the attached memo from Ms. Joanne Millovitsch, Director of Finance Services, and Mr. Dominick Cristofaro, Senior Finance Manager, for further information.

Should you have any questions regarding this matter, or if I can be of further assistance, please feel free to contact me at your earliest convenience.

NW/plh

Attachments

Date/Time: July 15, 2014 10:52:00



## DISTRICT SCHOOL BOARD OF PASCO COUNTY

Kurt S. Browning, Superintendent of Schools

7227 Land O' Lakes Boulevard • Land O' Lakes, Florida 34638

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DATE: July 8, 2014

TO: Nicole Westmoreland, Purchasing Agent – Purchasing Department

FROM: Joanne Millovitsch, Director of Finance *JM*  
Dominick Cristofaro, Senior Finance Manager *DC*

SUBJECT: Supplemental Early Retirement Plan Investment Manager Contracts

On May 20, 2014, the School Board approved the staff to negotiate contracts with Manning & Napier Advisors (Manning) to manage the District's Supplemental Early Retirement Plan (SERP). During our negotiations with Manning, it became apparent that they would not be able to provide the investment manager services at that rate original negotiated. Based upon this information, we contacted the second lowest bidder, PFM Asset Management (PFM). We were able to negotiate a fee of 30 basis points with PFM, which is 15 basis points lower than the original fee proposed in the RFP.

Attached is a copy of the PFM contract. Please prepare this contract for the Board's approval. Let us know if you have any questions.

## **INVESTMENT ADVISORY AGREEMENT**

THIS AGREEMENT, entered into as of the 1<sup>st</sup> day of August, 2014 (the "Agreement"), by and between THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA (hereinafter the "Client") and PFM ASSET MANAGEMENT LLC, a Delaware limited liability company with an office in Orlando, Florida (hereinafter the "Advisor").

### **W I T N E S S E T H**

**WHEREAS**, the Client maintains a Supplemental Early Retirement Plan (the "Fund") in order to provide retirement and related benefits to eligible participants and beneficiaries and maximize plan assets using strategies geared to a time-horizon appropriate approach, within the general concept of prudence and the safeguarding of the Fund's assets; and

**WHEREAS**, the Fund has funds available for investment purposes; and

**WHEREAS**, the Client desires to avail itself of the experience, sources of information, advice, assistance and facilities available to the Advisor; to have the Advisor undertake certain duties and responsibilities; and to perform certain services as investment advisor on behalf of the Fund, as provided herein; and

**WHEREAS**, the Advisor is willing to provide such services on the terms and conditions hereinafter set forth.

**NOW, THEREFORE**, in consideration of the premises and mutual covenants herein contained, the parties hereto, intending to be legally bound, agree as follows:

#### **1. SERVICES OF ADVISOR.**

The Client hereby engages the Advisor to serve as investment advisor with respect to the Fund under the terms of this Agreement, and the Advisor accepts such engagement. The Advisor will determine the asset allocation of investments for the Fund (the "Investment Strategy" of the Fund) on the basis of

information provided by the Client or other service providers, including the anticipated amounts of cash required by the Fund for distributions and other expenses, and the appropriate risk tolerance for the Fund based upon the cash needs of the Fund and the Client's resources. The Advisor will then execute the Investment Strategy of the Fund by buying and selling shares of the investment funds. Initially the Fund shall be invested in investment funds in specified proportions as set forth in a separate schedule delivered to the Client by the Advisor at or prior to the time the Fund is initially funded (as the same may be revised by the Advisor from time to time, the "Schedule").

