

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

Request for Proposal/Search for Investment Advisor International Equity

Introduction

The Metropolitan Water Reclamation District Retirement Fund (“Fund”) is requesting proposals from investment management firms interested in providing international equity investment management services to the Fund.

The Fund was established on July 7, 1931 by the Illinois General Assembly and is governed by the Illinois Pension Code (40 ILCS 5/13-101 et. seq.) The Board of Trustees (“Board”) of the Fund is made up of seven members who manage the assets of the Fund and authorize payment of retirement, survivor and disability benefits for eligible employees of the Metropolitan Water Reclamation District of Greater Chicago. As of March 31, 2010, the market value of the Fund was \$1.014 billion. The assets are managed externally by 12 investment managers consisting of 18 different investment portfolios.

Goal

The Board is soliciting firms to provide international equity investment management services. The mandate is for approximately \$50 million. This Request for Proposal (RFP)/Search for Investment Advisor (SIA) is not an offer to contract but seeks the submission of proposals from qualified, professional firms that may form the basis for negotiation of an Investment Management Agreement (IMA). Amendments to the IMA are disfavored. Any objections to the IMA shall be detailed in the response. The Fund reserves the right to reject any or all proposals and to solicit additional proposals if that is determined to be in the best interests of the Fund.

The following documents are available on the Fund’s website at www.mwrdrf.org: RFP/SIA, the Formal Investment Policy, the Procurement Policy for Investment Advisers and a sample IMA which includes the Broker Dealer Utilization Policy, the Ethics Policy and the Most Favored Client Policy as Exhibits.

Timeline

RFP/SIA Date of Issue:	April 30, 2010
Deadline to Submit Written Questions:	May 28, 2010
RFP/SIA Due Date:	June 1, 2010
Proposal Evaluation (Tentative):	June 23, 2010
Finalists Notification By (Tentative):	July 14, 2010

Submission Process

The RFP/SIA process will be overseen by the Fund’s investment consultant, Gray & Company. The RFP/SIA is available on the Fund’s website listed above and the consultant’s website at www.egrayco.com. Questions concerning the RFP/SIA must be submitted via email to the search contact by 3:00 PM Central Standard Time on May 28, 2010. Respondents must submit an electronic copy of the completed RFP/SIA to the consultant at elizabethc@egrayco.com by 3:00 PM Central Standard Time, on June 1, 2010. Any responses after the deadline will not be considered for this search.

Consultant Search Contact

Elizabeth Crenshaw
Gray & Company
7000 Peachtree-Dunwoody Road, Building 5
Atlanta, Georgia 30328

Scope of Services

The manager shall serve as a fiduciary to the Fund and have independent discretionary authority with respect to the management of the portfolio and subject to the agreed upon objectives and guidelines. The portfolio objectives and guidelines will be illustrated in Exhibit A of the IMA, once agreed upon by the Fund and the investment manager.

Minimum Qualifications

To be qualified to participate in the RFP/SIA, all respondents must meet all of the following minimum qualifying criteria. The respondent must:

1. Be an investment advisor duly registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940 and that such registration is current.
2. Have managed international equity portfolios for at least five years and have minimum of \$500 million in assets under management in the strategy.
3. Comply with all Federal and State laws applicable regarding investment entities.
4. Carry errors and omissions insurance or a comparable instrument to cover the firm's negligent acts or omissions.
5. Maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to the IMA.
6. Comply with the Fund's Most Favored Client Policy, Broker Dealer Utilization Policy and Ethics Policy.

Evaluation Criteria

1. Investment Philosophy and Methodology
2. Performance
3. Firm Background, Experience and Reputation
4. Portfolio Management and Client Services
5. Reasonableness of Fees
6. Fit with the Fund's Overall Investment Policy and Allocations Among Existing Investment Advisers

The consultant, with the guidance of the Fund's staff, shall determine how well the proposal meets the review criteria. The consultant shall present a list of higher qualified respondents to the Board.

