

**REQUEST FOR PROPOSAL**

**HEALTH INSURANCE RISK-SHARING PLAN AUTHORITY  
INVESTMENT MANAGEMENT SERVICES CONTRACT**



33 E. Main Street  
Suite 230  
Madison, Wisconsin 53703  
608-441-5777

**LATE PROPOSALS WILL BE REJECTED**

**THE HIRSP AUTHORITY RESERVES THE RIGHT TO REJECT ANY OR  
ALL PROPOSALS**

## Table of Contents

<b>1.0</b>	<b>GENERAL INFORMATION .....</b>	<b>3</b>
1.1	INTRODUCTION AND BACKGROUND .....	3
1.2	SCOPE OF THE PROJECT .....	4
1.3	DEFINITIONS AND ACRONYMS.....	4
1.4	ACCESS TO PROGRAM INFORMATION FOR PROPOSERS .....	5
<b>2.0</b>	<b>PROCUREMENT AND CONTRACTING INFORMATION.....</b>	<b>6</b>
2.1	PROCURING AND CONTRACTING ENTITY.....	6
2.2	CALENDAR OF EVENTS .....	6
2.3	CONTRACT TERM .....	6
<b>3.0</b>	<b>PREPARING AND SUBMITTING A PROPOSAL.....</b>	<b>7</b>
3.1	GENERAL INSTRUCTIONS.....	7
3.2	INCURRING COSTS.....	7
3.3	SUBMITTING THE PROPOSAL .....	7
3.4	USE OF SUBCONTRACTORS.....	8
3.5	PROPOSAL ORGANIZATION AND FORMAT.....	8
3.5.1	<i>Technical Proposal</i> .....	8
3.5.2	<i>Cost Proposal</i> .....	9
3.6	ORAL PRESENTATIONS .....	9
3.7	WITHDRAWAL OF PROPOSALS.....	9
<b>4.0</b>	<b>PROPOSAL SELECTION AND AWARD PROCESS.....</b>	<b>10</b>
4.1	PRELIMINARY EVALUATION.....	10
4.2	PROPOSAL SCORING .....	10
4.3	RIGHT TO REJECT PROPOSALS AND NEGOTIATE CONTRACT TERMS .....	10
4.4	EVALUATION CRITERIA.....	10
4.5	AWARD AND FINAL OFFERS .....	11
4.6	NOTIFICATION OF INTENT TO AWARD .....	11
4.7	APPEALS PROCESS.....	11
<b>5.0</b>	<b>GENERAL PROPOSAL REQUIREMENTS.....</b>	<b>12</b>
5.1	TRANSMITTAL LETTER .....	12
5.2	DESIGNATION OF PRIMARY CONTACT PERSON.....	12
5.3	ORGANIZATION CAPABILITIES.....	12
5.3.1	<i>Business Entity</i> .....	12
5.3.2	<i>Brief History</i> .....	13
5.3.3	<i>Outstanding Litigation</i> .....	13
5.3.4	<i>Conflict of Interest</i> .....	13
5.3.5	<i>Investment Management Services</i> .....	13
5.4	FINANCIAL STATEMENTS .....	13
5.5	STAFF QUALIFICATIONS .....	14
5.6	PROPOSER CLIENT LIST AND REFERENCES .....	14
5.7	CONTRACTOR LOCATION AND STAFFING .....	14
5.8	DISASTER RECOVERY PLAN .....	15
<b>6.0</b>	<b>TECHNICAL REQUIREMENTS.....</b>	<b>16</b>
6.1	INVESTMENT MANAGEMENT SERVICES.....	16
6.1.1	<i>Recommend Asset Allocation</i> .....	16
6.1.2	<i>Research and Investment Decision</i> .....	16
6.1.3	<i>Reporting</i> .....	16
6.1.4	<i>Customer Service</i> .....	16
6.1.5	<i>Recommend Changes to the Investment Policy</i> .....	17

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6.1.6	<i>Insurance/Bonding</i> .....	17
6.1.7	<i>Compliance</i> .....	17
6.1.8	<i>Additional and Value Added Services</i> .....	17
6.1.9	<i>Detailed Transition Plan</i> .....	17
6.2	PERFORMANCE GUARANTEES .....	17
6.3	CONSTRAINTS UPON CONTRACTOR.....	18
<b>7.0</b>	<b>COST PROPOSAL</b> .....	<b>19</b>
7.1	INVESTMENT MANAGEMENT FEES .....	19
7.2	FIXED PRICE PERIOD .....	19
7.3	INFLATIONARY ADJUSTMENT.....	19
<b>8.0</b>	<b>SPECIAL CONTRACT TERMS AND CONDITIONS</b> .....	<b>20</b>
8.1	EXECUTED CONTRACT TO CONSTITUTE ENTIRE AGREEMENT.....	20
8.2	APPLICABLE LAW AND COMPLIANCE.....	20
8.3	CONTRACTOR NONDISCRIMINATORY EMPLOYMENT PRACTICE REQUIREMENT .....	20
8.4	DATA MANAGEMENT REQUIREMENTS .....	20
8.5	PUBLIC RECORD ACCESS.....	21
8.6	HOLD HARMLESS .....	21
8.7	FORCE MAJEURE .....	21
8.8	CERTIFICATION OF INDEPENDENT PRICE DETERMINATION.....	21
8.9	INDEPENDENT CAPACITY OF CONTRACTOR .....	22
8.10	PERFORMANCE REVIEW AND REMEDIES .....	22
8.11	NEWS RELEASES .....	23
8.12	RIGHT TO PUBLISH .....	23
8.13	CONTRACT TERM AND TERMINATION .....	23
8.13.1	<i>Contract Term</i> .....	23
8.13.2	<i>Transition of Services</i> .....	23
8.13.3	<i>Contract Termination</i> .....	23
<b>9.0</b>	<b>REQUIRED FORMS</b> .....	<b>24</b>
<b>10.0</b>	<b>ATTACHMENTS</b> .....	<b>25</b>
	ATTACHMENT A: DESIGNATION OF CONFIDENTIAL AND PROPRIETARY INFORMATION FORM.....	26
	ATTACHMENT B: INVESTMENT POLICY .....	27

## 1.0 General Information

### 1.1 Introduction and Background

The purpose of this document is to provide interested parties with information to enable them to prepare and submit a proposal for an investment management services contract, to provide investment management for the Health Insurance Risk-Sharing Plan Authority (HIRSP Authority). The HIRSP Authority intends to use the results of this solicitation to award a contract for the investment management services.

The HIRSP Authority is a Wisconsin public body corporate and politic. The HIRSP Authority was established under Chapter 149, Wis. Stats., for the purpose of maintaining and administering the insurance risk-sharing pool known as the Health Insurance Risk-Sharing Plan (HIRSP), and assumed responsibility for administration of HIRSP effective July 1, 2006. HIRSP provides individual health care insurance policies to Wisconsin residents who cannot obtain health insurance in the commercial individual health insurance market or who lose their employer-sponsored coverage.

