

FRANKLIN REGIONAL RETIREMENT SYSTEM

REQUEST FOR PROPOSALS FOR INVESTMENT CONSULTANT SERVICES

PURPOSE AND BACKGROUND

The **Franklin Regional** Retirement Board (“Board”) is considering the procurement of services for a pension investment consultant. The Board is subject to the oversight and regulations of the Public Employee Retirement Administration Commission (PERAC). The Board is responsible for administering the assets of the **Franklin Regional** Retirement System (“System”) in the approximate amount of **\$145** million. The Board current portfolio consists of four active managers (1 small cap, 1 mid cap and 2 large cap), the Pension Reserves Investment Trust (“PRIT”) Fund, and three pooled funds. The Board currently conducts an average of one RFP annually.

Copies of the most recent quarterly performance reports may be obtained directly from the Board on the its website at **FRRSMA.com**

The Board is governed by a five member Board and is comprised of **39 member units**. The Board employs a staff of **5** people in its office located in **Greenfield**, Massachusetts.

The most recent valuation completed by the Board is as of **January 1, 2018**. The System is currently 73.2% funded with an unfunded liability of **\$50.8** million as of **January 1, 2018**. The Board’s funding schedule calls for full funding of its system by **2034**.

As of **12/31/2017**, the Board had **972** active participants, **614** inactive participants and **601** retired participants and beneficiaries within the retirement system.

The Board is governed by Chapter 32 of Massachusetts General Laws (“Chapter 32”) and is a member of the Massachusetts Association of Contributory Retirement Systems. The Board currently operates a website located at **<http://www.frrsma.com/>**.

It is expected that a consultant will be retained for a period of not more than 7 years, at the Board’s sole discretion. It shall be the primary purpose of the consultant to advise the Board with respect to its available investment options, provide performance comparatives for at least the last ten (10) years, to make recommendations to the Board whether its current investment portfolio and asset allocation is prudent given the Board’s liabilities and existing funding schedule, develop overall investment policy and investment policy for specific asset classes and to conduct RFPs as required and/or requested (develop, issue, analyze, rank, report, present, attend interviews and advise the Board).

CERTIFICATION AND COMPLIANCE

No agreement may be awarded unless all forms required by this RFP shall be completed. Further, no agreement may be awarded unless all of the requirements are met as set forth in Chapter 32, Section 23B. In addition to the forms required in this RFP, the following must also be completed and submitted with the Proposal. These include: the PERAC Vendor Certification, Vendor Disclosure and Placement Agent Statement Forms as provided on PERAC's website at www.state.ma.us/PERAC. These are interactive forms that all Proposers must complete and submit with their proposal.

Submitted proposals for services and for pricing must contain this form with the following certification signed:

The undersigned certifies under penalties of perjury that this proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean any natural person, business, partnership, corporation, union, committee, club, or any other organization, entity, or group of individuals.

FUNDING

Proposers are advised that the contract shall be cancelled if funds are not appropriated or otherwise made available to support continuation of performance in any fiscal year succeeding the first year.

INSTRUCTIONS TO PROPOSERS

Designated Contact: Prior to receiving a copy of this Request for Proposals (hereinafter "RFP"), a Proposer must provide to the following information to the Board's designated contact via email published on the following page :

Name
Address
Phone Number
Fax Number
Email Address

The person listed above will be the designated contact for the Proposer. All correspondence from the Board will be to the designated contact of the Proposer. The Board will endeavor to submit all responses via email. However, the Board reserves the right to submit correspondence relative to this RFP in any manner it deems appropriate.

No proposal will be considered from any person who has not registered in the manner required by this RFP.

Receiving Copies of the RFP: The RFP is available on the Board's website as follows:

www.FRRSMA.com

In order to comply with the instructions in the previous paragraph Proposer's must sent the required information to the Executive Director at the email noted here:

Dale Kowacki, Executive Director
FRRS.RFP2018@gmail.com
Subject line: Investment Consultant Services

Correspondence and Questions: All correspondence and questions relating to this RFP will be submitted to the Board's designated contact by email only. All questions and responses will be provided to all individuals/firms requesting a copy of the RFP. Any changes in the requirements of this RFP will be issued via addendum. All addenda will be sent via email to the addresses provided by the Proposers. The Board reserves the right to send addenda by a method other than email.

Proposers should acknowledge in their submission that they have received any addenda issued pursuant to this RFP. All addenda will be numbered in the following format: Addendum 1, Addendum 2, etc.

All questions or comments on this RFP must be submitted to the Board's designated contact on or before **August 16, 2018 at 4:00PM**. No questions or comments will be accepted after this date and time.

Proposal Format and Requirements: Responses to this RFP must be submitted on or before August 16, 2018 at 4:00PM. Any proposal not meeting this deadline will not be accepted or considered. All proposals must be submitted to:

RFP for INVESTMENT CONSULTANT
Franklin Regional Retirement System
278 Main Street, Suite 311
Greenfield, MA 01301

Proposers shall submit one original copy and one electronic copy of their proposal. No amendments will be accepted after the closing date and time. Proposers mailing materials should allow adequate time to assure timely arrival.