Quiet Period

According to the Fund's Procurement Policy for Investment Advisers, the Quiet Period shall begin as of the deadline for the submission of responses to the RFP/SIA and end when the selection has been made by the Board. The Quiet Period prohibits respondents from communicating with the Board or staff regarding any product relative to this search. During the Quiet Period, the Board, staff and consultant cannot accept meals, travel, lodging or any other goods or service of value from the respondents. A respondent will be disqualified for violating the Quiet Period. Questions regarding the search shall be forwarded to the consultant.

Post Performance Review Process

Post performance review, including termination, shall be conducted in accordance with the Fund's Formal Investment Policy.

Disclosure of Proposal Content

Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act, 5 ILCS 140. The law requires that at the conclusion of the selection process, the contents of all proposals be placed in the public domain and be open to inspection by interested parties. Trade secrets, confidential or proprietary information must be clearly identified as such in the proposal and will not be released to the extent permitted by law.

Disposition of Proposals

All proposals become the property of the Fund and will not be returned to the respondent. The Fund reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance of the conditions contained in this RFP.

Thank you for your interest in this RFP and we look forward to your response.

REQUEST FOR PROPOSAL/SEARCH FOR INVESTMENT ADVISOR

INTERNATIONAL EQUITY STRATEGY

(Please answer all questions. For any question left not answered please note the exclusion with an N/A or an explanation.)

Date _____
Name: _____

Phone: _____

Fax: _____

Mailing Address: _____

Primary Contact: _____

Email Address: _____

Product: _____

Benchmark: _____

**SECTION 1
ORGANIZATIONAL BACKGROUND**

1. Ownership Structure:

Independent Advisor Bank Affiliated Broker Affiliated

Insurance Affiliated Mutual Fund Company

Other (Please Describe)

Employee Ownership _____%

Non-employee Ownership _____%

2. Please list the name and address of any entity that is a parent of or owns a controlling interest in the responding firm, any persons who have ownership or distributive income share in the firm that is in excess of 7.5%, and the executive officers of the firm.
3. Please list the location(s) of your headquarters, branch offices and the primary function of each office.
4. Please describe the levels (dollar amounts) of coverage for SEC-required (17 g-1) fidelity bonds, errors and omissions coverage and any other fiduciary coverage which your firm carries. List the insurance carriers supplying the coverage.
5. Within the last five years has the firm, any predecessor of the firm, or a member of the firm:
 - a. Been the subject of any stop order, consent decree censure, reprimand or any other disciplinary action by the SEC, NASD, NYSE, ASE, or any other state or federal regulatory agency? If yes, please explain.

b. Is any employee or any of your affiliates (*including third party vendors*) currently the subject of *any* current investigation, which there are no formal charges yet rendered? If yes, please explain.

6. Please discuss any conflicts of interest your firm may have in the management of any client accounts. Include any activities of affiliated or parent organizations, brokerage activities, investment banking activities or any past or current relationships of any kind with board members. Include any other pertinent activities, actions, or relationships not specifically outlined in this question.

7. Please list in columns the following information for each year:

Assets Under Management	As of 3/31/10	2009	2008	2007	2006	2005
International Equity						
Domestic Equity						
Fixed Income						
Total Assets Under Management						

8. Please provide your current representative institutional international equity client list with the following information as of March 31, 2010:

Institutional Client	Classification	International Equity (\$AUM)	Inception Date	Separate or Commingled?

9. Please provide the contact name, title, address, phone number, client name, benchmark, total amount of assets managed, and date of account inception for five to current institutional clients.

10. In separate paragraphs, please give the name and asset value of all the terminated institutional international equity client relationships for the past five years. Please include the stated reason for the termination.