HIRSP functions as a health insurer and issues policies to eligible individuals under five indemnity benefit plans and one Medicare supplemental plan. HIRSP also provides health care policies to persons who are entitled to continuation of coverage under federal law including the Health Insurance Portability and Accountability Act (HIPAA) under Title XXII, P.L.104-191. Individuals who lose their employer-sponsored group health insurance coverage and meet certain criteria may enroll in HIRSP without serving a pre-existing condition waiting period. As of May 31, 2010, total program enrollment in HIRSP was 17,208.

The HIRSP Authority qualifies as exempt from federal income taxation pursuant to Internal Revenue Code Section 501 (c) (26).

The HIRSP Authority administrative office exercises executive managerial oversight of the HIRSP plan. The HIRSP Authority is supervised by a board of directors comprised of thirteen voting members who are nominated by the governor and ratified by the senate. The board of directors also includes the commissioner of insurance or his designee as a non-voting board member. Four of the appointed directors represent insurers participating in the plan, four of the directors represent health care providers, and three of the directors represent consumer interests, including two directors who have coverage under HIRSP benefit plans. One director represents small business, and one director represents the public.

The HIRSP Authority derives all funding for its plan costs and policyholder subsidy costs through a funding formula prescribed by s. 149.143, Wis. Stats. Sixty percent of plan cost is funded by insurance policy premiums paid by policyholders, twenty percent of plan cost is funded through assessments levied on insurance companies that write health insurance coverage in Wisconsin, and twenty percent of plan cost is funded by health care providers through discounts on payments remitted by the HIRSP Authority as consideration for covered health care services rendered to HIRSP enrollees.

HIRSP enrollees who have annual income of less than \$32,999 are eligible for subsidized assistance for premium payments, health care deductible payments, and drug co-payments. The costs for funding the low-income policyholder subsidies are paid on an equal-share basis by the assessed insurance companies and the participating health care providers.

The HIRSP Authority executive staff and board of directors are responsible for oversight of all financial matters related to the HIRSP plan including monitoring of HIRSP financial performance and establishing the annual HIRSP operating budget.

## 1.2 Scope of the Project

The HIRSP Authority board has charged the executive staff with the mission of seeking an investment management firm to manage the HIRSP Authority's cash assets. The HIRSP Authority currently has approximately \$40,000,000 invested in the Local Government Investment Pool. As of May 31<sup>st</sup> the rate of return was .22 percent. The HIRSP Authority is interested in investing in products that would allow an increased return while maintaining the security of principal.

## 1.3 Definitions and Acronyms

The following definitions and acronyms are used throughout the RFP:

- **Board of Directors** means HIRSP Authority Board of Directors.
- **Contract** means the agreement to be executed between the selected proposer and the HIRSP Authority to accomplish the purposes specified in this RFP.
- **Contractor(s)** means proposer(s) awarded the contract resulting from this RFP to provide HIRSP investment management services.
- **HIPAA** means Health Insurance Portability and Accountability Act.
- **HIRSP** means the Health Insurance Risk-Sharing Plan.
- **Health Insurance Risk-Sharing Plan Authority (HIRSP Authority)** means the public body corporate and politic established under Ch. 149, Wis. Stats., responsible for the executive administration of HIRSP.
- **Proposer, Vendor or Firm** means a firm submitting a Proposal in response to the RFP.
- **Policyholder** means an individual who is enrolled as a member of a HIRSP health benefit plan, has paid premiums, and is eligible to receive benefits under a HIRSP policy.
- **RFP** means Request for Proposal.
- **State** means State of Wisconsin.

## 1.4 Access to Program Information for Proposers

Proposers are encouraged to view information regarding HIRSP on the HIRSP Authority website at [www.hirsp.org](http://www.hirsp.org). Information available at the website will assist proposers in the preparation of proposals. Available information includes the most recent HIRSP Annual Report, the HIRSP Outline of Coverage, the HIRSP Policy, Premium Tables, application materials, HIRSP newsletter, etc. While a reasonable attempt is made to maintain accurate and up-to-date information on the website, the HIRSP Authority makes no assurances or guarantees that all information and data displayed are accurate or complete. The HIRSP Authority disclaims responsibility for the accuracy or completeness of the information displayed on the HIRSP Authority website. If any materials, documentation, information, or data displayed on the website are discovered to be inaccurate and/or incomplete, such inaccuracy or incompleteness shall not constitute a basis for challenging the contract award or contract rejection, nor shall it provide a basis to renegotiate a payment amount or rate after contract award.

Requirements specified in the RFP shall take precedence over any documentation on the website if a conflict exists.

## 2.0 Procurement and Contracting Information

### 2.1 Procuring and Contracting Entity

The HIRSP Authority is the issuer of this RFP and is the sole point of contact during the vendor selection process. The HIRSP Authority administrative staff will administer the contract resulting from this RFP. The Contract Administrator and RFP Manager will be Amie Goldman, HIRSP Authority Chief Executive Officer.

### 2.2 Calendar of Events

Listed below are specific and estimated dates and times of actions related to this RFP. The actions with specific dates must be completed as indicated, unless otherwise changed by the HIRSP Authority. In the event that the HIRSP Authority finds it necessary to change any of the specific dates and times in the calendar of events listed below, it will do so by issuing a supplement to this RFP. There may or may not be a formal notification issued for changes in the estimated dates and times.

Date	Event
June 30, 2010	Date of issue of the RFP
July 12, 2010	Proposals due from vendors by 3:00 p.m. CST
As Deemed Necessary in August 2010	Finalist Interviews
September 2010	Notification of intent to award sent to vendors

### 2.3 Contract Term

The contract shall be effective on the date specified in the contract through December 31, 2011, with four possible one-year renewal options from January 1<sup>st</sup> of each of the successive four calendar years. The earliest effective date would be November 1, 2010

## 3.0 Preparing and Submitting a Proposal

### 3.1 General Instructions

The evaluation of the proposal and selection of a contractor will be based on the information submitted in the vendor's proposal and references (and oral presentations if required by the HIRSP Authority). Failure to respond to each of the requirements in the RFP may be the basis for rejecting a proposal.

Elaborate proposals (e.g., expensive artwork) beyond that sufficient to present a complete and effective proposal are not necessary or desired.

The HIRSP Authority reserves the right to reject any or all proposals deemed by the HIRSP Authority as not meeting the provisions contained herein. The HIRSP Authority will not accept late or incomplete proposals. All proposals are to be complete when they are submitted. Failure to submit a complete proposal may be the basis for rejecting a proposal.

### 3.2 Incurring Costs

The HIRSP Authority is not liable for any costs incurred by proposers in replying to this RFP.

