

THE WOODLANDS FIREFIGHTERS’ RETIREMENT SYSTEM

REQUEST FOR PROPOSAL FOR INVESTMENT CONSULTING SERVICES

INTRODUCTION & BACKGROUND INFORMATION

The Woodlands Firefighters’ Retirement System (hereinafter the “System”) is seeking proposals from qualified bidders to provide investment consulting services to the System.

The System was established and operates under the provisions of the Texas Local Firefighters’ Retirement Act Vernon’s Ann. Civ. Stat., Art. 6243e (TLFFRA). As such, it is a governmental plan as defined under I.R.C. §414(d) and is not subject to Title I of ERISA. It is governed by a seven member Board of Trustees. The System has approximately \$32,743,176.00 in assets and currently serves over 140 active and retired participants. The Board currently employs South Texas Money Management as its general investment consultant.

A copy of the investment portfolio, asset allocation, and list of managers as of November 30, 2018 is attached as Exhibit A.

PURPOSE AND REQUESTED SERVICES

The System is seeking a qualified investment consulting firm to provide comprehensive, full retainer, general investment consulting advice and services. The selected general investment consulting firm will report to the Board and will functionally work closely with the System’s staff. The selected firm will demonstrate extensive experience and superior capability for providing those investment consulting services that are critical to the success of a retirement plan.

In general, the selected firm will assist the System in the ongoing process of investment policy review and compliance, strategic investment planning and asset allocation decisions. The firm will serve in a fiduciary capacity and will acknowledge in writing the firm’s fiduciary status, without qualification. In all cases, the firm and its consultants will offer its advice to the System solely in the interest of the System.

Specifically, the successful firm will demonstrate superior experience and capability in the areas of investment policy development and compliance, investment manager research and selection, asset allocation, risk management, and trustee education. The following are examples of the duties the System expects the general investment consulting firm to perform:

Policy Duties:

- Provide recommendations concerning long-term investment policy, investment objectives and strategy, including manager continuation policies and rebalancing policies.
- Provide recommendations concerning investment goals, policies, guidelines and procedures.
- Provide recommendations concerning risk management strategies.
- Provide recommendations concerning investment policy issues.

Performance Measurement Duties:

- Provide performance measurement, monitoring, attribution, style analysis, and risk analysis for total portfolio, all asset categories (including private markets), and all individual managers.
- Provide benchmark evaluation, implementation, and analysis.

Investment Manager Oversight Duties:

- Provide recommendations concerning manager allocation and structure.
- Support and provide ongoing monitoring of institutional investment managers.
- Provide investment manager selection services and recommendations.
- Provide investment manager performance-based fee schedules, where applicable.
- Provide ongoing monitoring of investment manager compliance.
- Monitor trading programs (cost containment).

Asset Allocation & Total Portfolio Duties:

- Conduct periodic asset allocation or asset/liability studies.
- Provide recommendations concerning policy issues.
- Provide recommendations concerning risk management strategies.
- Provide asset class and capital market research, analysis, and recommendations.
- Provide investment professional fee negotiation services (cost containment).
- Provide recommendations concerning brokerage issues, including directed brokerage, commission recapture, and low transaction cost trading strategies (cost containment).

Training, Education and Client Relations Duties:

- Provide quarterly reporting.
- Attend staff and/or Board meetings upon request.
- Attend scheduled quarterly Investment Committee and Board meetings to review performance.
- Provide investment education and training on a periodic basis.
- Provide assistance on special projects.
- Provide System contact for operational issues between meetings, in an appropriate and timely manner.
- Report in a timely manner any significant changes in the firm's structure or ownership.
- Report in a timely manner any significant changes to client base or staffing.
- The selected firm may also be asked to provide other services as required by the System and/or the System's staff.

PREFERRED QUALIFICATIONS

Qualified candidates should meet the following preferred qualification requirements, and this section should be addressed at the start of your proposal response.

