

WATERTOWN CONTRIBUTORY RETIREMENT SYSTEM

Request for Proposals for Investment Consultant Services

The WATERTOWN RETIREMENT BOARD, overseers of the Watertown Retirement System, a Massachusetts municipal public pension fund with assets of approximately \$120 million, invites qualified entities to submit proposals for Investment Consultant Services.

SUBMISSION

Proposals shall be submitted and evaluated in compliance with the requirements applicable to Massachusetts public employee retirement board contracts for the procurement of investment services, as set forth in [Massachusetts General Laws, Chapter 32, § 23B](#), and with applicable rules, regulations and policies promulgated by the [Massachusetts Public Employee Retirement Administration Commission](#) (“commission” or “PERAC”).

Pursuant to G.L. c. 32, § 23B(k)(1), the request for proposals shall include mandatory contractual terms and conditions to be incorporated into the contract including provisions:

- (a) stating that the contractor is a fiduciary with respect to the funds which the contractor invests on behalf of the retirement board;
- (b) stating that the contractor shall not be indemnified by the retirement board;
- (c) requiring the contractor to annually inform the commission and the board of any arrangements in oral or in writing, for compensation or other benefit received or expected to be received by the contractor or a related person from others in connection with the contractor’s services to the retirement board or any other client;
- (d) requiring the contractor to annually disclose to the commission and the retirement board compensation, in whatever form, paid or expected to be paid, directly or indirectly, by the contractor or a related person to others in relation to the contractor’s services to the retirement board or any other client; and
- (e) requiring the contractor to annually disclose to the commission and the retirement board in writing any conflict of interest the contractor may have that could reasonably be expected to impair the contractor's ability to render unbiased and objective services to the retirement board. Other mandatory contractual terms and conditions shall address investment objectives, brokerage practices, proxy voting and tender offer exercise procedures, terms of employment and termination provisions.

Investments are further subject to restrictions set forth in [Massachusetts General Laws, Chapter 32, § 23\(2\)](#), and PERAC's [Investment Regulations](#). In addition to completion of the questionnaire set forth below, the contractor will be required to submit the following PERAC forms as part of the Investment Manager Contract:

[Vendor Certification of Good Faith Proposal](#)
[Disclosure of Conflict of Interest](#)
[Annual Disclosure of Compensation Received](#)
[Annual Disclosure of Compensation Paid](#)
[Placement Agent Statement](#)

One (1) original and one (1) copy of the response should be submitted to Barbara Sheehan, Director, Watertown Retirement System, Administration Building, 149 Main Street, Watertown, MA 02472.

After evaluation of the proposal, an interview may be scheduled, in which case additional copies of the response will be required. Questions regarding this search should be directed to Ms. Sheehan at (617)972-6456 or email at bsheehan@watertownretirement.com.

All responses to this request for proposal must be **received** by the Watertown Contributory Retirement System on or before 12:00 PM on Thursday, February 12, 2015, at which time they will be opened. There will be no exceptions made or extensions of time granted.

INVESTMENT CONSULTANT RESPONSES

BACKGROUND AND ORGANIZATION

1. Please describe the Company's history from inception to date, and ownership structure, including affiliates and subsidiaries. Please list other Company offices, branches, etc., indicating the office which would service this account and the identity of the primary contact for this request for proposal.
2. Please describe the type of consulting services provided by the Company. Please list the Company's affiliations with investment managers, trusts, brokerage firms, etc. Please indicate whether the Company or its affiliates is a broker/dealer.
3. Please describe in detail the Company's methods of avoiding conflicts of interests. Please indicate if any investment services or products provided or offered by the Company would preclude the Company from providing services to the Watertown Retirement Board. Please indicate whether the Company and/or its affiliates, or employees, have clients or associations that could present a conflict of

interest and/or compromise the objectivity of the Company's advice to the Watertown Retirement Board. Please describe the Company's culture and code of ethics/conduct.

4. Please certify whether the Company is registered with the SEC as an investment advisor and provide Form ADV Part II. Please indicate whether the Company, or any employee of the Company, has been the subject of any litigation, or complaints from the SEC or other regulatory authorities or law enforcement agencies, involving allegations of fraud, negligence, criminal activity, or breach of fiduciary duty relating to consulting activities. If so, please describe the circumstances and indicate the resolution.

5. Please provide evidence of the Company's bonding, fiduciary liability insurance, errors or omission insurance, or other insurance available for claims.