### 3.3 Submitting the Proposal

Proposers must submit an original and ten copies of their proposal and all materials required for acceptance of their proposal by 3:00 p.m. CDT July 12, 2010, to:

Amie Goldman, CEO  
HIRSP Authority  
33 East Main Street  
Suite 230  
Madison, WI 53703

All proposals must be time-stamped in the HIRSP Authority by the above stated time. Proposals not so stamped will not be accepted. Proposers mailing their proposals or using a commercial delivery service must allow sufficient time for delivery of their proposals by the specified time.

**Proposals submitted by fax or e-mail, in whole or in part, shall be rejected. Late proposals shall be rejected and will be returned unopened. There are no exceptions.**

All proposals must be packaged, sealed and show the following information on the outside of the package:

- Proposer's name and address
- Proposal to Provide Investment Management Services for HIRSP
- Proposal due date –July 12, 2010, at 3:00 p.m. CDT

**Faxed, E-mailed and late Proposals will not be accepted.**

### 3.4 Use of Subcontractors

In the event of a proposal submitted jointly by two or more organizations, one (1) organization must be designated as the prime contractor, and the prime contractor will be solely responsible for assuring the performance of all aspects of the contract. All other participants shall be designated as subcontractors. Any use of subcontractors for this contract shall meet the requirements of this RFP.

Once the Letter of Intent to Award a Contract is issued and a contract is awarded, the use of subcontractors by the prime contractor (for any portion of the scope of work) is subject to the prior written consent of the HIRSP Authority (whether or not such subcontractor(s) were identified in the prime contractor's proposal). The HIRSP Authority may request such additional information and/or written assurances as deemed necessary to ensure that only qualified, competent vendors perform services under the RFP and contract, and to ensure that the scope of work is performed in a professional manner.

No services performed under this contract may be subcontracted without the prior written consent of the HIRSP Authority, and the HIRSP Authority must approve any vendors that will serve as subcontractors for HIRSP.

At any time during the contract period, the contractor shall not subcontract out, in whole or in part, any portion of the scope of work to an individual(s), corporation(s), partnership(s), agent(s), subsidiary(ies), or public agency(ies) without the express prior written consent of the HIRSP Authority.

If subcontractors are to be used, the proposer must clearly explain the subcontractor participation. Subcontractors are required to abide by all terms and conditions of the contract. The prime contractor will be responsible for contract performance, including the oversight of and responsibility for all delegated/subcontracted functions, when subcontractors are used.

### 3.5 Proposal Organization and Format

Proposals should be typed and submitted on 8.5 by 11-inch paper bound securely. Proposals should be organized and presented in the order and by the number assigned in the RFP. Proposals must be organized with the headings and subheadings listed below. Each heading and subheading should be separated by tabs and clearly marked.

#### 3.5.1 Technical Proposal

- Cover Page
- Response to General Proposal Requirements (Section 5.0)
  - Organization Capabilities
  - Financial Statements
  - Staff Qualifications
  - Proposer Client List and References
- Transmittal Letter
- Designation of Primary Contact Person
- Location and Staff

Disaster Recovery Plan  
Response to Technical Requirements (Section 6.0)  
Investment Management Services  
Performance Standards  
Constraints Upon Contractor  
Required forms (Section 9.0)  
Designation of Confidential and Proprietary Information

### **3.5.2 Cost Proposal**

The vendor must submit its Cost Proposal according to the instructions provided (Section 7.0). Failure to provide any requested information in the prescribed format may result in disqualification of the proposal.

## **3.6 Oral Presentations**

Vendors may be required to make oral presentations, which will be scored by the evaluation committee, regarding their written proposals. Key personnel of the vendor, to include any subcontractor personnel designated with the direct responsibility for the areas they are presenting, shall conduct the oral presentation. No outside consultants shall be used in the presentation.

The purpose of the oral presentation would be for the vendor to demonstrate understanding of the requirements of the prospective contract and demonstrate its capability, including staffing, to meet those requirements. The presentation shall not be a marketing or sales presentation. The presentation shall address the vendor's technical solution to the RFP technical requirements.

## **3.7 Withdrawal of Proposals**

Proposals shall be irrevocable until contract award unless the proposal is withdrawn. Proposers may withdraw a proposal in writing at any time up to the proposal closing date and time or upon expiration of *three (3) business days* after the due date. To accomplish this, the written request must be signed by an authorized representative of the proposer and submitted to:

Amie Goldman, CEO  
HIRSP Authority  
33 East Main Street  
Suite 230  
Madison, WI 53703

If a previously submitted proposal is withdrawn before the proposal due date and time, the proposer may submit another proposal at any time up to the proposal closing date and time.

## 4.0 Proposal Selection and Award Process

### 4.1 Preliminary Evaluation

Proposals will be reviewed initially to determine if mandatory proposal requirements, as listed in Section 5.0 of this RFP, are met. Failure to meet mandatory requirements may result in rejection of the proposal. In the event that one or more vendors do not meet one or more of the mandatory requirements, the HIRSP Authority reserves the right to continue the evaluation of the proposals and to select the proposal which most closely meet the requirements specified in this RFP. Any proposal failing to provide all response requirements as specified in this RFP, and in the prescribed format, may be removed from further consideration and the vendor notified accordingly.

### 4.2 Proposal Scoring

Accepted proposals will be reviewed by an evaluation committee and scored against the stated criteria. A proposer may not have contact with any member of the evaluation committee except at the HIRSP Authority's direction. The committee may review references and/or request interviews, and use the results in scoring the proposals. The evaluation committee's scoring will be tabulated and proposals ranked based on the numerical scores received.

### 4.3 Right to Reject Proposals and Negotiate Contract Terms

The HIRSP Authority reserves the right to reject any and all proposals and to negotiate the terms of the contract, including the award amount, with the top scoring proposers, prior to entering into a Contract.

### 4.4 Evaluation Criteria

The proposals will be scored using the following criteria:

	<b>Description</b>	<b>Points</b>
1.	General Proposal Requirements (see Section 5.0)	<b>20</b>
	a. Organization Capabilities	
	b. Financial Statements	
	c. Staff Qualifications	
	d. Proposer Client List and References	
	e. Oral Presentation and Materials	
2.	Technical Proposal Requirements (see Section 6.0)	<b>40</b>
	a. Investment Management Services	
	b. Performance Guarantee	
	c. Constraints upon Contractor	
3.	Cost Proposal (see Section 7.0)	<b>40</b>
	<b>Total</b>	<b>100 total</b>

#### **4.5 Award and Final Offers**

The HIRSP Authority will compile the final scores (technical proposal and cost proposal) for each proposal. The award will be granted in one of two ways. The award may be granted to the highest scoring responsive and responsible proposer. Alternatively, the HIRSP Authority may negotiate with the highest scoring proposer or proposers or may request they submit final and best offers.

#### **4.6 Notification of Intent to Award**

All vendors who respond to this RFP will be notified in writing of the HIRSP Authority's intent to award the contract(s) as a result of this RFP.