1. The investment consulting firm must be a registered investment advisor with the SEC under the Investment Advisors Act of 1940. The investment consulting firm must contractually agree to be a fiduciary of the System in accordance with the provisions of Texas law.
2. The investment consulting firm must represent one or more other governmental pension plans and be willing to name such plans as a potential reference.
3. The investment consulting firm must agree to disclose all potential conflicts of interest that currently exist or could potentially occur, and annually disclose all sources of revenue and affiliations.

PROPOSAL COMPLETION AND SUBMISSION PROCEDURES

Please complete all questions in the order that they are presented in this Request for Proposal (“RFP”). Include all section and question numbers in your responses. The deadline for submission of the firm’s proposal (both electronic and hard copy versions) is close of business **(5:00 PM) on December 31, 2018** . Please submit **Eight (8)** hard copies of your proposal and email an electronic version in PDF format to:

Name	Jennifer Hanna, Plan Administrator
Plan	The Woodlands Firefighters’ Retirement System
Address	13095 FM 1484
City, State, Zip	Conroe, Texas 77303
Email Address	jhanna@twfrs.org

Please be as clear, accurate, and complete as possible in your responses. Providing incomplete or misleading data may lead to disqualification of the proposal and elimination of the firm from the search process. **Late proposals will not be accepted.**

PROPOSAL EVALUATION CRITERIA

Fees and compensation will be an important factor in the evaluation of investment consulting proposals. However, the Board of Trustees is not required to choose the lowest cost bidder. The Board of Trustees will select that firm which, in the Board’s sole discretion, best serves the overall needs of the System.

The Board of Trustees will approve the specific methodology and criteria by which submitted proposals will be scored. Selection of finalists and determinations of compliance with minimum qualifications is solely and exclusively within the judgment of the Board of Trustees and may be made solely on the basis of the Board’s evaluation of a candidate’s suitability.

The following is a summary of the **general** considerations that will be used to determine the firms that will be selected as finalists:

- Understanding of the System and ability to deliver
- Firm experience and System relevant experience
- Analytical tools, research and process
- Firm personnel and proposed consultant team
- System and industry feedback
- Independence and freedom from conflicts of interest
- Fees and compensation

INQUIRIES

All questions or desired clarifications regarding the intent or content of this RFP or the proposal process must be directed by e-mail to Jennifer Hanna at jhanna@twfrs.org. Respondents with questions or requiring clarification should direct questions to the following contact no later than

_____.

We ask that you or anyone on your behalf please refrain from contacting other staff members or members of the Board of Trustees during the search process and direct all inquiries only to the contact person listed above.

PROPOSAL QUESTIONNAIRE

PART A. FIRM OVERVIEW

1. Please provide the following proposal contact information:

Name:
Title:
Address:
Email Address:
Phone:
Facsimile:
Web Address:

2. Please provide the following firm information:
 - a. An overview of the firm, including its history and any special expertise or experiences that would be relevant to the System.
 - b. A description of the corporate structure of the firm, including the legal form of organization, the parent company (if applicable), and any affiliated companies, strategic partnerships, and joint ventures. If any near-term changes to the firm's corporate structure are anticipated, please also note these.
 - c. A list of all office locations and the number of professionals working in each office.
 - d. A description of the firm's organizational structure, including all operating divisions and functional areas, and the number of employees within each area.
 - e. A description of the firm's ownership structure, including parent company (if any).

3. For the most recent financial year-end, please list all services provided by the firm, the nature thereof, and the percentage of total income that each service represents. In your response please include the percentage of revenues both the firm and the ultimate parent company (if any) received from the following sources (should add to 100%):
 - a. Revenues from investment management organizations
 - b. Revenues from brokerage activity
 - c. Revenue from tax-exempt institutional investors
 - d. Revenue from other sources (please specify)

4. Briefly outline future plans for the consulting business including growth plans, number of consultants and areas of specialization.

