

**IN THE CHANCERY COURT OF JACKSON COUNTY, MISSISSIPPI**

IN RE: Singing River Health System Employees' Retirement Plan and Trust  
Almond, et al. v. Singing River Health System, et al.; Cause No. 2014-2653  
Thompson, et al. v. Singing River Health System, et al.; Cause No. 2014-2695  
Bosarge, et al. v. Singing River Health System, et al.; Cause No. 2014-2729  
Aguillar, et al. v. Singing River Health System, et al.; Cause No. 2014-2753  
Drury, et al. v. Singing River Health System, et al.; Cause No. 2015-0001  
Broun, et al. v. Singing River Health System, et al.; Cause No. 2015-0027  
Eiland, et al. v. Singing River Health System, et al.; Cause No. 2015-0030  
Lay, et al. v. Singing River Health System, et al.; Cause No. 2015-0060

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**REPORT BY SPECIAL FIDUCIARY TRACI M. CHRISTIAN**

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Pursuant to the appointment of Traci M. Christian as Special Fiduciary of the Singing River Health System Employees' Retirement Plan and Trust (the "Plan"), the Court has requested a monthly report. The Special Fiduciary brings to the Court's attention the following items for the month of June, 2018.

**1. Order Concerning Motion for Amendments to the Investment Policy Statement**

On June 23, 2018, the Court issued an order approving of the efforts to make changes to the positioning of Plan assets with the goal of increasing returns, mitigating investment risk and reducing fees. However, the Court requested that proposed changes to the Investment Policy Statement be presented in the form of a motion. The Special Fiduciary is currently working with the Plan's independent investment advisors to draft a restated Investment Policy Statement for the Court's consideration. This proposed draft will include language that will endeavor to make the management of the fund easier to understand and to potentially modify in the future with minimal need for repeated motions. Such motion will be forthcoming.

**2. Modification of Retiree Benefit Forms**

The same order made reference to a suggestion by a Plan participant about potentially allowing retired participants to make a one-time change to their form of retirement payment and requested a recommendation from the Special Fiduciary.

**Background:** When a participant retires from the Plan and begins receiving monthly payments, he or she makes an election as to the form of benefit payment desired. Options include "Joint and Survivor" forms which pay a reduced amount to the participant and then also continue paying a portion of the benefit to a surviving spouse in the event that the participant dies first. Other forms include lifetime benefits with a certain number of payments guaranteed.

**Suggestion:** In light of the benefit reduction, participants could be given the opportunity to change their form of payment going forward. This would allow participants to increase their monthly payments in lieu of spousal benefits or guaranteed payments.

Impact on the Plan: A change of this nature would not impact the funded status or the long-term viability of the Plan. Any adjustments made to monthly payments would be made prospectively only and would be actuarially adjusted so as to be cost-neutral to the Plan.

Special Fiduciary Recommendation: The Special Fiduciary recommends that the Plan be amended to allow for this option. Although there will be a small legal fee from the Denton law firm (This is the firm currently acting as Plan Counsel on these types of matters.) associated with amending the Plan, this can be done in conjunction with the Return of Contributions amendment for active participants and will thus hopefully keep costs to a minimum. Any such elected changes will be processed by McCloud & Associates, the new Plan administrator, as a part of the routine administrative work and will not be considered "out of scope" or generate additional fees.

### **3. Plan Audit**

The Special Fiduciary has been presented with a service agreement for plan auditing services to be conducted by the current hospital auditing firm of Dixon Hughes. It appears that some of the fees outlined in the service agreement may not be for the sole benefit of the Plan itself and may be more appropriately paid for by the hospital. Further discussion with hospital staff is needed in order to make that determination. A conference call has been scheduled for July 6.

### **4. Request for Proposals for Investment Management Services**

In an effort to more efficiently manage the Plan's assets and reduce costs, the Special Fiduciary on June 11, 2018 issued a "Requests for Proposals" (RFP) for the following services: Custody, Benefit Payments, Expense Disbursements, and/or Investment Management.

Interested firms have six weeks to respond. Twelve firms were invited to bid. The RFP was also posted on the Singing River Hospital website.

A copy of the Request for Proposal for Custody, Benefit Payments, Expense Disbursements, and/or Investment Management is attached to this report.

### **5. Actuarial and Administrative Services**

On June 23, 2018, the Court issued an order approving McCloud & Associates as the new Plan administrator and actuary. The Special Fiduciary appreciates the Court's confidence and will do her best to provide Plan participants with the best possible service as cost effectively as possible.

