

Florida Healthy Kids Corporation

**Invitation to Negotiate 2012-02:
Institutional Investment Advisory Services**

For

THE FLORIDA HEALTHY KIDS CORPORATION

Florida Healthy Kids Corporation

661 E. Jefferson Street

2nd Floor, Florida Bar Annex Bldg.

Tallahassee, Florida 32301

(850) 224-5437

www.healthykids.org

Release Date: April 27, 2012

I. Introduction

The Florida Healthy Kids Corporation (“FHKC”) is a Florida non-profit corporation. It was established by the State of Florida in 1990 to demonstrate the concept of using school systems as a grouping mechanism for the purpose of providing comprehensive health insurance coverage for children. The Florida Healthy Kids Corporation Act can be found in section 624.91, Florida Statutes.

The Healthy Kids program is one (1) component of Florida’s KidCare program which provides health insurance coverage to children through four (4) separate programs: Healthy Kids, Medikids, Children’s Medical Services Network (“CMSN”) and Medicaid for Children. Florida KidCare is the combination of Florida’s Title XIX (Medicaid) program for children and Florida’s Title XXI or state Children’s Health Insurance Program (“CHIP”) which was created in 1998, pursuant to sections 409.810 through 409.821, Florida Statutes. This procurement invitation document covers only financial activities of the Florida Healthy Kids Corporation.

Terms used in this Invitation to Negotiate (“ITN”) are defined in the same manner as in the standard Contract included in this ITN and incorporated by reference. References to “Respondents” and “Bidders” or “Vendor” refer to those Parties that will respond or intend to respond to this ITN.

FHKC is not subject to the State of Florida bid requirements and has established its own competitive process for vendor selection. All interested parties should respond to the procurement invitation as outlined below. FHKC reserves the right to establish mandatory guidelines for vendor selection and may reject any or all bids at its discretion. In addition, FHKC may establish minimum response standards at its sole discretion.

II. Scope of the Invitation to Negotiate (ITN)

FHKC is soliciting proposals from interested parties for institutional investment advisory services. The firm selected under this procurement process will be expected to execute FHKC’s standard Contract for a three (3) year term with up to two (2) one year renewals. It has been FHKC’s policy to grant the renewal periods for satisfactory delivery of services.

The investment will consist of prepaid premium funds held by FHKC for future use for insurance coverage for children (FHKC will maintain custody of the assets). The initial investment will be \$2 million and it is anticipated the investment duration will be longer than one year. Since this is a new type of investment for FHKC, the type of investments, liquidity, safety and duration will be established in the investment policy statement.

Under this ITN, FHKC seeks the following proposed services in accordance with any noted guidelines or specifications:

- A. Investment advisory services, provided using the fiduciary standard, as established in the Investment Advisors Act of 1940.
- B. Development of an investment policy statement (IPS) and investment procedures.
- C. Initial investment of funds in accordance with the approved IPS and implementation of all monitoring and regulatory reporting requirements.
- D. Regular reports on investment performance to FHKC and to FHKC's Finance and Audit Committee and Board of Directors, as necessary.

FHKC is soliciting proposals under this ITN from any qualified firm that can provide any or all of the services designated above and that are not disqualified or otherwise de-barred from receiving any federal or state funds. Bidders may propose additional services that are not included above if the Bidder feels that FHKC would benefit from such services.

FHKC prefers to award the Contract to a single firm. However, if FHKC determines that awarding multiple contracts is in the best interest of FHKC, then multiple contracts may be awarded at FHKC's sole discretion. Bidder's participation in this process is acceptance of this term.

Bidders are not guaranteed any minimum level of services under this ITN and Bidders must be willing to work and coordinate efforts with other Bidders that may be awarded Contracts under this ITN.

The award of any Contracts under this ITN is contingent upon the availability of funds for the Program and this project.

The proposed effective date of any contract(s) issued under this ITN is July 1, 2012; however, the effective date is subject to change.

III. Procurement Process

A. Evaluation of Proposals

Proposals will be evaluated in a two (2) step process. First, proposals that do not offer the requested services, fail to meet the minimum requirements, or change the program's objectives will be disqualified in FHKC's sole discretion.