5. Does the firm, its affiliates, or the ultimate parent of the firm act as a securities broker/dealer or introducing broker for funds? If yes, please provide the following information about the firm's brokerage operating policies.
 - a. Does the firm or affiliates accept soft dollars as a method of payment for services provided? Once a fund's consulting fees are paid in full for a given year, how are the additional commissions allocated?
 - b. What percentage of commissions are credited to the fund or offset against consulting fees? What percentage does the firm retain?
 - c. Does the brokerage operation accept "free trades"? (i.e., trades unconnected to a commission recapture or directed commission program)
6. Does the firm, its affiliates, or the ultimate parent of the firm receive revenues from investment managers for consulting services provided, software sold, attendance at conferences, access to manager databases, or for any other reason?
7. If the firm accepts revenues from investment managers or acts as a securities broker or introducing broker, please provide the following information about the firm's operating policies:
 - a. Is there physical separation between the consulting area and the area(s) with manager revenue/brokerage activities?
 - b. Is there personnel overlap between the consulting area and the area(s) with manager revenue/brokerage activities?
 - c. What parties have oversight authority for both the consulting area and the area(s) with manager revenue/brokerage activities?
 - d. What firewalls are in place to prevent the personnel and systems of the consulting area and area(s) with manager revenue/brokerage activities from sharing information?
8. If the firm accepts revenues from investment managers or acts as a securities broker or Please describe the firm's conflict-of-interest policies. Please include an explanation of how these policies, and any other measures taken by the firm, limit the likelihood that a client could receive investment advice that is not solely aligned with their best interests.
9. Would the firm be willing to disclose, annually or upon the System's request, the dollar amount and nature of all material beneficial relationships, that the firm or any affiliate of the firm, engages in with investment manager clients? If not, please explain.
10. Please explain in detail any potential conflicts of interest that might be created by the firm's representation of the System.

11. Please acknowledge that your organization is a person, firm, or corporation registered as an investment advisor with the SEC under the Investment Advisors Act of 1940, and functions as a fiduciary.
12. Has the firm or any officer, principal, or employee of the firm ever been involved in: regulatory action by the SEC or other regulatory body; regulatory investigation regarding its business or business practices by the SEC or other regulatory body; or litigation brought by a client against the firm or any officer, principal, or employee of the firm? If yes to any part, please provide a brief summary and indicate the current status or disposition of the proceedings.

PART B. PROFESSIONAL STAFF

13. Please list the total number of professionals in the firm, or consulting division (if appropriate), in each of the following categories for the last three years, current or as of year-end. Each person should be assigned to only one category.

	Current	12/31/2012	12/31/2011
Lead Consultants			
Other Consultants			
Manager Research Analysts			
Other Research Analysts			
Firm Management			
Marketing			
Performance Measurement			
Administrative			
Other (<i>please specify</i>)			
Total Professional Staff (<i>above</i>)			

14. Please discuss rates of staff turnover for the last three calendar years. How many consultants have left the firm in the last three years?
15. How many professionals are assigned to investment manager research, selection, and monitoring? Please state the name of each individual assigned and the asset class(es) covered.
16. Please provide a brief description of the firm’s compensation arrangements for professional staff, including any incentive bonuses, sharing of profits and/or equity ownership. Specific compensation amounts need not be presented.
17. List all personnel you propose to assign to this relationship and their responsibilities relative to the plan. Provide brief biographical information on each individual including their positions in the company, education, training, years and type of experience in investment management, major clients, and public fund clients and experience.
18. Please explain how the team dedicated to the System would function. Be sure to identify who would be the System’s relationship lead, who would perform the

analytical work on the relationship, and who would serve as the back-up consultant in situations when the proposed lead consultant could not attend a System meeting.

PART C. CLIENTS

- 19. Please list the number of full retainer institutional clients and combined assets the firm has serviced in a full-service retainer capacity currently and at the previous two calendar year-ends.

	Current	12/31/12	12/31/11
Number of Full Retainer Institutional Clients			
Combined Assets			

- 20. Please list the number of full-service retainer clients currently served by the firm, by type and by asset size.