#### **4.7 Appeals Process**

Notices of intent to protest and protests must be made in writing. Protesters should make their protests as specific as possible and should identify statutes and provisions that are alleged to have been violated.

Any written notice of intent to protest the intent to award a contract must be filed with:

Amie Goldman, CEO  
HIRSP Authority  
33 East Main Street  
Suite 230  
Madison, WI 53703  
Fax: (608) 441-5776  
E-mail: [jferris@hirsp.org](mailto:jferris@hirsp.org)

The notice must be received in the HIRSP Authority office no later than five (5) working days after the notice of intent to award is issued.

Any written protest must be received within ten (10) working days after the notice of intent to award is issued.

## 5.0 General Proposal Requirements

Provide the following comprehensive information required under subsections 5.1 through 5.6 for the proposer and, in separate and independent sets of documents, for each respective proposed subcontractor to the proposer.

### 5.1 Transmittal Letter

The Transmittal Letter must be on the official business letterhead of the prime Contractor submitting the proposal, and must be signed by an individual authorized to legally bind the proposer. It must be part of the Technical Proposal. The Transmittal Letter must include the following statements:

- An individual authorized to legally bind the proposer is signing the Transmittal Letter;
- The proposer is the prime contractor and is a corporation or other legal entity;
- A statement identifying any and all subcontractors that will be responsible for fulfilling the requirements of this RFP;
- No attempt has been made or will be made by the proposer to induce any other person or firm to submit or not to submit a proposal;
- The Technical and Cost Proposal are valid for a minimum of six (6) months from the proposal due date;
- The person signing this proposal is authorized to make decisions on behalf of the proposer's organization as to the prices quoted and that the person has not participated, and will not participate, in any action contrary to the statements made in the transmittal letter;
- Assure that the proposer will agree to execute and fulfill a contract according to the conditions and terms specified in this RFP.

### 5.2 Designation of Primary Contact Person

In conducting any services under an agreement resulting from this proposal, the Contractor shall designate in writing a primary contact person to open and maintain lines of communication with the HIRSP Authority. The primary contact person may not be changed without written notification to the HIRSP Authority. All initial contacts and meetings with the Contractor shall be arranged through the HIRSP administrative staff.

### 5.3 Organization Capabilities

#### 5.3.1 Business Entity

Provide a statement identifying the formal name, title, year organized, type of business, business address, location of the proposer or subcontractor business entity's principal offices, and an identification of any other location or site which is proposed to provide any services or resources in the execution of duties of this RFP.

### **5.3.2 Brief History**

Provide a brief history of the proposer or subcontractor business entity and the firm's experience over the past five (5) years, especially in providing comprehensive investment management services similar to those required in this RFP for private sector individual health care and/or governmental high-risk pool health insurance programs or nonprofit entities similar in size to HIRSP. Your response should include, but not be limited to, the following:

- Names and types of programs/entities
- Specific dates and length of contracts or renewals
- Scope of your involvement
- Number of clients/customers served
- Specific outcomes
- Assets under management

### **5.3.3 Outstanding Litigation**

Advise of any outstanding significant legal or regulatory actions pending against the proposer or proposed subcontractors or any professionals at the contractor or subcontractor. Please provide a detailed summary of the cause of action and the current status of each action, including an evaluation of expected outcome and an estimate of any potential financial liability that would result if the outcome of the action is adverse to the proposer or proposed subcontractor.

### **5.3.4 Conflict of Interest**

Advise of any potential conflict of interest that exists for the proposer or subcontractor. Rationale of mitigating circumstances regarding this contract may be explained. If no conflict of interest exists, provide an express statement of the absence of conflict of interest.

### **5.3.5 Investment Management Services**

Describe your organization's capability to provide the investment management services required in this RFP. Provide copies of representative analytical documents and reports prepared for existing or former client entities which illustrate and demonstrate the contractor's ability to provide documentary information and analytical reports sufficient to satisfy the investment management services objectives of the HIRSP authority as expressed in the RFP technical requirements in Section 6.0.

## **5.4 Financial Statements**

The proposer and each proposed subcontractor (if any) shall submit independently audited financial statements for the financially responsible business entity for the last two (2) completed fiscal years. If the proposer or subcontractor is a subsidiary, provide an organization chart of the parent holding company structure, and provide audited financial statements for the ultimate

parent company and for any significant intermediate holding companies. Audited financial statements must include:

- Balance sheet
- Statement of revenues, expenses & changes in net assets (profit & loss statement)
- Statement of cash flows
- Notes to financial statements
- Independent auditors' report

## 5.5 Staff Qualifications

Describe the proposed staffing for this proposal. Provide resumes describing the educational and work experiences for each of the key staff who would be assigned to the project. Describe the role each staff person will play and the percentage of time that they will spend on the contract.

## 5.6 Proposer Client List and References

Proposers must include in their RFPs a list of all significant client organizations. Identify the general provisions of client contracts, including the effective date and termination date and a high-level summary of the contractual relationship and the contracted services offered including the amount of assets managed. The proposer is required to submit three current organizations that can be used as references. Include client name, address, phone number, point of contact, contract inception date, and amount of assets managed. The proposer is also required to submit two past clients. Include client name, address, phone number, point of contact, length of time as a client, reason for termination, and amount of assets managed. Selected organizations may be contacted to determine the quality of work performed and personnel assigned to the project. The results of the reference checks will be provided to the evaluation team and used in scoring the written proposals.

## 5.7 Contractor Location and Staffing

The investment management services contractor's key staff must be readily accessible to interact with HIRSP Authority executive management, and from time-to-time must be available to participate in scheduled and add-hoc face-to-face meetings and telephone conference meetings. Mandatory participation is required for certain meetings of the Board of Directors, certain meetings of Committees of the Board, and various meetings with executive management. Describe your plans for meeting this requirement, and provide a work plan that details the following:

- The location (by city) of each proposed physical site(s) of contractor operations for services provided under this contract;
- The anticipated number of staff for each location if more than one location is proposed.

Describe program coverage in the event of employee absences, including long-term illness or interim hiring periods, and how continuity and project leadership will be maintained in the absence of the Project Manager or other key managerial positions.

## **5.8 Disaster Recovery Plan**

Proposers will be required to have a disaster recovery plan, satisfactory to the HIRSP Authority, which will assure that key program operations of the proposer will remain operational in the event of unintended business interruption caused by major systems failure or other emergency circumstances. Please provide documentation of your organization's comprehensive disaster recovery plan. Include information regarding any disaster recovery successes experienced.

## 6.0 Technical Requirements

The proposer's response to the following technical section will serve to evaluate the contractor's capabilities for performing HIRSP investment management services.