Per the Court order, transitioning of service from Transamerica will begin on July 1. Communications with Transamerica have already begun and will continue in the coming weeks to insure a smooth transition. Certain custodial related functions will remain with Transamerica for the time being. Once the Request for Proposals process for investment managers is completed, the Special Fiduciary expects that role to be transitioned as well unless it proves cost-prohibitive to do so.

The Special Fiduciary will continue to report on the progress of both transitions.

McCloud's fees for actuarial work will be \$25,000 annually plus expenses. This fee is guaranteed for a minimum of three years. McCloud's fees for benefit certifications will be about \$15,000 annually plus expenses. McCloud's fees for administrative work will be \$100,000 annually plus expenses. No additional fees will be charged by McCloud for transition.

Transamerica expects to charge approximately \$9,500 for the transition of services. The Special Fiduciary will attempt to offset these costs by streamlining services with McCloud.

Out of scope projects will be billed at \$150-\$300 per hour.

**6. Return of Contributions Window for Active Participants**

The Special Fiduciary is currently in communications with the Denton law firm (This is the firm currently acting as Plan Counsel on these types of matters.) to amend the Plan to comply with the Court Order in April to allow active participants to withdraw contributions in lieu of a retirement annuity benefit.

The Special Fiduciary expects to begin this project in July through McCloud & Associates.

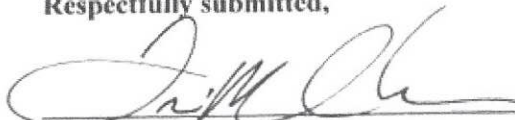
This project will require "Out of Scope" work on behalf of the Plan. Individualized statements and forms packets will be prepared for each active participant advising them of their options and informing them of the implications of their potential election. Participants will be able to call in for assistance with the forms or with any questions they may have regarding the option and their benefits under the Plan. McCloud will then process the forms for payment through Transamerica.

It is anticipated that completion of this project may generate out of scope fees not to exceed \$22,000. For the Court's reference, the Special Fiduciary inquired of Transamerica what their anticipated out of scope fees would be for this project. It was considered whether it might be more cost effective to have Transamerica complete this project or to wait and have it done by McCloud. Transamerica estimated their out of scope fees for the project to be between \$50,000-100,000. The Special Fiduciary did not ask them to provide a detailed quote as she is satisfied that the work will be done most cost effectively through McCloud.

A motion requesting approval of the out of scope fees will be forthcoming.

**This concludes the report for the 29th day of June, 2018**

Respectfully submitted,



TRACI M. CHRISTIAN

## INTRODUCTION

### A. General Information

The Special Fiduciary for the Singing River Health System Employees' Retirement Plan and Trust (the "Plan"), invites firms to submit responses to this Request for Proposal (RFP) for providing Custody, Benefit Payments, Expense Disbursements, and/or Investment Management.

### B. Background

This Plan is frozen and under the supervision of the Chancery Court of Jackson County, Mississippi. The Court has appointed a Special Fiduciary to oversee the investment management and administration of the Plan. The Plan provides pension benefits to employees of the Singing River Health System.

The plan's statistics are as follows using data from the most recent actuarial valuation:

- Assets – Approximately \$125M
- Assets currently available for custody: approximately \$64M
  - \$32M mutual funds
  - \$30M domestic equities
  - \$2M international equities
- Active participants – 910
- Retirees & Beneficiaries currently receiving benefits – 751
- Vested Terminated – 174
- Non-Vested Terminated due a return of contributions – 905

## SCOPE OF SERVICES

We are seeking proposals from firms to deliver some or all of the following services:

- Custody
  - Asset custody
  - Asset valuation
  - Trade execution clearing and settlement
  - Income accrual and collection
  - Corporate actions
  - Reporting
  - Client service
- Benefit Payments and Expense Disbursements
  - Coordinate with plan administrator and custodian to facilitate the payment of monthly and/or lump sum benefits to plan participants
  - Facilitate payment for plan service providers and other expenses if applicable
  - Prepare tax filings and manage participant withholdings
- Investment Management
  - Manage a portion of the assets in accordance with the Investment Policy across one or more asset classes
  - Participate in a commission recapture program for trading
  - Manage proxy voting in the best interest of the pension plan participants

Currently, the above services are provided by Transamerica, Trustmark National Bank and investment management firms using separately managed accounts and commingled funds. It is permissible for a firm to bid solely on the custody, benefit payments and expense disbursements or investment management services. Fee quotes should be broken out accordingly so that a reasonable comparison of fees between firms can be made.