**SECTION 2
PEOPLE/ORGANIZATION**

1. Please fill out the following table regarding your firm’s professional characteristics.

	African American	Woman	Asian	Hispanic	Native American	Total
US Equity						
US Fixed Income						
Non-US or Global Equity						
Non-US or Global Fixed Income						
Other Professionals						
Total						

2. Please list your firm’s key professionals in the format provided below: *Highlight the person(s) who would be responsible for the account/product you are answering this questionnaire for today.*

Name	Responsibility	Yrs. With Firm	Yrs. With Prior Firm	Total Years

3. Have any personnel *left or joined* the firm in the last five years? If so, please indicate when and why. *For this questionnaire, we are most interested in how many (1) portfolio managers, (2) Chief Investment Officers, (3) analysts, or any individual(s) responsible for the strategic oversight of your investment process that have left the firm since inception?*
4. Please discuss your organization's compensation and incentive program. Included in your answer, please include information on the following:
 - a. How are professionals evaluated and rewarded?
 - b. What criteria must be met for employees to become vested owners of your firm, if any?
 - c. If no employee ownership program exists at this time are there any plans to include one in the future?
5. Please describe your succession plan and how it will be executed when there is a major change in the company structure regarding a majority shareholder/equity owner or senior officers with the company. Have you had to execute any portion of this succession plan since your firm started marketing investment services to clients?

SECTION 3
INVESTMENT PHILOSOPHY
Policy and Process

1. Please describe the investment philosophy for your firm's international equity investment product(s).
2. Have any market events in the past allowed you to make changes to prepare your investment process for future market cycles? (For instance, for some active international managers, the recent calendar years of 2008 & 2009 presented a challenge to their investment process that forced some to make slight modifications. What modifications were made to ensure the future stability of your process during difficult market environments?)
3. Please provide research to support the belief that your process will outperform your best-fit style benchmark in the future market cycles.
4. Describe the decision making process. Please include the following in your answer:
 - a. Include the titles and responsibilities all individuals involved at each stage of the investment process.
 - b. How much latitude/discretion does the portfolio manager have, if any? Please provide an example of when the portfolio manager will use their discretion to change an investment decision when there was a research conflict.
 - c. Will your firm change model portfolios in order to meet certain client objectives?
5. How does your firm efficiently implement the investment philosophy during the portfolio construction process for clients?
6. We believe that all clients who hire an active manager are looking for some level of alpha performance. Please list the several ways your investment process is designed to add alpha to client portfolios. Please be very specific and provide examples and research.

7. Please discuss your buy process and your sell process in separate paragraphs. Provide current examples of how each will work.
8. How does your buy and sell discipline ensure that the integrity of the process remains stable without any kind of style drift and capitalization?
9. Please describe how you decide on which country offers the best investment opportunities. Which economic variables are most important to your process?
10. Describe your investment strategy (e.g., top-down; bottom-up; fundamental; quantitative; timing; contrarian; technical), including the importance of each component.
11. Discuss briefly the firm opinion on IAS (International Accounting Standards). How are the firm's research efforts addressing the possibility of international accounting fraud?
12. How much technical analysis is performed on securities held in your client portfolios?
13. What has your annual turnover ratio been during the last five years?
14. Are futures, options or other derivatives utilized (when and how much)?
15. Do you utilize Exchange Traded Funds in the portfolio? If so, please describe.
16. How many issues are contained in a typical portfolio?
17. How are cash equivalents used?
18. Are securities in the portfolio typically distinguished by particular characteristics (theme, sector, dividend growth, quality etc)?
19. Are there any securities or sectors not normally held for any reason due to your typical investment analysis?
20. Please describe the universe from which securities are selected and how this universe is constructed.
21. Do you optimize your composite against any particular index? If yes, which index do you optimize your client portfolio against?
22. Please add any commentary on why your firm is unique from other investment management firms.
23. Please describe your firm's market outlook for the current year.
24. What exclusionary or prudent screens are applied to securities before they are included in the client portfolio?