### 6.1 Investment Management Services

#### 6.1.1 Recommend Asset Allocation

The HIRSP Authority currently has approximately \$44,000,000 invested in the Local Government Investment Pool. As of May 31<sup>st</sup> the rate of return was .22 percent. The HIRSP Authority is interested in investing in products that would allow an increased return while maintaining the security of principal. The following is the estimated liquidity needs for those funds:

\$12 million 1 to 2 years  
\$20 million 6 to 9 months  
\$12 million 2 to 6 months

Recommend an asset allocation for the HIRSP assets and include the estimated annual return based on the information provided.

Include in your response a detail discussion of the following:

- Who will be the custodian of the assets
- Who will be responsible for and how will the account's performance be monitored. Discuss the timing, frequency and communication of the performance review.
- Who will be responsible for and how will the asset allocation changes be made

#### 6.1.2 Research and Investment Decision

Describe the proposer's basic investment philosophy and style. Provide research methods and resources (external and internal) used to make investment decisions. Describe the investment decision making process.

#### 6.1.3 Reporting

Describe the reporting process. Describe the timing, frequency and form of reports and include a sample of the proposer's reports in the proposal. Discuss adherence to reporting standards.

#### 6.1.4 Customer Service

Describe the proposer's overall customer service philosophy.

**6.1.5 Recommend Changes to the Investment Policy**

See Attachment B to for the current HIRSP Investment Policy. Provide any recommended changes to the policy. Describe the rationale and the pros and cons for the recommendations. Describe the impact on the proposer's fees, if any, as well as the impact on anticipated investment returns.

**6.1.6 Insurance/Bonding**

Provide a listing of applicable insurance coverage maintained with relevant coverage limits. Provide the name of your primary insurance carrier and their related AM Best rating. HIRSP reserves the right to require the proposer provide bonding for its services.

**6.1.7 Compliance**

Describe how the firm ensures compliance with the clients' investment guidelines. Describe the controls in place to ensure conformity to applicable state and federal laws.

**6.1.8 Additional and Value Added Services**

Describe any alternative or additional services available that may benefit the HIRSP Authority. Discuss the organization's experience in providing such services. Please also discuss the value added services proposed that distinguishes the proposer from its competitors.

**6.1.9 Detailed Transition Plan**

Proposers shall present a comprehensive description of and timeline for start-up activities for the contract. The plan must describe the process for start-up training, documentation and user support products proposed for accessing reports. The proposers shall also present a timeline for activities for the close out of the contract specifically discussing the reporting as well as the transition of assets managed.

**6.2 Performance Guarantees**

The HIRSP Authority is interested in obtaining a contract where the contractor adheres to an earnings performance guarantee. Please confirm you are willing to perform such a guarantee and please include the suggested measure of performance.

Additionally the contractor will be required to provide detailed investment performance reports that will need to be completed on a timely basis to expedite, inform, and facilitate timely Board of Director and executive management financial oversight of the HIRSP enterprise as well as facilitate proper disclosure in the HIRSP Authority's financial statements. The contractor will provide reports in sufficient detail for all required financial disclosures.

The contractor shall attend and present its reports and analysis as necessary at meetings of the Board of Directors, the Finance and Audit Committee, and at ad-hoc meetings required by executive management.

### 6.3 Constraints Upon Contractor

The administration of the HIRSP Authority is subject to the statutory provisions of Chapter 149, Wis. Stats., and other statutes and regulations that are applicable to the HIRSP Authority and the HIRSP plan.

In conducting services under a contract resulting from this proposal, the contractor shall designate a primary contact person to maintain lines of communication with HIRSP Authority executive management. All initial contacts and meetings with the contractor shall be through the designated executive management contact. All contractor operations, data files, and records that pertain to the provision of contractual services shall be open for review or audit by the HIRSP Authority or its designee, including its external auditor, at any time.

The Investment Management Services Contractor shall implement and maintain a separate accounting function for services performed pursuant to the contract. The Investment Management Services Contractor shall maintain comprehensive auditing and internal control procedures. The results of all internal audits will be reported to the HIRSP Authority.

The Investment Management Services Contractor and all of its key subcontractors shall obtain, at least once a year, an independent external review of their respective internal control systems. One independent review mechanism, commonly referred to as a Statement of Auditing Standards (SAS) 70, is an in-depth audit of a service organization's control activities and their operating effectiveness presented in a uniform reporting format. Please indicate whether or not your organization currently undergoes SAS 70 audits that would include HIRSP and, if SAS 70 reports are not prepared, please explain what in-depth audit procedures will be utilized and how the results will be reported.

Please confirm your agreement with the requirements listed above.

## **7.0 Cost Proposal**

### **7.1 Investment Management Fees**

The proposal will be scored using a standard quantitative calculation where the most points will be awarded to the proposal with the lowest cost. Please provide the following in your cost proposal:

- Provide a detailed schedule of all fees involved for each of the services you are proposing to provide.
- Provide a breakout of the initial and ongoing consulting fees and the custodial and management fees.
- Describe how and when the fees will be billed.
- Discuss the frequency in which such fees will be evaluated and the maximum amount of any increase to be expected.

### **7.2 Fixed Price Period**

All prices, costs, and conditions outlined in the proposal shall remain fixed and valid for acceptance for 180 calendar days starting on the due date for proposals.

### **7.3 Inflationary Adjustment**

The Contractor may receive an inflationary adjustment to the investment management services fee at the start of each annual contract extension/renewal period. This adjustment will be negotiated at the time the extension/renewal decision is made. The adjustment will not exceed the maximum rate as discussed in section 7.1 of this proposal.

## **8.0 Special Contract Terms and Conditions**

### **8.1 Executed Contract to Constitute Entire Agreement**

In the event of contract award, the contents of this RFP (including all attachments), RFP addenda and revisions, and the proposal of the successful proposer, and additional terms agreed to, in writing, by the HIRSP Authority and the contractor shall become part of the contract. Failure of the successful proposer to accept these as a contractual agreement may result in a cancellation of award. The awarded and executed written contract and/or order with referenced parts and attachments shall constitute the entire agreement and no other terms and conditions in any document, acceptance, or acknowledgement shall be effective or binding unless expressly agreed to in writing by the HIRSP Authority

### **8.2 Applicable Law and Compliance**

The contract to be awarded from this RFP shall be governed by the laws of the State of Wisconsin. The contractor shall at all times observe and comply with all federal and state laws, local laws, ordinances, and regulations which are in effect during the period of the contract and which in any manner affect the work or the conduct of the work. HIRSP reserves the right to cancel the contract with any federally debarred contractor or a contractor that is presently identified on the list of parties excluded from federal procurement and non-procurement contracts.

### **8.3 Contractor Nondiscriminatory Employment Practice Requirement**

The contractor shall agree that, in connection with the performance of work under a contract resulting from this RFP, the contractor will not discriminate against any employee or applicant for employment because of age, race, religion, color, handicap, gender, physical condition, developmental disability as defined in s. 51.01 (5), Wis. Stats., sexual orientation, or national origin. This provision shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. Except with respect to sexual orientation, the contractor further agrees to take affirmative action to ensure equal employment opportunities. The contractor agrees to post in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause. The affirmative action plan is waived if the contractor's annual work force amounts to less than 25 employees.