STAFFING AND RESOURCES

1. Please provide an organizational chart of the company, including the total size of staff, the staff for each line of business or specialty, and a description of the level of experience of the investment, consulting and research staff, including the number of Chartered Financial Analysts, CAIA designations, and advanced degrees. Please describe how the Company attracts, retains and motivates qualified employees and consultants. Please provide a list of key professionals that have left the Company in the last three years and their reason for leaving.

2. Please identify the individual(s) who will service this account, including biographical information. Please describe the distribution of workload, including the number of clients by asset size and type of client (e.g. Taft-Hartley, public pension, corporate, foundation, etc), and how continuity of service will be maintained.

3. Please provide a representative listing of the Company's clients, including public pension plans in the United States, and in Massachusetts. Please provide the contact information for five current clients for whom the Company provides fiduciary manager services, preferably public pension plans.

5. Please list clients that have terminated the Company's services during the past five years, indicating the reasons for terminating services.

6. Please provide five pension management client references, including service provided, asset size and length of relationship.

INVESTMENT SERVICES AND FEES

1. Please describe how the Company's delivery of services are distinguished from the Company's competitors.
2. Please describe in detail the Company's fee structure, listing all services included. Please list separately all fees for administrative services, including trust and custody services, if applicable.
3. Describe the types of analysis included in a typical performance evaluation report. Please provide the frequency and timeliness of reporting. Please describe electronic account access. Please describe the Company's ability to customize performance reports to meet specific needs of the Watertown Retirement Board.
4. Please describe in detail all circumstances under which the Company receives fees or other compensation from investment managers or brokers (including commission arrangement, soft-dollar arrangements, database inclusion, performance measurement, product development, seminars, etc). Please describe the percentage of revenue derived directly from plan sponsors, money managers, brokers, and other sources.

INVESTMENT POLICY, ASSET ALLOCATION, INVESTMENT PROCESS

1. Please describe the processes and tools utilized by the Company to assist the Watertown Retirement Board in developing investment policies and objectives, including the process for recommending modifications to investment guidelines. Please provide an outline of the issues and items that would be covered in a typical policy statement.
2. Please describe the Company's asset allocation process, theory and methodology, including rebalancing. Please describe the tools utilized for asset/liability modeling, identifying all asset classes which are included, and the use of active and passive strategies. Please describe how the Company's delivery of these services is distinguished from the Company's competitors.
3. Please describe the Company's investment philosophy, specifically addressing the Company's recommendation as to the proper number of managers to serve the Watertown Retirement Board, and addressing safeguards to against overlapping portfolio holdings among managers.
4. Please describe the Company's manager selection, oversight and replacement process, including the Company's policies relative to termination of underperforming managers. Please describe the transition management process.

5. Please describe the number of investment managers in the Company's database in each asset class, including real estate, alternative investments and absolute return, and how these managers are evaluated, selected, retained and/or dismissed.

6. Please advise whether and to what extent the Company charges direct or indirect fees for investment managers to be included in the Company's investment manager database. Please advise whether and to what extent the Company charges investment managers direct or indirect fees when selected by clients. Please advise whether the Company solicits or accepts fees for placing or helping to place investment managers. Please advise whether and to what extent the Company or any affiliate executes brokerage transactions for funds managed by the Company.

COMPLIANCE WITH MASSACHUSETTS LAW

1. Please describe the Company's ability to comply with General Laws Chapter 32, § 23B(k)(1):

(a) stating that the contractor is a fiduciary with respect to the funds which the contractor invests on behalf of the retirement board;

(b) stating that the contractor shall not be indemnified by the retirement board;

(c) requiring the contractor to annually inform the commission and the board of any arrangements in oral or in writing, for compensation or other benefit received or expected to be received by the contractor or a related person from others in connection with the contractor's services to the retirement board or any other client;

(d) requiring the contractor to annually disclose to the commission and the retirement board compensation, in whatever form, paid or expected to be paid, directly or indirectly, by the contractor or a related person to others in relation to the contractor's services to the retirement board or any other client; and

(e) requiring the contractor to annually disclose to the commission and the retirement board in writing any conflict of interest the contractor may have that could reasonably be expected to impair the contractor's ability to render unbiased and objective services to the retirement board. Other mandatory contractual terms and conditions shall address investment objectives, brokerage practices, proxy voting and tender offer exercise procedures, terms of employment and termination provisions.

EVALUATION CRITERIA AND RATING

1. Excepting “minor informalities,” proposals for services not addressing or meeting the Minimum Criteria will not be considered “responsive” and will be excluded from further evaluation. A “minor informality” is defined as: minor deviations, insignificant mistakes, and matters of form rather than substance of the bid, proposal, or contact document which can be waived or corrected without prejudice to other bidders, potential bidders, or the governmental body.