The Board may, in its sole discretion, determine that a proposal has failed to meet all of the criteria required by this RFP and may disqualify that proposal, provided, however, that Board shall notify the respondent in writing prior to the issuance of any award under this RFP.

The Board further reserves the right to waive any minor informality as defined in Chapter 32, Section 23B(b) in any proposals received. The determination as to whether

or not to make an award as a result of this RFP shall be at the sole and absolute discretion of the Board.

Proposers will be required to submit their proposals in two, sealed envelopes. One envelope must contain the Fee Proposal contained as Appendix A in this RFP. The Fee Proposal will be opened separately after the Selection Committee has reviewed the qualifications of all firms. The second envelope will contain the firm's qualifications and forms as required in this RFP.

The two envelopes should be clearly marked, with the envelope containing your qualifications and the response to the requirements of this RFP stating:

RESPONSE TO INVESTMENT CONSULTING SERVICES RFP

FIRM NAME: _____

And the envelope containing your price proposal stating:

RESPONSE TO INVESTMENT CONSULTING SERVICES RFP – PRICE PROPOSAL

FIRM NAME: _____

The submission must be signed by an authorized individual.

Proposals shall be opened in the presence of one (1) or more witnesses on **August 16, 2018 at 4:00 p.m.**

Proposers must also submit a copy of your proposed contract (the Board reserves the right to amend, alter or replace your proposed contract at its discretion.)

An individual or firm may correct, modify, or withdraw a bid by written notice received by the Board prior to the Submission Deadline. Modifications must be submitted in a sealed envelope clearly labeled "Modification No. ___." Each modification must be numbered in sequence, and must reference the original submission.

After the Submission Deadline, provisions of the bids may not be changed in a manner prejudicial to the interests of the System or fair competition. The submission cost proposal must remain firm for 90 days after the Submission Deadline.

The Board reserves the right to cancel this RFP, or to reject any and all proposals, or any portion of any proposal, received in response to this RFP, upon its determination that such cancellation or rejection is in the best interests of the Board. Proposers acknowledge that the Board shall not be liable for any fees incurred in the preparation of their proposal.

The Board expects to award a contract by **October 31, 2018**. The Board may cancel this RFP, or reject in whole or in part any and all submissions, if the Board determines that cancellation or rejection serves the best interests of the System. The Board anticipates conducting interviews in the month of October although the Board reserves the right to change any aspect of this schedule at any time.

Any agreement pursuant to this RFP shall be for a period of **not more than 7 years**, subject to the same terms and conditions, and at the sole discretion of the Board. The Board reserves its right to terminate the contract executed between the Board and the selected proposer for any reason on thirty (30) days written notice.

RULE FOR AWARD

The fee and non-fee proposals submitted in response to this RFP will be considered separately, opened separately and evaluated separately. A Selection Committee will evaluate the non-fee proposal prior to opening the fee proposal. Bids will not be opened publicly but rather will be considered by the Selection Committee privately. All information will be released publicly upon completion of the selection process.

If the Selection Committee requires clarification or additional information, the Executive Director will communicate the request to the designated contact of the Proposer. The Selection Committee reserves the right to interview one or more Proposers to seek clarification during the evaluation process.

The Selection Committee will review the non-fee proposals and provide ratings based on the criteria contained in this RFP. Upon the completion of this review by the Selection Committee, the Board administrator will open the fee proposals.

The Board will select the most advantageous proposal based on the ratings and written evaluation of the Selection Committee and the cost proposals. The most advantageous proposal may not be the lowest cost proposal and it may not have the highest composite ranking. The selected proposal will be based on the Board's evaluation of the costs and benefits associated with each proposal. The proposal selected will be that which provides the best combination of quality and price for the System.

The Board administrator will provide a report to the Board on the selection process. The Board reserves the right to interview any Proposer for any purpose during this evaluation process. Further, the Board reserves the right to seek clarification on any aspect of any proposal as part of their review. No agreement for services under this RFP shall be executed until the Board authorizes such agreement.

EVALUATION CRITERIA

As required by statute, rating evaluations shall be established as advantageous, highly advantageous, not advantageous, or unacceptable. Each proposal will be rated in the following manner and on the following criteria.

- **Highly Advantageous** will be assigned based on:
 - Strength, stability and longevity of the firm;
 - Depth of experience and knowledge of the firm 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 firm and/or individuals has worked as a team or unit;
 - Scope of research available to monitor and provide services required;
 - Level of the ability of the firm and/or individuals to provide information updates and clarification of new and pending legislation, rules and regulations;
 - Ability to provide clear, concise, in-depth and complete reports and data in as few pages as possible.
 - A firm commitment to attend regular and special meetings of the Retirement Board beyond those established by the Minimum Criteria;
 - High level of client satisfaction.

- **Advantageous** will be assigned to a responsive proposal addressing all items and minimally meeting all criteria for each part of the proposal.

- **Not Advantageous** will be assigned for those proposals submitted by Proposers 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.

- **Unacceptable** will be assigned for proposals that:
 - Fail to address any mandatory item in this RFP;
 - Fail to meet or address any item of the Scope of Services;
 - Fail to submit the required documentation.