### **8.4 Data Management Requirements**

In connection with the performance of work under the investment management services contract, the contractor shall agree that (i) all data provided to the contractor by HIRSP shall be kept confidential; (ii) all data provided to the contractor by HIRSP shall be used solely for the purposes expressed by HIRSP pursuant to the provisions of the investment management services agreement, and (iii) all data provided to the contractor by HIRSP shall be destroyed by the contractor after the work performed by the contractor pursuant to the investment management services agreement has been completed by the contractor.

## 8.5 Public Record Access

It is the intention of the HIRSP Authority to maintain an open and public process for the solicitation, submission, review, and approval of procurement activities. Records may not be available for public inspection prior to issuance of the notice of intent to award or the award of the contract.

Any restrictions on the use of data contained within a response to a request must be clearly and expressly stated by the proposer in the bid/proposal itself. Proprietary information submitted in response to a request will be handled in accordance with Wisconsin public records law. Proprietary restrictions normally are not accepted. However, when accepted, it is the proposer's responsibility to defend the determination in the event of an appeal or litigation.

Data contained in a bid/proposal, all documentation provided therein, and innovations developed as a result of the contracted services cannot be copyrighted or patented. All data, documentation, and innovations become the property of the HIRSP Authority.

Any material submitted by the proposer in response to this request that the proposer considers confidential and proprietary information and which qualifies as a trade secret pursuant to s. 19.36(5), Wis. Stats., or material which can be kept confidential under the Wisconsin public records law, must be identified on the Designation of Confidential and Proprietary Information form included in this RFP as **Attachment A**. Bid/proposer prices cannot be held confidential.

## 8.6 Hold Harmless

The contractor shall indemnify and save harmless the HIRSP Authority and all of its officers, agents, and employees from all suits, actions, or claims of any character brought for or on account of any injuries or damages received by any person or property resulting from the operations of the contractor, or of any of its subcontractors, in prosecuting the work under the investment management services contract.

## 8.7 Force Majeure

Neither the HIRSP Authority nor the contractor shall be in default by reason of any failure in performance of the investment management services contract without fault or negligence on their part. Such causes may include, but are not restricted to, acts of nature or the public enemy, acts of the government in either its sovereign or contractual capacity, fire, floods, epidemics, quarantine restrictions, strikes, freight embargos and unusually severe weather, but in every case the failure to perform must be beyond the reasonable control and without the fault or negligence of the party.

## 8.8 Certification of Independent Price Determination

By signing the RFP bid/proposal, the proposer certifies and in the case of a joint bid/proposal each party thereto certifies as to its organization, that in connection with this procurement:

The prices in the proposal have been arrived at independently, without consultation, communication, or agreement for the purpose of restricting competition with regard to any matter relating to such prices with any other proposer or with any competitor;

Unless otherwise required by law, the prices which have been quoted in the proposal have not been knowingly disclosed by the proposer and will not knowingly be disclosed by the proposer, prior to opening in the case of an advertised procurement or prior to award in the case of a negotiated procurement, directly or indirectly to any other proposer or to any competitor, and;

No attempt has been made or will be made by the proposer to induce any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.

Each person signing the proposal certifies that: He/she is the person in the proposer's organization responsible within the organization for the decision as to the prices being offered herein and that he/she has not participated and will not participate in any action that is contrary to the items listed above, (or) that he/she is not the person in the proposer's organization responsible within the organization for the decision as to the prices being offered herein, but that he/she has been authorized in writing to act as an agent for the persons responsible for such decisions in certifying that such persons have not participated, and will not participate in any action contrary to the conditions listed above, and as their agent does hereby so certify, and he/she has not participated and will not participate in any action contrary to the items listed above.

## **8.9 Independent Capacity of Contractor**

The contractor and its officers, agents, and employees, in the performance of their duties in accordance with the investment management services contract, shall act in the capacity of an independent contractor and not as an officer, employee, or agent of the HIRSP Authority. The contractor shall agree to take such steps as may be necessary to ensure that each subcontractor of the contractor will be deemed to be an independent contractor and will not be considered or permitted to be an agent, servant, joint venture, or partner of the HIRSP Authority.

## **8.10 Performance Review and Remedies**

All requirements described in this RFP and the final contract will be subject to monitoring by the HIRSP Authority. The HIRSP Authority reserves the right to monitor performance of the contractor (including any or all personnel and sub-contractors thereof) and may exercise such option at its discretion without notice. The results of the monitoring will be used to provide the basis for improved project implementation and operations and to determine whether the contractor has breached the contract.

The contractor agrees that the HIRSP Authority, in its sole discretion, in the event of contract non-compliance by the contractor, may terminate all or part of contractor's obligations under this agreement and replace those services by either contracting with another entity to perform those obligations or performing those obligations itself. In the event the HIRSP Authority elects the remedy under this paragraph, the contractor may bill the HIRSP Authority only for those costs associated with performance of contract obligations that have not been terminated. The contractor will reimburse the HIRSP Authority for any replacement cost in excess of what the contractor would have been paid to continue performing those services.

## **8.11 News Releases**

News releases pertaining to this procurement or any part of the proposal shall not be made without the prior approval of the HIRSP Authority.

## **8.12 Right to Publish**

If an awarded contract results in a book or other material, the HIRSP Authority reserves a royalty-free, nonexclusive irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, all material from the approved program. Any discovery or invention arising out of, or developed in the course of work aided by any awarded contract agreement, shall be promptly and fully reported to the HIRSP Authority.

## **8.13 Contract Term and Termination**

### **8.13.1 Contract Term**

The investment management services agreement will be effective on the date it is signed. The contractor shall begin providing investment management services as of the date the contract is signed, and shall continue through December 31, 2011. The agreement will be deemed to be renewed thereafter for successive periods of one (1) year each for (4) four subsequent calendar years, unless either party shall give to the other party not less than ninety (90) days' written notice, prior to the expiration of the then-current term, of its intention to either terminate the agreement or to renegotiate the provisions thereof.

### **8.13.2 Transition of Services**

The contractor shall provide all required investment management services prior to the effective date of the termination of the services agreement. Upon termination of the agreement the contractor will cooperate fully with the transition to a new successor contractor.

### **8.13.3 Contract Termination**

The HIRSP Authority reserves the right to terminate the investment management services agreement, without penalty, for cause with out any requirement for advance notice, and for any reason without cause provided that notification is given in writing at least 30 days in advance. The HIRSP Authority reserves the right to cancel any contract in whole or in part without penalty in the event that the fails to comply with the terms, conditions, and specifications of the investment management services contract.

## **9.0 Required Forms**

The following forms must be completed and submitted with the proposal in accordance with the instructions given in Section 8.5. Blank forms are attached.