The Advisor will reassess and may alter the Investment Strategy asset allocation at least annually and "rebalance" the investment funds as reflected in the Schedule at least annually to maintain the ratios of the Investment Strategy, and will consult with the Client at least annually to determine whether there are reasons to revise the Investment Strategy. The Advisor will conduct a review at least annually of the performance of the investment funds held by the Fund and, in its judgment, will add to or reduce allocations to each investment fund and will add or delete investment funds (within the parameters of the Investment Strategy). The Advisor will promptly advise the Client in writing of any revision of the Fund's Investment Strategy and any additions to or deletions from the investment funds held by the Fund. In addition, the Advisor will provide to the Client a quarterly analysis of the performance of the investment funds in which the Fund is invested together with notice of any reallocation of assets among investment funds; the asset balances and market values for such analysis shall be as supplied to the Advisor by the Custodian (as hereinafter defined). In connection with all of the foregoing, the Advisor will promptly give the Client written notice of any changes to the Schedule.

The Client agrees to legally appoint a custodian (the "Custodian") to take and have custody of cash, assets and securities of the Fund. The Custodian shall not be the Advisor and shall be independent of the Advisor. The Client agrees to enter, or that it has entered, into a custodian agreement with the Custodian. The Advisor is authorized to give instructions to the Custodian with respect to the Fund as to deliveries of securities and payments of cash for the payment of securities and as otherwise provided in Section 2(b) of this Agreement. The Advisor shall not take possession of or act as custodian for the cash, securities or other assets of the Fund and shall have no responsibility in

connection therewith. The Advisor agrees to recommend and to monitor the Custodian so that the Client's custodial and transaction costs are appropriate for the level and nature of services rendered by the Custodian to the Fund, the Client and the Advisor.

Authorized investments shall include only those investments which are permissible under applicable statutes and regulations and the Fund's written investment policy, if any, as provided by the Client to the Advisor. The Custodian or an affiliate of the Custodian may be the investment advisor of investment funds selected by the Advisor.

**2. COMPENSATION.**

(a) For all services provided by the Advisor to the Plan pursuant to this Agreement, the Plan shall incur an annual fee, payable in quarterly installments, based on net assets under management in the Plan determined on a quarterly basis at the annual rate of 30 basis points (0.30%). For purposes of this section, "net assets" means the net market value of all cash and investments assets as of the end of the most recent calendar quarter. For reference, below is the Advisor's standard fee schedule for Multi-Asset Class Management Services:

First \$10 million in net assets.....	0.45%
Next \$10 million in net assets.....	0.35%
Next \$30 million in net assets.....	0.25%
Next \$50 million in net assets.....	0.20%
Over \$100,000,000.....	0.15%

(b) At the end of each calendar quarter, the Advisor will prepare and submit to the Client for approval a quarterly invoice for its fee. Such invoice will include a statement of the basis upon which the fee was calculated. Unless instructed otherwise within 30 calendar days of the postmark on the invoices, the Client authorizes the Advisor to charge such invoices to the Plan's account and authorizes and instructs the Custodian to disburse funds from such account for the payment of the fees and costs to the Advisor. If sufficient funds are not available, the Client agrees to compensate the Advisor from other sources within 45 calendar days of the postmark date. If the Advisor shall serve for less than the whole quarter, the compensation shall be pro-rated.

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(c) If and to the extent that the Client shall request the Advisor to render services other than those to be rendered by the Advisor hereunder, such additional services shall be compensated separately on terms to be agreed upon between the Advisor and the Client.

(d) Assets invested by the Advisor under the terms of this agreement may from time to time be invested in a money market mutual fund or local government investment pool managed by the Advisor (either, a "Pool"), or in individual securities. Average daily net assets subject to the fees described in this section shall not take into account any funds invested in the Pool. Expenses of the Pool, including compensation for the Advisor and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.

### **3. EXPENSES.**

(a) The Advisor shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel for managing the investments, inclusive of reasonable costs required to attend meetings with the Client.

(b) Except as expressly provided otherwise herein, the Fund shall pay all of its expenses including, without limitation, taxes, expenses (including front- or back-end charges) of an investment fund, fees and expenses of the Fund's independent auditors and legal counsel, if any, insurance premiums, fees and expenses of the Custodian appointed by the Client, as provided in Section 1, and the keeping of books and accounts.