Proposals meeting these minimum qualifications will then be evaluated as to the services being proposed and the relative value of those services to the cost proposed.

Factors that are taken into consideration during this process include, but may not be limited to:

- Respondent's performance status with FHKC; if a current vendor or a previous vendor;
- Existing or previous litigation or regulatory action by or against the State of Florida or FHKC;
- Respondent is not de-barred or otherwise prohibited from contracting with FHKC, the State of Florida or from receiving federal or state funds;
- Reference checks conducted on Bidder's performance as a vendor for comparable contracts;
- Respondent's current and recent financial status;
- Experience providing similar services to the same or comparable clients;
- Proposed work plan and services being offered compared to the objectives of the Program and this ITN;
- Demonstrated ability to meet contract requirements in a timely manner; and,
- Competitiveness and value of cost proposal(s) and pricing approaches.

Proposals may be evaluated by a Committee of the Board of Directors or by a staff evaluation team. Personal interviews may be requested with any or all Respondents in FHKC's sole discretion. If scheduled, all interviews are conducted in Tallahassee, Florida and are scheduled by FHKC.

The manner, scope and length of any such Personal Interviews will be set by FHKC. Any materials presented by Respondents at the Personal Interviews will be considered public records. Respondents should also be aware that all submissions (ex: proposals, personal interview materials) received during this ITN process, selection criteria, scoring system and results from this ITN will be available for inspection upon request after the ITN process has been concluded in accordance with Florida law.

Respondents are responsible for ensuring that all elements of their proposals are provided in an organized and concise fashion. FHKC is not obligated to interpret any elements not clearly labeled or described. FHKC reserves the right to review and evaluate proposals as submitted without further input or clarification from the Respondent.

B. Calendar of Events

A proposed Calendar of Events has been established for this ITN process. This Calendar is subject to change by FHKC. Any changes to the timeline will be posted to the FHKC website at www.healthykids.org.

| Event | Date (All Times Eastern) |
|---|-------------------------------------|
| Final ITN Release Date | April 27, 2012 |
| Letters of Intent Due to Issuing Officer *Mandatory* | May 11, 2012 |
| Question and Answer Period | April 27, 2012 – May 4, 2012 |
| Final Answers Posted to Website | May 16, 2012 |
| Proposal Deadline | May 25, 2012 |
| Personal Interview Period (<i>Discretionary</i>) | June 4 -6, 2012 |
| Anticipated Award Date | June 21, 2012 FHKC Board Meeting |
| Contract Effective Date | July 1, 2012 |

A recommendation on the selection of Vendor or Vendors will be made to the FHKC Board of Directors following the conclusion of the evaluation process. The FHKC Board of Directors shall determine the final award of any Contract or Contracts. Award announcements are anticipated at the June 2012 or later board meeting but are subject to change.

Any of the deadlines or dates may be modified in FHKC's sole discretion.

C. Single Point of Contact

Respondents to this ITN and their agents may only contact the Issuing Officer, Jennifer Kiser Lloyd, Chief External Affairs Officer at lloydj@healthykids.org, during this procurement process. If Respondents or their agents contact any other employee of FHKC, an FHKC Board Member or Committee member, including ad-hoc board members, regarding this ITN or this procurement process before the final Contract awards has been made by the FHKC Board of Directors, Respondent's proposal may be disqualified in the sole discretion of FHKC.

D. Questions Regarding the ITN

Any explanation desired by Respondents regarding the meaning or interpretation of the ITN must be submitted in writing to the Issuing Officer through one (1) of the following methods: faxed to (850) 224-0615 or submitted electronically to lloydj@healthykids.org; no phone calls will be accepted. Only those questions received in writing will receive a response. All questions will be posted to the website for all Respondents to view.

Questions will be accepted through May 4, 2012. All questions received by the deadline will be answered by May 16, 2012 and posted to the website. Questions received after the deadline will be considered on a case-by-case basis by FHKC for a determination as to whether or not all potential bidders would benefit from a response. Any responses will be posted to the FHKC website.

E. Requests for Supplemental Information

Written requests for any information not included with this ITN will be considered by FHKC. All attempts to satisfy reasonable requests for information will be made by FHKC. If FHKC determines that such information would be beneficial, the information will be posted on FHKC's website.