## SUBMISSION REQUIREMENTS

The proposal for services must, at a minimum, include answers to the following questions:

### Organization

- The firm's name, address of the office providing services under the contract, telephone number and e-mail address.
- A general description of the firm, including size, number of employees, primary business, and other business or services offered.
- Identification of person or team who will have responsibility for this engagement, as well as identification of other personnel who will be performing work on the engagement.
- Identification of any portion of services that may be "outsourced" to another firm within the scope of the engagement.
- Summary information regarding the qualifications and professional experience of the personnel who will perform work under this engagement.
- Description of the firm's experience in providing similar services for public employee retirement plans and a list of public employee retirement plans, including contact/reference information, for which similar services have been provided as those identified under the "Scope of Services" in this document.
- Describe any current or former business affiliations with Singing River Health System, McCloud and Associates, Inc., and/or FiduciaryVest, LLC.
- Disclose any and all conflicts of interest the Firm may have in providing the services described in this RFP.
- Signature of a representative of the firm with acknowledgement that such individual is authorized to bind the firm contractually.

### Fees

Include in your submission a description of your fees, breaking out the fees accordingly across each of the following services for which you make a proposal. Fees must be guaranteed for a minimum of three years.

## OPTIONAL SUBMISSION REQUIREMENTS

### Custody (if proposing for these services)

1. What is the size and breadth of your organization's custodian and trust business? Please provide by client type and assets under custody.
2. Does your organization outsource any part of its custodian or trustee business? If so please explain which functions are outsourced, why and to whom.
3. Describe your process for controlling security holdings and position reconciliation for holdings maintained at outside depositories (Central Securities Depositories).

4. What pricing sources or valuation methods are used for publicly traded and non-publicly-traded assets? How are variances reconciled?
5. How are trades executed by the Trust's managers received and confirmed? What processes are in place to resolve failed trades?
6. Describe the income and dividend accrual and collection process. How are exceptions handled?
7. How are corporate action notifications received and what is the process for notifying the plan representative of voluntary corporate actions?
8. Describe the types of reports (holdings, transactions, etc.) that will be available to the Special Fiduciary and her designees? How soon after month end are audited or final reports available? Are these reports available for viewing via secure website?
9. What levels of errors and omissions insurance and any other fiduciary or professional liability insurance does your organization carry? Please include a copy of the certificate(s) of insurance or copy of the executed policy for the organization.
10. Please provide a recent copy of your firm's audited financials and the trust and custody SOC 1 (or equivalent) report.

#### Benefit Payments and Expense Disbursements (if proposing for these services)

1. How will your organization facilitate expense disbursements for plan expenses with the approval of the Special Fiduciary?
2. Describe the history and scale of your organizations benefit payment services;
  - How long has your organization provided benefit payment services?
  - How many ACH payments were made in 2017?
  - How many checks were sent in 2017?
  - How many tax forms (1099 R, etc.) were submitted for 2017?
3. Are any of the benefit payment functions outsourced to a 3rd party provider?
4. Do your benefit payment systems allow for mandatory or voluntary withholding of federal taxes and state taxes?
5. Will your organization produce and mail participant 1099-R forms to plan participants receiving benefits?
6. How does your organization handle un-cashed checks? How frequently does your organization perform change of address searches and death audits (annual, semi-annual, monthly.)?
7. Can the following information be adjusted by the plan administrator or other qualified party online? Yes or No.
  - Change address
  - Change direct deposit instructions
  - Change tax withholding
  - Request a payment reissue
  - Request a duplicate tax form
  - Tax election change
  - Add multiple addresses
  - View a digital check image online

Investment Management (if proposing for these services)

The Investment Policy of the Singing River Health System Employees' Retirement Plans & Trust calls for a diversified program across the following asset classes:

- Debt Securities
  - US Intermediate Fixed Income
  - Bank Loans and Direct Lending
  - High Yield
- Equity Securities
  - US Large Cap Equities
  - US Mid Cap Equities
  - US Small Cap Equities
  - Real Estate Securities (REITs)
  - International Developed Equities
  - Emerging Markets Equities
- Alternative Investments
  - Long/Short Equity
  - Hedge Funds
  - Distressed Securities
  - Commodities
  - Global Macro
  - Timberland
  - Direct Real Estate

Currently each asset class is managed by one or more different investment management firms. Please select one or more asset classes from above for which you are proposing investment management services.

Firm

1. Please provide background of the firms' founding.
2. What is the current, and past, ownership structure of the company? Please asterisk (\*) equity ownership that is still being paid for (through debt or equivalent mechanisms)

Owner	Since	Percentage
Owner 1	XXXX	XX%
Owner 2	XXXX	XX%
Owner 3	XXXX	XX%

3. If applicable, please describe any efforts to broaden equity ownership, in the case where equity is currently concentrated with founders and/or founder affiliations.
4. Are there any past or present regulatory issues or pending litigation that the firm is facing?
5. Describe the firm's culture.