### **4. REGISTERED ADVISOR; DUTY OF CARE.**

The Advisor hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940. The Advisor shall immediately notify the Client if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Advisor agrees to perform its duties and responsibilities under this Agreement with the same skill and care in providing such services as it uses in providing services to accounts for which it acts as a fiduciary under applicable law. The federal securities laws impose liabilities

under certain circumstances on persons who act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which the Client or the Plan may have under any federal securities laws.

**5. ADVISOR'S OTHER CLIENTS.**

The Client understands that the Advisor performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Client agrees that the Advisor, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Fund. The Advisor shall not have any obligation to purchase, sell or exchange any security for the Client solely by reason of the fact that the Advisor, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.

**6. TERM.**

This Agreement shall be for an initial term of one (1) year from the effective date hereof, and has the option of being renewed for four (4) additional one (1) year terms upon mutual agreement of both parties. Thereafter, this Agreement may be extended for an additional ninety (90) days, if needed, beyond the expiration date of the extension period. This Agreement may be terminated by the Client in the event of any material breach of its terms immediately upon notice by certified mail, return receipt requested. This Agreement may be terminated by the Client at any time, on not less than thirty (30) days' written notice to the Advisor. The Advisor may terminate this Agreement immediately upon any material breach of its terms by the Client, or at any time after one year upon thirty (30) days' written notice to the Client.

**7. FORCE MAJEURE.**

The Advisor shall have no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of the Advisor or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.

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**8. DISCIPLINARY ACTIONS.**

The Advisor shall promptly give notice to the Client if the Advisor shall have been found to have violated any state or federal securities law or regulation in any final and un-appealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.

**9. INDEPENDENT CONTRACTOR.**

The Advisor, its employees, officers and representatives, shall not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 1), partners, servants, and/or joint ventures of the Client or the Fund by virtue of this Agreement or any actions or services rendered under this Agreement.

**10. BOOKS.**

The Advisor shall maintain records of all transactions in the Fund. The Advisor shall use its best efforts to cause the Custodian to provide the Client with a statement, no less frequently than quarterly, showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month all as provided for in the Custodian agreement between the Client and the Custodian.

**11. ADVISOR'S BROCHURE AND BROCHURE SUPPLEMENT.**

The Advisor warrants that it has delivered to the Client prior to the execution of this Agreement, the Advisor's current Securities and Exchange Commission Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). The Client acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.





**12. MODIFICATION.**

This Agreement shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their respective successors or assigns.

**13. SUCCESSORS AND ASSIGNS.**

The provisions of this Agreement shall be binding on the Advisor and its successors and assigns, provided, however, that the rights and obligations of the Advisor may not be assigned without the consent of the Client.

**14. NOTICE.**

Written notices required under this Agreement shall be sent by regular mail, certified mail, overnight delivery or courier, and shall be deemed given when received at the parties' respective addresses shown below. Either party must notify the other party in writing of a change in address.

Client's Address

The District School Board of Pasco County, Florida  
7227 Land O' Lakes Boulevard  
Land O' Lakes, FL 34638  
Attn: Olga Swinson, Chief Finance Officer

Advisor's Address

PFM Asset Management LLC  
300 South Orange Avenue  
Suite 1170  
Orlando, FL 32801  
Attn: Steven Alexander, Managing Director

With a Copy to:

PFM Asset Management LLC  
Two Logan Square, Suite 1600  
18<sup>th</sup> & Arch Streets  
Philadelphia, PA 19103-2770  
Attn: Controller

**15. APPLICABLE LAW.**

This Agreement shall be construed, enforced, and administered according to the laws of the State of Florida. The Advisor and the Client agree that, should a disagreement arise as to the terms or enforcement of any provision of this Agreement, each party will in good faith attempt to resolve said disagreement prior to filing a lawsuit. In the event of the filing of any legal actions, venue shall lie in Pasco County, Florida. Each Party shall be

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responsible for its own attorneys' fees and costs incurred as a result of any action or proceeding under this Agreement.