Once an ITN has been issued, individual public records requests for information relating to prior procurement processes and bid responses will be honored through the scheduling of a public viewing of such records. Grading tools and procurement files from prior processes are no indication of future processes.

Any information or responses received by interested parties verbally or through other representatives either before or during this ITN process are not binding on FHKC, and Respondents should not rely on such information.

In accordance with state law, proposals received under this ITN, the grading tools and other materials developed as part of this process are not available to the public until the process has concluded.

F. Amendment of the ITN

FHKC reserves the right to amend any portion of the ITN at any time prior to the announcement of Contract award. In any such event, all Respondents will be afforded an opportunity to revise their proposals to address ONLY the amendment, if in FHKC's sole discretion, it determines such an amendment is necessary.

G. Special Note – Disclosure Statement

FHKC is a private, Florida non-profit corporation and not subject to the bid requirements of the State of Florida. FHKC may elect to consider or reject any or all responses. Information contained in any proposals received under this ITN is not available to any other respondents until the ITN process has been concluded. A Respondent's response to this ITN and the submission of any subsequent formal proposal or bid indicates its agreement to this statement.

IV. Other Terms and Conditions

A. Most Favorable Terms

FHKC reserves the right to award a Contract without any further discussion with the Respondents regarding the proposals received. FHKC reserves the right to contact individual Respondents to clarify any point regarding their proposals or to correct minor discrepancies. FHKC is not obligated to accept any proposal modification or revision after the bid submission date.

B. Withdrawal of Proposals

Respondents may withdraw any or all proposals at any time prior to execution of a Contract by submitting a written statement to the Issuing Officer.

C. Conditions

Conditions, caveats or contingencies for acceptance that are included in a proposal will not be considered and may result in disqualification of the entire proposal without further consideration or opportunity for modification or clarification by the Respondent.

All documents, data, products, graphics, computer programs, deliverables and reports prepared by the Respondent pursuant to any Contract or Agreement executed as a result of this ITN shall be considered property of FHKC upon payment for the product or services. All such items shall be delivered to FHKC at the completion of work or Contract, as determined by FHKC.

D. Competitive Negotiation Process

In the final phase of the ITN, FHKC may elect to enter into negotiations with selected Respondents in order to select the best Respondent or Respondents for the project.

FHKC also may elect to execute a Contract or Contracts with a selected Respondent or Respondents without any further negotiation. Therefore, proposals should be submitted in complete form, and pursuant to all terms and conditions as required in this ITN.

FHKC is the sole judge of which proposals provide the best solutions in terms of technical merits and price.

E. Limitations

Respondents may not submit more than one (1) proposal under multiple entities that are affiliated and linked by shared ownership or controlling interests. FHKC shall make the final determination of such, will notify Respondents of any such situations and request that Respondent withdraw all but one (1) of the affiliated proposals, or all of the Respondents' proposals from all affiliated entities may risk disqualification from the ITN process.

F. Announcements and Press Releases

Any announcements or press releases regarding Contracts awarded under this ITN must be approved by FHKC prior to release.

V. Submission Requirements

A. Submission Address and Deadlines

In order to be considered, all proposals must be submitted to the Issuing Officer at the address listed below in the manner prescribed under this ITN:

Jennifer Kiser Lloyd
Chief External Affairs Officer
Florida Healthy Kids Corporation
661 East Jefferson Street
Florida Bar Annex Building, 2nd Floor
Tallahassee, Florida 32301
(850) 701-6108

Respondents should thoroughly address all of the stated components for each designated lettered Tab (see below). The Respondent should consult the ITN and associated documents, and the proposed Contract for additional information or guidance on each of the proposal components.

Proposals must be received by **12:00 noon (Eastern) on May 25, 2012**. Proposals received after this date and time will NOT be considered.

B. Specific Contents

Each proposal must be presented in hard copy format (three-ring binders that are easily flip-able) and electronic format (searchable CD or flash drive) in the following manner:

- Each notebook and CD or flash drive must be clearly marked with the Respondent's official and legal name, address and contact information in the front of each notebook and on each CD cover or flash drive.
- Information contained on the CD or flash drive must be in WORD format. Third Party Reports or information may be included in PDF format.
- Within the response, both electronic and hard copy, the contents should be organized by lettered and numbered tabs as designated below.