	\$0 to \$100 million	\$100 to \$500 million	\$500 to \$1 billion	\$1 billion to \$5 billion	\$5 to \$10 billion	>\$10 billion	Totals
Public Funds							
Corporate DB/DC							
Taft-Hartley Pension							
Endowments/Foundations							
Hospitals/Healthcare							
Insurance							
Other							
Totals							

- 21. Please provide the names and asset size of all the firm’s current public fund clients.
- 22. Please provide the names of all clients gained and lost in the last three years. Please include the year of the departure and a reason for each loss.

PART D. MANAGER SEARCH/RESEARCH

- 23. Describe the size and scope of your investment manager research area. How is manager research organized within your firm?
- 24. Does your firm maintain an internal investment manager database? Is the database proprietary or purchased? Are managers charged fees for inclusion? How is the data input and verified? How many managers are tracked?
- 25. Please describe how managers are evaluated. What key information is used? Who is responsible for evaluating the managers and how are classifications arrived at? Does the firm create a buy list? How many managers are reviewed each year and how many meetings are conducted?

26. Please describe the firm's manager search process. How are managers initially screened? What qualitative and quantitative criteria are emphasized? How many searches did the firm perform in the last calendar year?
27. Does the firm have experience with negotiating performance-based fee arrangements with investment managers on behalf of its clients? Please describe.
28. Please describe how the firm monitors a client's investment managers. Besides performance, what key criteria does the firm consider in the review of an investment manager? At what point would the firm recommend terminating an investment manager?
29. Please describe the firm's experience and capability for analyzing manager structure. What influence does a client's current roster of managers have on the selection of a new manager?
30. Please describe the firm's capabilities and services with respect to private equity, hedge funds, and real estate. Is there professional staff dedicated to these areas? What research and consulting work has the firm conducted for clients in these areas? How much do current clients have invested in these asset classes? In what vehicles?

PART E. ASSET ALLOCATION MODELING

31. Discuss in detail the theory and methodology of the asset allocation models the firm employs. How is the liability structure, funding level, and changes in the contribution level incorporated? What asset classes are included? What measures of risk are incorporated? Please also discuss the firm's capability for analyzing liabilities.
32. How does the firm develop input data for the models?
33. Comment on the firm's philosophy and any portfolio structure biases in the following areas:
 - Active versus passive management
 - Capitalization (e.g., overweight to mid/small)
 - Style (growth tilt, value tilt, or neutral)
 - Alternative asset classes
34. Please describe the firm's experience and capability for providing policy guideline development and review. What specifically would the firm do to develop or review the policies of the System? How frequently would this process occur? What client-specific factors would be considered? How would the System be involved in the process?

PART F. PERFORMANCE MEASUREMENT/REPORTING

35. Please describe the capabilities and differentiating features of the firm's performance measurement analysis, staff, and processes.
36. Describe the database(s) used. Is the database(s) proprietary or purchased? How is data input and verified?
37. Please describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can the firm provide custom benchmarks? Style benchmarks? Please also describe the database(s) the firm uses for peer universe comparisons.
38. Please describe the content and format of your investment performance analysis and reports. Do your reports incorporate attribution/value added analysis, risk/reward analysis, style analysis, etc.? Are your reports available monthly or quarterly? Is performance calculated gross or net of fees? Is customization of reports available? How long after month or quarter end are reports available? Please provide examples.

PART G. OTHER

39. Please describe the firm's information technology capabilities and resources. How does the firm use the technology to share and leverage information resources across the organization?
40. Please describe the firm's experience and capability for providing education to trustees and staff. What topics are covered?
41. In general, what key strengths or competitive advantages does the firm possess that would generate superior performance and service to the System?
42. Please suggest a methodology for measuring your firm's performance as an investment consultant.
43. Please provide three client references with contact information (phone and email address). Clients that are public pension plans are preferred as references.
44. Please provide a copy of your standard form investment consulting agreement.

PART H. FEES

45. Please provide a fee quote for the services requested in this RFP as described above. Indicate whether the fee shall include all travel and out-of-pocket expenses related to the services requested in this RFP.