**SECTION 5
RISK MANAGEMENT**

1. Describe key risk management functions and the tools utilized to manage risk.
2. Describe any risk measurement models used and how this analysis is incorporated in the portfolio management process.
3. How is portfolio risk managed and monitored?
4. Describe any risk measurement models used.
5. How do you isolate the main risks taken in your alpha generating process that you expect to be compensated for?
6. How important is liquidity in your investment process? What kind of liquidity screens and constraints do you utilize in your international portfolio construction process? (For instance, some international managers may wish to never have any of their holdings represent more than 25-50% of the average daily trading volume over a given period of time.)
7. It is understood that financial currency fluctuations can alter the net investment results earned, negatively or positively. What is your firm's policy regarding currency hedging techniques?
8. Do you use derivatives? Do you utilize hedging strategies? If so, describe instrument types, limitations and risk control measures you use.

**SECTION 6
RESEARCH**

It is well documented that in order to succeed consistently in the international markets, you must have a well-structured investment research effort. Please answer the following:

1. Are your analysts positioned all over the world, or are they located in the United States alone?
2. The markets around the world process information much quicker now than ever before due to technological improvements. Many believe this has led to increased volatility in every capital marketplace around the world. How quickly can your investment team receive information on the markets that you trade in daily?
3. Please list the systems that make your research process most efficient.
4. Please list all of the systems (proprietary & third party provided) that are utilized to construct and service your client accounts.
5. Describe where most of the relative value comes from in your investment process relative to your composite.
 - ___ Quantitative %
 - ___ Technical Analysis %
 - ___ Fundamental Analysis %
 - ___ Sector Selection %
 - ___ Country Allocation %
 - ___ Currency %
 - ___ Other %

**SECTION 7
TRADING PROCESS**

1. Please describe the trading techniques that are utilized in order to protect the excess returns your process intends to deliver to clients from prohibitive transaction costs.
2. What percentage of total trades is executed electronically?
3. How does the firm minimize trading costs?
4. Describe how trading costs are monitored?
5. Discuss how your firm monitors the quality of your execution. Do you use any transaction measuring service? If yes, please identify the vendor.
6. How does your firm choose and retain brokers and how is “best execution” evaluated?
7. What was the average cents per share commission on trades executed over the past year?

**SECTION 8
DIRECTED BROKERAGE/SOFT DOLLARS**

1. Does your firm have any client-directed brokerage arrangements? If yes, what percentage would a \$50 million international equity account be traded in this manner?
2. Does your firm execute trades directly with minority and women-owned brokerage firms or via step-outs and correspondences? Please explain.
3. The Fund encourages its investment managers to utilize minority and women-owned brokerage firms. Further, it is Fund’s expectation that the investment managers meet certain minimum levels of minority and female broker participation. The annual level of participation for international equities is 10% of total commission dollars paid. For the one year ending March 31, 2010, what percentage of your firm’s international equity trading volume was executed with minority and women-owned firms? Please comment as to your ability to utilize these firms.
4. Do you currently have soft dollar arrangements for services with brokerage firms? If yes, please provide a list of services that soft dollars pay for and the percent of clients’ commissions used to pay for these services.
5. Please provide a copy of your soft dollars policy.

SECTION 9
PORTFOLIO CHARACTERISTICS

1. Please complete the industry breakdown table below for the subject product versus your preferred index as of the following quarter-end periods:

	Product %	Index %	Product %	Index %	Product %	Index %
Industry	1Q10	1Q10	4Q09	4Q09	3Q09	3Q09
Financials						
Consumer Discretionary						
Consumer Staples						
Industrials						
Utilities						
Materials						
Health Care						
Information Technology						
Energy						
Telecommunication Services						
Cash						
Total						

2. Please complete the following characteristics table for the subject product versus your preferred index as of the following quarter-end periods:

	Product	Index	Product	Index	Product	Index
Characteristic Description	1Q10	1Q10	4Q09	4Q09	3Q09	3Q09
\$Weighted Avg. Market Capitalization (Cap.)						
\$Median Market Cap.						
Price/Book ratio						
Price/Sales ratio						
Price/Earnings ratio						
Dividend Yield						
Smallest and largest market cap. Position in your composite.						
Return on Equity(ROE)						
Avg. 5 year projected growth rate of companies in the composite						
1 year forecast P/E						
5 year forecast P/E						

% Market cap ranges						
Large Capitalization: \$55B & Above						
Medium/Large Cap.: \$12B- \$55B						
Medium Capitalization: \$4B- \$12B						
Medium/Small Cap.: \$1.5B-\$4B						
Small Capitalization: \$1.5B & Below						

3. Compare the portfolio's country weightings and portfolio characteristics to a relevant benchmark as of March 31, 2010.
4. Please describe the portfolio construction process in detail along with your internal guidelines.
5. Please discuss your typical market capitalization ranges vs. your best-fit benchmark market capitalization ranges (or the benchmark you optimize against).
6. What are your diversification guidelines?
7. What are the individual position weighting guidelines?

**SECTION 10
COMPOSITE ANALYSIS**

Please include the following information regarding your composite as of the end of the last calendar quarter:

1. Please provide your composite quarterly returns since inception for the subject product (including cash).
2. Please provide the number of accounts in your composite every year since the firm inception date. Be sure to include the annual dollar value of the composite since inception as well.
3. How much dispersion is there between your best performing account and your worst performing account in your composite during an average quarter? Please provide the most recent information that your firm has available.
4. How long have you been in compliance with GIPS performance standards? Do you have annual audits of your composite? If no, when was the last time your composite was audited?

5. Provide the following composite portfolio characteristics as of the last calendar quarter: Compare these characteristics versus the best-fit benchmark that you're commonly measured against.

	March 31, 2010			
	Weights		Return USD	
MSCI ACWIxUS	Portfolio	Index	3 Months	One Year
Australia				
Belgium				
Denmark				
Finland				
France				
Germany				
Greece				
Ireland				
Italy				
Netherlands				
Norway				
Portugal				
Spain				
Sweden				
Switzerland				
UK				
Europe Total	0.00%	0.00%		
Australia				
Hong Kong				
Japan				
New Zealand				
Singapore				
Pacific Total	0.00%	0.00%		
Canada				
Brazil				
Chile				
China				
Colombia				
Czech Rep.				
Egypt				
Hungary				
India				
Indonesia				
Israel				
Malaysia				
Mexico				
Morocco				
Peru				
Philippines				
Poland				
Russia				
South Africa				
Taiwan				
Thailand				
Turkey				
Emerging Total	0.00%	0.00%		

**SECTION 11
FEES**

Please list how the following would apply to your separate account and commingled fund products (We recognize that some of this information is only applicable to separate accounts alone).

1. Proposed fee schedule:

<u>Market Value of Portfolio</u>	<u>Manager's Fee In Basis Points</u>
First \$ _____ Million	_____
Next \$ _____ Million	_____
Next \$ _____ Million	_____
(Additional Breakouts if needed)	

2. Provide your firm's fully discretionary investment guidelines for the product. Does your firm offer this product in a commingled fund?
3. Do you have a most favored client policy?
4. The Fund's IMA requires that the investment firm certifies that "no finder's fee or finder's commission or any other consideration has been, or will be paid to any individual or organization, other than a bona fide employee working solely for the investment firm, resulting from the establishment of this investment management relationship with the Fund." Would your firm be able to make this certification?

I certify that the returns reported by my firm are representative of those achieved for accounts with similar guidelines and objectives and have been calculated in accordance with accepted performance measurement standards.

I certify that the firm meets the terms of the RFP/SIA including the Minimum Requirements of the RFP/SIA.

I certify that I am an officer authorized to contractually bind the firm.

Signature

Title

Name

Date

Thank you for completing the questionnaire. You may email this questionnaire and your ADV Part II to our Consultant Search Contact, Elizabeth Crenshaw at: Elizabethc@egrayco.com.