- Designation of Confidential and Proprietary Information (Attachment A)

## **10.0 Attachments**

**Attachment A: Designation of Confidential and Proprietary Information Form**

The attached material submitted in response to HIRSP Authority Investment Management Services Contract RFP includes proprietary and confidential information which qualifies as a trade secret, as provided in s. 19.36(5), Wis. Stats., or is otherwise material that can be kept confidential under the Wisconsin Open Records Law. As such, we ask that certain pages, as indicated below, of this bid/proposal response be treated as confidential material and not be released without our written approval.

**Prices always become public information when bids/proposals are opened, and therefore cannot be kept confidential.**

The contract resulting from this procurement will be a public record and therefore cannot be kept confidential. Other information cannot be kept confidential unless it is a trade secret. Trade secret is defined in s. 134.90(1)(c), Wis. Stats. as follows: "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique or process to which all of the following apply:

1. The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.
2. The information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

We request that the following pages not be released

Section	Page #	Topic

IN THE EVENT THE DESIGNATION OF CONFIDENTIALITY OF THIS INFORMATION IS CHALLENGED, THE UNDERSIGNED HEREBY AGREES TO PROVIDE LEGAL COUNSEL OR OTHER NECESSARY ASSISTANCE TO DEFEND THE DESIGNATION OF CONFIDENTIALITY AND AGREES TO HOLD HIRSP HARMLESS FOR ANY COSTS OR DAMAGES ARISING OUT OF HIRSP'S AGREEING TO WITHHOLD THE MATERIALS.

Failure to include this form in the bid/proposal response may mean that all information provided as part of the bid/proposal response will be open to examination and copying. HIRSP considers other markings of confidential in the bid/proposal document to be insufficient. The undersigned agrees to hold HIRSP harmless for any damages arising out of the release of any materials unless they are specifically identified above.

Company Name	_____
Authorized Representative	_____
Authorized Representative	Signature
Date	Type or Print
	_____

## Attachment B: Investment Policy

### Health Insurance Risk-Sharing Plan (HIRSP) Authority Investment Policy Adopted by the Board of Directors at its February 25, 2008 Meeting

#### 1. Governing Authority

Chapter 149 of the Wisconsin Statutes provides that the HIRSP Authority Board of Directors is vested with sole responsibility for management and control of HIRSP Authority assets. The Board of Directors has adopted the HIRSP Authority Investment Policy (the “Investment Policy”) to govern HIRSP Authority investment management (the “Investment Program”). The Board of Directors has delegated to its Finance and Audit Committee (the “Finance Committee”) overall responsibility for oversight of HIRSP Authority investment management within the guidelines established in this policy statement.

The Board of Directors affirms its intent that the investment program, to every extent practicable, shall conform to and operate in compliance with Wisconsin Statutes and Administrative Rules governing insurer investment activities that would be applicable to the HIRSP Authority if it were directly regulated by the Wisconsin Office of the Commissioner of Insurance (OCI). It is further acknowledged that, if the HIRSP Authority were regulated by OCI, it would properly be classified as a “restricted insurer” as defined in Chapter 620.03, Wis. Stat., and Chapter Ins. 6.20 (5), Wis. Adm. Code.

#### 2. Scope

The investment policy shall apply to all HIRSP Authority investment assets, referenced hereinafter as the “Investment Portfolio,” to include (1) liquid assets maintained as immediately available funds required for business operation cash needs and (2) capital assets in excess of immediately available funds and deemed to be available for investment.

#### 3. Investment Objectives

**A. Safety of Principal.** Preservation of invested principal is the foremost objective of the HIRSP Authority investment program. Investments shall be undertaken in a manner that seeks to ensure preservation of capital of the overall investment portfolio. The investment program shall have the objective to mitigate overall credit risk and interest rate risk. The Board of Directors affirms that, with respect to investments, its principal fiduciary duty is to maintain the safety of the investment portfolio on behalf of the HIRSP Authority.

**B. Liquidity.** The investment portfolio shall maintain sufficiently liquid funds to meet all operating cash requirements that can be reasonably projected and anticipated without liquidating existing long-term investment positions. The component investments of the portfolio will be structured to mature or otherwise be available concurrent with cash needs to meet anticipated policyholder claim disbursement demands.

**C. Return on Investment.** The investment portfolio will be structured with the objective of providing a maximum level of return on investments, but only after ensuring investment portfolio safety and liquidity consistent with prudent limited exposure to credit risk and interest rate risk.

#### 4. Standard of Investor Prudence

All persons authorized to make investment decisions on behalf of the HIRSP Authority are subject to the Prudent Person Rule. An investment fiduciary shall discharge his or her duties with the care, skill, prudence and diligence then prevailing, including but not limited to the general economic conditions and the anticipated needs of the HIRSP Authority, that a person acting in a like capacity would use in the conduct of an enterprise of like character and with like aims, not for speculation but for investment, to safeguard the principal and to maintain the liquidity of the HIRSP Authority.

An authorized individual acting in accordance with the investment policy and written procedures, and exercising appropriate due diligence as a fiduciary, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, providing that deviations from expectations are reported in a timely fashion.

## **5. Designation of Chief Investment Officer**

The HIRSP Authority Chief Executive Officer is designated as the HIRSP Authority Chief Investment Officer ("Chief Investment Officer"). Authorization to manage the investment program is delegated to the Chief Investment Officer, who shall be responsible for the operation of the investment program consistent with this investment policy. The Chief Investment Officer shall be responsible for establishing and maintaining internal controls and written procedures as deemed necessary and sufficient for the operation of the investment program. No person may engage in an investment transaction except as provided under the terms of the investment policy and in accordance with the procedures established by the Chief Investment Officer.

## **6. Investment Transaction Authority**

Investment transaction authority for the investment program shall be exercised by the Chief Investment Officer, or by either the Chairman of the Board of Directors or the Chairman of the Finance Committee in the event that the Chief Investment Officer is unavailable. Transaction authority encompasses the purchase, sale, redemption, or transfer of investments and the execution of any documents or instruments necessary for completion of investment transactions, subject to the authorized investments and investment guidelines of the investment policy.

## **7. Investment Advisors, Securities Dealers, and Financial Institutions**

The Chief Investment Officer will establish and maintain a list of investment agents including investment advisors, securities dealers, and financial institutions, with which the investment program is authorized to execute investment transactions. The Board of Directors shall review all investment agents and shall designate those investment agents that are approved for the investment program. An investment agent must be approved by the Board of Directors prior to the employment of the agent in the execution of investment program transactions

## **8. Investment Criteria**

**A. Investment Portfolio Asset Allocation.** The investment portfolio is comprised of immediately available cash assets, plus assets in excess of immediate cash that is deemed available for longer-term investment. The investment program will use a twofold strategy in which cash flow and budgetary modeling will estimate operations cash needs and will match immediately available cash assets and intermediate-term investment maturities with anticipated intermediate-term cash flows and expected

liabilities. Assets in excess of intermediate-term cash flow requirements will be deemed available for investment in longer-term securities. The maximum time horizon for longer-term investments shall be three years.