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

IMPORTANT NOTE: To avoid an “unacceptable” rating for failure to address any item of the Request for Proposals – if any item is not applicable to your firm you should so state in your response and provide an explanation.

PREFERRED CRITERIA

1. Experience within the firm, in the last five years, serving as consultant in the preparation or revision of general investment policy guidelines for at least one private or public pension fund client with assets of at least \$100 million and which has allocations in both domestic and international assets.
2. At least five (5) years combined experience in (1) serving as Primary Consultant to public and/or private pension funds; and/or (2) serving as chief executive officer, executive director or chief investment officer of a public or private pension funds with assets of at least \$100 million.
3. Experience as the Primary Consultant providing General Consulting Services, including investment policy and asset allocation consulting services to at least five (5) public and/or private pension funds.
4. Access to a database of domestic and international public market managers and have at least five years of experience in providing performance analysis on public market portfolios for public and/or private pension fund clients.
5. The firm must be a registered investment advisor pursuant to the Investment Advisors Acts of 1940 (15 U.S.C. 80b-1 et seq.).
6. The firm must meet all other criteria set forth in PERAC’s Investment Regulations, 840 CMR 16.00-25.00, et seq. and Chapter 32, Section 23B.

EXPERIENCE

The following information must be provided on the experience of your firm:

1. Please provide a brief history and background of the firm, including structure.
2. Please provide individual biographies of each consultant who you believe is qualified to service this account. Identify the person or persons who would have primary responsibility of this account.
3. Please describe in detail the firm's experience with Massachusetts public pension fund investments, Chapter 32 and PERAC Regulations.
4. Please state the firm's research capabilities as they relate to the services to be rendered to this System.
5. Please provide sample reports regularly provided to other Chapter 32 public pension plans.
6. Please provide complete details of any other service provided or marketed by the firm or by any individual in the firm, or any subsidiary of the firm, which may result in a potential conflict of interest with the firm's ability to provide services to this System.
7. Please state the relationship, in whatever form or capacity, of the firm, or any individual in the firm, with the following (i) any investment managers; (ii) any other provider of investment, custodial or pension related products or services and (iii) any brokerage firm.
8. Please provide a list of public fund clients and any private clients who have authorized such a disclosure. If you have private clients who do not wish to be identified, please disclose how many such clients to which your firm provides services.
9. Identify the name of any clients that have terminated your services since January 1, 2015.
10. Please submit the firm's ADV Form, Part II.
11. Has the firm or any member or professional employee ever been convicted of any crime described in Section 411 (A) of ERISA, fined, suspended, or censored by the Securities and Exchange Commission or any securities self-regulatory organization or named as defendant in any litigation involving charges of violation of ERISA?
12. Would the awarding of the contract to the firm result in a violation by the Board of PERAC Rules & Regulations 840 CMR 1:03?

SCOPE OF SERVICES

1. Regularly review and advise on the Board's existing asset allocation and strategy of its existing investment managers.
2. Annually review the Board's existing investment objectives and philosophy.
3. Monthly review of investment managers for:
 - a. performance monitoring; compliance with all statutory and PERAC regulatory provisions;
 - b. compliance with the Board's objectives and philosophy;
 - c. compliance with the Board's agreement with the manager(s).
4. Prepare recommendations, as required by the Board, for a methodology for the reduction of fees and charges associated with investments and investment related issues, where appropriate.
5. Develop proposals to modify allocations to meet projected cash flows as determined by the Board's Actuary.
6. Provide information and interpretation of new and pending legislation on any and all public pension fund issues and submit a report to the Board of the impact of such legislation to the system and the members.
7. Provide information to the Board's actuary as necessary to meet the requirements of GASB 67/68
8. Present financial performance of the system to the Board not less than quarterly, as well as to any other Committees or Boards as directed.
9. Provide other services that may be required relative to the Board's management of its investment managers and the compliance with all laws and regulations governing the Board.

FEE PROPOSAL

A fee proposal form is contained in this RFP as Appendix A. Proposers must complete the Fee Proposal Form fully in order to be considered by the Selection Committee. The Fee Proposal should account for all of the services required in this RFP.

APPENDIX A
FEE PROPOSAL FORM

Proposers must complete this form and submit it in a separate, sealed envelope.

1. Annual Investment Consulting Fees:

Year 1: \$ _____

Year 2 (if renewed): \$ _____

Year 3 (if renewed): \$ _____

Year 4 (if renewed): \$ _____

Year 5 (if renewed): \$ _____

Year 6 (if renewed): \$ _____

Year 7 (if renewed): \$ _____

2. The Board may negotiate the fees for the option years (not to exceed seven (7) years from commencement of this engagement) upon request of the selected firm and if the Board determines that such negotiation is in the best interests of the retirement system.

APPENDIX B

**CERTIFICATION
PURSUANT TO G.L c. 32, § 23B(k)(3)**

The undersigned certifies under penalties of perjury that this proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean a natural person, business, partnership, corporation, union, committee, club or other organization, entity or group of individuals.

Signature

Title (duly authorized)