**16. INDEMNIFICATION.**

To the fullest extent permitted by law, the Advisor shall indemnify and hold harmless the Client and its employees ("Indemnitees") from and against all claims, liabilities, damages, losses, and costs including, but not limited to, reasonable costs and attorneys' fees at the pre-trial, trial and appellate levels, arising out of, resulting from or caused by negligence, recklessness, or intentional wrongful performance or conduct of the Advisor or other persons employed or utilized by the Advisor in the performance of this Agreement. The remedy provided to the Indemnitees by this indemnification shall be in addition to and not in lieu of any other remedy available under this Agreement or otherwise. This indemnification obligation shall not be diminished or limited in any way to any insurance maintained pursuant to this Agreement otherwise available to the Advisor. The remedy provided to the Indemnitees by this indemnification shall survive this Agreement. The provisions of this Section shall specifically survive the termination of this Agreement. The provisions of this Section are intended to require the Advisor to furnish the greatest amount of indemnification allowed under Florida law to the extent consistent with these provisions.

**17. DUTY TO DEFEND.**

The Advisor agrees, at its own expense, and upon written request by the Client, to defend any suit, action or demand brought against the Client on any claim or demand arising out of, resulting from or incidental to the Advisor's negligent, reckless or intentionally wrongful performance under this Agreement.

**18. APPROVAL; EXECUTION; SEVERABILITY.**

(a) This Agreement has been duly authorized by the respective parties. A designated person (a "Designated Person") identified on Annex I hereto, acting on behalf of the Client, is authorized to interact with the Advisor regarding the Plan, and the Advisor may rely on any instructions received from such Designated Person; provided however, that this Agreement may not be amended without the prior approval of the Superintendent. The Chief Finance Officer may designate additional Designated Persons or remove Designated Persons from time to time by written notice to the Advisor

(b) Each party to this Agreement represents and warrants that the person or persons signing this Agreement on behalf of such party is authorized and empowered to sign and deliver this Agreement for such party.

(c) The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision.

**19. FLORIDA'S PUBLIC RECORDS LAW**

This Agreement shall be subject to Florida's Public Records Laws, Chapter 119, Florida Statutes. The Advisor understands the broad nature of these laws and agrees to comply with Florida's Public Records Laws and laws relating to records retention. The Advisor shall keep records to show its compliance with program requirements. The Advisor must make available, upon request of the Client, a Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives, any books, documents, papers, and records of the Advisor which are directly pertinent to this specific Agreement for the purpose of making audit, examination, excerpts, and transcriptions. The Advisor shall retain all records for five (5) years after final payment is made or received and all pending matters are completed pursuant to Title 34, Sections 80.36(b)(1). Exempt or confidential information should not be disclosed unless authorized by law. The Advisor shall destroy any duplicate records which are exempt from public records disclosure as set forth in Chapter 119. Upon termination of this Agreement all public records in possession of the Advisor must be transferred to the Client at no cost. If records are stored electronically, the records must be provided in a compatible format to the Client's operating system.

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**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth in the first paragraph of this Agreement.

**THE DISTRICT SCHOOL BOARD OF  
PASCO COUNTY, FLORIDA**

**PFM ASSET MANAGEMENT LLC**

By: \_\_\_\_\_

Name: Alison Crumbley

Title: Chairman

By: \_\_\_\_\_

Name: Steven Alexander

Title: Managing Director

**TO THE SCHOOL BOARD: APPROVED  
AS TO FORM & LEGAL SUFFICIENCY**

By: \_\_\_\_\_

Name:

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*N/A 7/14/14*

**ANNEX I**

**DESIGNATED PERSONS**

The following are Designated Persons pursuant to Section 18 of the foregoing Investment Advisory Agreement, and each such person's signature is set forth below.

<u>Name of Designated Person</u>	<u>Title</u>	<u>Signature</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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AND APPROVED:  
*M/A 7/24/14*