2. Rating evaluations shall be established as advantageous, highly advantageous, not advantageous, or unacceptable.

3. Assignment of rating:

(a) “Advantageous” will be assigned to responsive proposals addressing all items and meeting all criteria for each part of the proposal.

(b) “Highly Advantageous” will be assigned based on:

Strength, stability and longevity of the entity.

Depth of experience and knowledge of the entity and/or individuals with Massachusetts public pension fund investments including all statutory provisions and rules and regulations.

Significant level of experience with Massachusetts public pension systems and regulatory agencies.

Length of time the entity and/or individuals has worked as a team or unit.

Scope of research available to monitor and provide the services required.

Level of the ability of the firm and/or individuals to provide information updates and clarification of new and pending legislation.

Depth and completeness of reports.

Data and reports presented in a clear and concise format.

A firm commitment to attend regular and special meetings of the

Board beyond those established by the Minimum Criteria.

High level of client satisfaction

- (c) “Not Advantageous” will be assigned for those proposals submitted by entities who have:

Minimal experience with Massachusetts public pension funds and agencies.

Minimal experience with Chapter 32 and PERAC regulations

Minimal experience as a working team or unit

- (d) “Unacceptable” will be assigned for proposals that materially fail to meet or address the items enumerated in this request, or proposals that fail to include required documentation.

Proposals containing “optional” services will not be given a higher rating.

N.B. To avoid an “unacceptable” rating for failure to address any item of the Request for Proposals, e.g., an item is not applicable to the entity, an explanation of such should be stated in the response.

INFORMATION FOR BIDDERS

Qualifications of Bidders: The Watertown Retirement Board may make such investigations as they deem necessary to determine the ability of the bidder to perform the work, and the bidder shall furnish to the same all such information for this purpose as may be requested. The Board reserves the right to reject any bid if the evidence submitted by or investigation of such bidder fails to satisfy the Board that such bidder is properly qualified to carry out the obligations of the contract and to complete the work contemplated therein.

Consideration of Bids: The Board reserves the right to accept any bid, or any part of any bid, or reject any or all bids if, in its sole judgment, the best interests of the Watertown Retirement System would be served by so doing.

Bid in Effect: Unless sooner rejected or accepted, all bids must be firm and continue in effect for a period of forty-five (45) days from the date of opening. Firms should indicate if their bid prices will be held firm for a longer period, and under what restrictions, if any.

Award of Contract: The Contract will be awarded by the Watertown Retirement Board, subject to consideration of bids, within forty-five (45) days after the opening of bids. The successful bidder will be notified in writing, by mail, e-mail or otherwise, that the bid has been accepted and that the firm has been awarded the contract.

Taxes: Purchases made by the Town of Watertown, including the Watertown Retirement System, are exempt from the payment of Federal excise taxes and Massachusetts sale taxes and any such taxes must not be included in bid prices. Tax exemption certificates will be furnished upon request.

Non-Collusion: The bidder MUST sign and return the attached Vendor Certification Form with the bid.

Signatures: A bid filed by a corporation must bear the signature of an official of the corporation and the corporate seal. Bids by an individual or in the name of an individual doing business under a company name must be signed by the individual. A bid submitted by a partnership must bear the signature of one of the partners. All signatures must be in ink on the copy filed with the Board. Typewritten signatures are not sufficient. Bids improperly signed may not be considered.

Cancellation of Award: The award to the successful bidder may be canceled if the successful bidder shall fail to prosecute the work with promptness and diligence, or if funds for this service are not appropriated by the Board.

Conflict of Interest: The bidder certifies that no official or employee of the Town of Watertown has a financial interest in this quotation or in the contract for which the bidder offers to execute or in the expected profits to arise therefrom, unless there has been compliance with provisions of Mass. General Laws Chapter 43, Section 27 (Interest in Public Contracts by Public Employees) and Mass. General Laws, Chapter 268A, Sec. 20 (Conflict of Interest).

Indemnification: The bidder agrees to take all necessary precautions to prevent injury to any persons or damage to property during the term of this agreement and agrees to indemnify, defend and hold the Watertown Retirement System harmless from any and all claims arising out of the performance of this agreement.

Name of person signing proposal (print or type)

Authorized signature of person signing proposal

Title

Company

Date

PERAC ACKNOWLEDGEMENT

The undersigned certifies that they have reviewed the regulations set forth by the Public Employee Retirement Administration Commission, 840 CMR and are in full compliance. A copy of the regulations can be obtained via the Internet at www.state.ma.us/PERAC/regulations.htm.

Name of person signing proposal (print or type)

Authorized signature of person signing proposal

Title

Company

Date