Tab A: Profile of Respondent

Tab 1 – Prior Experience of Respondent:

Under this Tab, FHKC is looking for corporate background information on the Respondent, including specific experience in handling funds for similar organizations or programs. In its response, the Respondent should address, at a minimum, the following components under this Tab:

Background information and corporate profile of firm, including any experience Respondent may have with providing services for state or federally funded programs such as Medicaid, Title XXI (state Children's Health Insurance Programs ("CHIP")) or other initiatives.

Respondent should state the size of the firm, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed to provide these services on a full time basis. Respondent should indicate the percentage of services that will be delivered by staff located in Florida.

Provide the date on which your organization was founded and briefly describe the ownership structure and organization type (e.g., financial institution, broker dealer, or registered investment advisor). Explain any material changes in ownership that have occurred in the past five years.

Identify and describe any current litigation or investigation by a regulatory authority or contingent liabilities that your company, its officers, or principals have been involved in within the last five years relative to your investment management services.

Discuss how long your organization has been managing fixed income assets and provide a history of assets under management by your organization for at least the past ten years.

Provide the current number of clients, average portfolio size and average duration of assets under management by your organization.

What percentage of Respondent's total revenue is derived from investment advisory services?

Discuss the factors that differentiate your organization from other providers.

Tab 2 – Financial Stability and Solvency of Respondent:

Under this Tab, Respondent must demonstrate its financial solvency and address the following components, at a minimum:

- Respondent must provide documentation of the financial solvency of the firm, including audited financial statements for the organization's two (2) most recent fiscal years.
- If the organization's two (2) most recent fiscal years ended within 120 days prior to the proposal due date (in accordance with the ITN Calendar) and the last audited financial statement is not yet available, FHKC will consider the two (2) immediately prior fiscal years as the most recent. If audited financial statements are not routinely available, Respondent must provide other evidence of their organization's financial stability.

Tab 3 – Investment Strategies:

Discuss the type of investment strategy/portfolio(s) that you would recommend for FHKC's investment policy statement (IPS), based on the information provided by in Section II, Scope of the Invitation to Negotiate. List all types of securities allowed for the recommended investment strategy/portfolio.

Describe your screening process for ensuring that investments would meet the requirements of the proposed IPS.

- a. What is the process for handling investments that initially comply with FHKC's investment policy but during the investment period fall outside of FHKC's investment policy?
- b. How is FHKC protected in the event the investment manager makes an investment that initially or at any time during the holding period falls outside FHKC's IPS?

Summarize any insurance coverage that is relevant to the recommended investment strategy/portfolio(s) and discuss any insurance claims that have been made in the last five years.

Describe your investment philosophy for managing fixed income assets using the investment strategy/portfolio(s) that you would recommend.

Tab 4 – Organizational Chart and Key Personnel:

Under this Tab, the Respondent should provide its Corporate Organizational Chart with identification of key staff members who would have responsibilities if awarded this Contract. Resumes and qualifications of personnel that would have primary responsibilities under this Contract should be provided.

Tab 5 – Conflict of Interest Statement and Disclosure:

FHKC has a Code of Ethics which will be posted on FHKC's website with this ITN. The Respondent must review the Code of Ethics and disclose under this Tab any relationships with any members of FHKC's Board of Directors or employees.

If no conflicts exist, Respondent must so affirmatively state that no such conflicts exists.

Tab 6 – Affirmation Statement:

Respondent must provide an Affirmation attesting agreement to all terms and agreement as proposed under this ITN and the proposed Contract. This attestation also must affirm that the Respondent is not de-barred or otherwise prohibited from or being eligible to receive federal or state funds.

This attestation must be signed and dated by an executive officer of the Respondent.

Tab 7 – References:

For the firm's office that will be assigned responsibility for the services covered under this ITN, Respondent should list the most significant engagements (not more than ten (10)) performed in the last five (5) years that are similar to the engagement described in this ITN. The approximate account size for each reference must be included. Respondent should provide this information utilizing the form included as an Appendix to this ITN.