**B. Asset Allocation Evaluation Basis.** HIRSP Authority total assets are subject to wide seasonal variability due to the nature of the business cycle and large month-to-month fluctuations that occur in premium receivable and assessment receivable assets. Percentage of total assets is not a reliable metric for evaluating the proportionate asset allocation distribution of investment classes that comprise the investment portfolio. The metric that is used by the investment policy to evaluate investment portfolio distribution, expressed hereinafter as “percent of invested assets,” is calculated as the proportionate percentage invested relative to total cash and invested assets, excluding the widely varying receivable assets that are otherwise included in HIRSP Authority total assets.

**C. Investment Grade Securities Ratings.** Capital assets that are deemed available for investment may be allocated to investment participation in the classes of eligible investments listed in Investment Policy Section 9 below. Eligibility for investment within the asset classes is limited to securities that have been rated by a Nationally Recognized Securities Rating Organization (NRSRO) as being of the highest investment grade. Securities authorized under the investment policy are restricted to Class 1 investment grade securities as classified by the National Association of Insurance Commissioners (NAIC) Securities Valuation Office (SVO). Documentation of NAIC investment designation categories and of qualifying NRSRO ratings is included as Exhibit A to the investment policy.

**D. Adverse Changes in Investment Ratings.** Rating requirements and percentage limitations, where indicated, apply at the time of purchase. In the event that a security held in the investment portfolio is subject to a rating change that brings it below the minimum specified rating requirement, the Chief Investment Officer shall notify the Finance Committee of the change. The ratings change will be evaluated by the Finance Committee, taking into consideration the nature of the security, the reason for the ratings downgrade, and probability of recovery or further credit deterioration.

## 9. Eligible Investments

**A. U.S. Government Issues.** United States Treasury notes, bonds, bills, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest.

**B. Federal Agency Securities.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including instruments issued by or fully guaranteed for the payment of principal and interest by federal agencies or United States government sponsored enterprises. NAIC SVO documentation of acceptable securities that are backed by the full faith and credit of the United States government is included as Exhibit B of this investment policy.

**C. Public Utility Bonds.** Evidences of indebtedness of a public utility in the United States or Canada, and that conform to the requirements of Ins. 6.20 (5), Wis. Adm. Code. Public utility bond investment maturities at purchase shall not exceed three years. Investment is limited to not more than 10% of invested asset in securities of one state, or of one instrumentality of a state, or of one governmental unit of a state.

**D. U.S. Corporate Debt.** Intermediate-term notes rated NAIC Class 1 investment grade, defined as corporate and depository institution securities with a maximum remaining maturity of three years or less. Qualified securities are issued by corporations organized and operating in the United States or depository

institutions licensed by the United States or any individual state and operating in the United States. Investment is limited to not more than 3% of invested assets in any one issuer.

**E. Commercial Paper.** Commercial paper rated NAIC Class 1 investment grade. The investment program shall not invest in mortgage-backed commercial paper and will not invest in commercial paper that is collateralized by derivative or synthetic financial instruments. Purchases of commercial paper may not exceed 180 days maturity. Investment is limited to not more than 3% of invested assets in any one issuer.

**F. Banker's Acceptances.** Banker's acceptances rated NAIC Class 1 investment grade, issued by U.S. domestic banks which are eligible for purchase by the Federal Reserve System. Purchases of banker's acceptances may not exceed 180 days maturity. Investment is limited to not more than 3% of invested assets in any one issuer.

**G. Certificates of Deposit.** Federal Deposit Insurance Corporation (FDIC) insured or fully collateralized time certificates of deposit in financial institutions located in Wisconsin. Eligible investments are restricted to issuing institutions that have been in business at least five years and whose senior debt is rated "AA" or better by one or more NRSRO. Investment in certificates of deposit is limited to 20% of invested assets. The maximum term for deposits shall not exceed 18 months.

All time-deposits in excess of FDIC insurance limits shall be collateralized with securities that satisfy the investment portfolio eligibility criteria provided by Investment Policy Section 9 (A) and Section 9 (B). Initial deposit collateral shall have market valuation equal to not less than 105% of the deposit amount. Collateral shall subsequently be maintained at all times to have market valuation of not less than 102% of the deposit amount. In the event that collateral valuation decreases to have market value equal to less than 102% of the deposit amount, the collateral will immediately be increased to have market value equal to not less than 105% of the deposit amount.

## 10. Investment Limitations

The HIRSP Authority shall not invest for speculative purposes, and will not invest in speculative securities. Prohibited investments include financial futures contracts, financial options contracts, floaters and inverse floaters, derivative securities and asset-backed or mortgage-backed securities, equipment securities, real estate loans, preferred stock shares, and common stock shares (except as authorized under a separate Plan of Common Stock Investment approved by the Board of Directors).

## 11. Investment Reporting

The Chief Investment Officer shall be responsible for periodic investment reporting. An investment report shall be presented to the Finance Committee at each monthly committee meeting, which shall provide the following information:

- A summary of monthly investment transactions.
- A listing of the investment portfolio classified by sector indicating investment quantity, cost, par value, market value, current yield, and date of maturity.
- A report of any downgrade change in security ratings for any investments held in the investment portfolio.

The Chief Investment Officer shall prepare a bi-monthly investment report to be submitted at the regular meetings of the Board of Directors. The reports presented to the Board of Directors shall contain

information needed to evaluate the status of current investment holdings, the performance of the investment portfolio, and the degree of investment program compliance with the investment policy.

**12. Safekeeping and Custody**

All securities owned by the HIRSP Authority shall be maintained in safekeeping in the name of the Health Insurance Risk-Sharing Plan Authority, and shall be maintained in the custody of a third-party trust institution. The trust institution shall act as custodial agent for the HIRSP Authority under the terms of a custody agreement executed by the bank and the HIRSP Authority. All securities will be received and delivered by the custodian institution using standard delivery versus payment (DVP) procedures whereby the safekeeping agent will only release payment for a security subsequent to the proper transfer of the security to the custodian.

**13. Ethics and Conflict of Interest**

HIRSP Authority officers and employees who are involved in the investment program shall comply with the all of the following:

- A. Refrain from personal business activity that could conflict with the duty to act exclusively in the best interest of the HIRSP Authority or that could conflict with the proper execution and management of the investment program.
- B. Refrain from having any personal interest, directly or indirectly, in the sellers, sponsors, or managers of HIRSP authority investments.
- C. Refrain from receipt, in any manner, of compensation of any kind from any HIRSP Authority investments or investment activities.

**14. Changes to Investment Policy**

The investment policy may be amended solely by action of the HIRSP Authority Board of Directors, taken at a meeting at which a quorum of the directors is in attendance and participates in the investment policy amendment decision.