Team

6. Please provide background as to the genesis of the strategy’s development.
7. Describe the background of each team member, including tenure, experience and credentials, and list by seniority. Please designate, if possible, lead portfolio managers.
8. Describe the structure and duties of the team. **Please also provide organization charts for now, 3 years ago, and 5 years ago.** Also, please complete tables below:

Year	# of Portfolio Managers	Average Years of Experience	Average Years w/ Firm	# of analysts	Average Years of Experience	Average Years w/ Firm	# of Traders
Present							

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PM’s gained/lost										
Analysts gained/lost										

9. What has been the turnover of the investment team over the past ten years? Please provide specifics as to departure of significant team members (when, and under what circumstances).
10. Describe the firm’s compensation practices, including all incentive programs (i.e. revenue sharing, stock ownership).

Process

11. What are the team’s plans for asset growth? Please describe possible future capacity limits and/or constraints.
12. Can the portfolio management team decline new AUM if capacity limits are breached?
13. What is the investment team’s investment philosophy?
14. Describe the research process. Also describe use of outside resources, be it software, or people (i.e. in local markets, if applicable)
15. Describe the portfolio construction process.
16. What is the team’s buy discipline?
17. What is the team’s sell discipline?
18. How is risk monitoring approached, and performed?
19. Please define “risk” in terms of actions that are applied in the portfolio and explain how those actions are beneficial. What risk controls are used? Please indicate sector, industry, and/or individual security min/max guidelines
20. Please complete the table below:

Year	Strategy AUM (\$ Mil)	Net Total Assets Gained(before returns)	Net Mutual Fund Assets Gained if applicable (before returns)	Portfolio Turnover (%)	Number of Holdings



2018					
2017					
2016					
2015					
2014					
2013					
2012					
2011					
2010					
2009					
2008					

#### Performance

21. Is your performance data GIPS compliant?
22. Is your performance data available in the Evestment database or in the Morningstar Direct database? If not, please include as an appendix a table of monthly or quarterly returns of the strategy since inception. Please include returns for the relevant index over the same monthly or quarterly interval. Please also include this data in Excel format with the electronic submission.
23. Please describe the performance data, whether a composite of separate accounts or a commingled strategy, and if returns shown are net or gross of fees and expenses.
24. Under what market conditions is this strategy expected to outperform? Why?
25. Under what market conditions is this strategy expected to underperform? Why?
26. Provide some examples of when this strategy has outperformed and underperformed.

#### Other

27. What vehicles (MF, CT, LP, SA) are available for this strategy? What are the fees for each?

### SELECTION CRITERIA

All proposals will be reviewed to determine compliance with requirements of the RFP. Primary factors in the evaluation include, but will not necessarily be limited to:

- Experience of the firm and staff in providing services to public pension plans.
- Qualifications and experience of the assigned staff, particularly regarding relevant experience with public pension plans.
- Demonstrated ability of the firm to provide the requested services as detailed in the proposal.
- Proposed fees related to the services.

## SUBMISSION OF PROPOSAL AND OTHER RELATED INFORMATION

Proposals should be brief and concise. Appendix data may be attached but is not required.

Questions and requests for additional information should be submitted to Mark Kallis by June 22. All questions and requests will be addressed via e-mail to all firms who make inquiries. A proposal may be withdrawn any time prior to the deadline by written notification. A proposal may also be resubmitted with any modifications, prior to the deadline.

The deadline for proposal submission is **300pm CDT, July 20, 2018**. Please deliver one hard copy and one electronic copy of the proposal to each of the two recipients below. All responses should be delivered by the stated deadline both electronically and by hard copy to:

Recipient No. 1:

Traci M. Christian  
Special Fiduciary  
Singing River Health System Employees' Retirement Plan and Trust  
5008 W 129th St  
Leawood, KS 66209  
913-515-4695  
[traci@etaros.com](mailto:traci@etaros.com)

Recipient No. 2:

Mark Kallis  
Consultant  
FiduciaryVest  
115 Perimeter Center Place  
Suite 920  
Atlanta, GA 30346  
404-446-1252  
[mark.kallis@fiduciaryvest.com](mailto:mark.kallis@fiduciaryvest.com)

The Special Fiduciary reserves the right to accept or reject any and all proposals, to choose different firms for each service, or to choose no firm. Responses should guarantee fees for a minimum of three years. The Special Fiduciary reserves the right to negotiate for annual extensions after the original three year period. Finalists will be selected and invited to present at a later date. References will be requested from the selected finalists.

Respondents are encouraged to research the litigation surrounding this Plan. Some history and documents can be found at [www.singingriverretirement.com](http://www.singingriverretirement.com).