Tab B: Copy of Letter of Intent

A copy of Respondent's Letter of Intent (the "LOI") must be included under Tab B.

Only those Respondents who have sent a written LOI on the Respondent's letterhead to the Issuing Officer by 5:00 p.m. (Eastern) on Friday, May 4, 2012 will have their proposals considered.

The LOI should clearly identify the responding firm, a contact name and contact information including mailing address, email address, telephone number and fax number, alternate contact name and corresponding information. The LOI must be signed by an executive officer of the firm.

The LOI is non-binding and may be withdrawn at any time by the Respondent.

Tab C: Scope of Services

For each of the proposed services identified in Section II Scope of the Invitation to Negotiate, Respondent must fully explain at a minimum the following features:

1. The key features of the service or component;
2. The respondent's approach to the delivery of that service;
3. Identification of personnel that will be responsible for its success;
6. How the organization will ensure its timely and satisfactory delivery to FHKC;
7. What mechanisms will be utilized to involve FHKC in the process; and,
8. Any other information deemed relevant or important for FHKC to consider about the firm's proposal.

Respondents may propose other related services not detailed in Section II Scope of the Invitation to Negotiate

Tab D: Contract

If selected to provide services, a Contract will be executed between FHKC and the successful Respondent or Respondents. The proposed Contract will be posted to FHKC website with the ITN.

Conflicts

Any conflicts between the proposed Contract, this ITN and the Respondent's proposal will be resolved by FHKC and included in the final Contract that is executed between the Parties.

Revisions

Revisions to FHKC's standard Contract are not generally accepted; however, the Respondent may include in its response any requested changes. Requested changes are reviewed and evaluated and points may be deducted for substantive changes. Excessive or unreasonable changes or changes that modify the program's objectives amend substantive changes or impair FHKC's fiduciary or other contractual responsibilities may result in points being deducted or the proposal being removed from further consideration. FHKC reserves the right to reject any or all requested changes in its sole discretion.

If the Respondent anticipates requesting revisions, the specific revisions must be requested in writing in a strikethrough and underline format of the original document and submitted with the proposal.

Under this Tab, the Respondent must state explicitly its acceptance of the proposed Contract as presented. Respondents must also include a copy of their organization's

letter of agreement or equivalent in the event an individual project is selected for further negotiation.

FHKC may make awards with no revisions accepted to its standard Contract.

Tab E Pricing Proposals

Tab 1 – Required Pricing Format

Respondents must utilize the table provided below to present their pricing proposal. All pricing proposals must be guaranteed over the potential three (3) year time period of the Contract.

If your organization will accept a performance-based fee that depends on whether investment objectives were met, discuss how this payment system would be implemented and structured over the three (3) year period.

Specify whether Respondent's pricing will be based on a fee (transactions) or on a value (basis point) basis. Pricing should assume a \$2 million investment value for the full three years.

| Fee Basis | Year One | Year Two | Year Three | 3-Year Total |
|------------------|-----------------|-----------------|-------------------|---------------------|
| | | | | |

Tab 2 – Optional Pricing Scenarios

Under Tab 2, Respondents may provide FHKC with additional pricing scenarios for the three (3) year term of the Contract. Respondent is not limited in the number in the optional pricing scenarios that may be presented under this Tab.

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APPENDIX REFERENCE FORM

Provide at least three (3) contract references where Respondent has provided similar services. Contracts should either be current or have concluded within the last two (2) years. FHKC will contact these references so Respondent should ensure that information below is current and accurate for purposes of contacting the contracted entity and contract manager.

| | 1 | 2 | 3 |
|---|----------|----------|----------|
| Organization: | | | |
| Address: | | | |
| Scope of Services Provided: | | | |
| Contract Begin Date: | | | |
| Contract End Date: | | | |
| If Contract Ended, Reason Ended: | | | |
| Area of Contract: (Statewide, County, Regional) | | | |
| How Compensated Under Contract: (Per project, retainer, ad hoc, other, explain) | | | |
| Annual Contract Value: | | | |
| Contact Name for Contracting Entity: | | | |
| Contact Information for Contracting Entity: | | | |