

The Watertown Retirement System

Request for Proposals

Active Core Oriented U.S. Mid Cap Equity Investment Manager Services

Notice to Prospective Respondents:

The Watertown (MA) Retirement Board is seeking proposals from qualified investment managers to provide active core oriented U.S. Mid Cap Equity investment management services for the Retirement System's \$183 million investment portfolio. The Retirement Board expects to allocate up to \$10 Million in total to the mandate.

All investments made by the Watertown Retirement Board are subject to the provisions of the Massachusetts General Laws, Chapter 32, as amended by Chapter 176 of the Acts of 2011, and the rules and regulations of the Public Employees Retirement Administration Commission (PERAC), 840 CMR. The selected investment manager(s) must have familiarity and agree to comply with all applicable laws and PERAC regulations.

The Board reserves the right to cancel or reject in whole or part any or all proposals in the best interest of the Retirement System.

Access to the RFP is available on InHub's online investment RFP management platform. To request access, please visit <https://open.theinhub.com/fia/watertown-us-midcap-equity>.

Proposal deadline is Monday February 12, 2018 at 4:00 PM EDT. Late proposals will not be accepted.

Please carefully review the terms and conditions outlined in the following sections of the RFP prior to submitting a proposal.

- General Information and Instructions
- Mandatory Terms and Conditions per MGL Ch. 32, s.23B, as amended by Ch. 176 of the Acts of 2011.
- Required PERAC Disclosures – Vendor Certification, Compensation Paid, Compensation Received and Conflict of Interest, Placement Agent Statement
- Evaluation Criteria
- Minimum Criteria Certification
- Executive Summary and Investment Manager Questionnaire

GENERAL INFORMATION AND INSTRUCTIONS

Description of Services:

The Watertown (MA) Retirement Board is seeking proposals from qualified investment managers to provide active core oriented U.S. Mid Cap Equity investment management services for the Retirement System's \$183 million investment portfolio. The Retirement Board expects to allocate up \$10 Million in total to the mandate.

All investments made by The Watertown Retirement Board are subject to the provisions of the Massachusetts General Laws, Chapter 32, Section 23 as amended by Chapter 176 of the Acts of 2011, and the rules and regulations of the Public Employees Retirement Administration Commission (PERAC), 840 CMR. The selected investment manager(s) must have familiarity and agree to comply with all applicable laws and PERAC regulations. Additional information on applicable laws and investment regulations may be found on PERAC's website at www.mass.gov/perac.

Please direct any questions pertaining to this RFP to Richard Carey at Fiduciary Investment Advisors, via the 'Messages' section of the InHub portal. All questions posted will be viewable by all bidders. Please direct any questions pertaining to the eRFP technology to hello@theinhub.com.

Availability of RFP:

Access to the RFP is available on InHub's online investment RFP management platform. To request access, please visit <https://open.theinhub.com/fia/watertown-us-midcap-equity>.

Proposal deadline: Monday February 12, 2018 at 4:00 PM EDT Late proposals will not be accepted.

Please ensure adequate time for online submission through InHub, and mailing and physical delivery. Proposals received after the deadline will be rejected.

Opening of Proposals: Tuesday February 13, 2018 at 9:00 am EDT

A register of proposals will be maintained for public inspection.

Expected Timing of Award:

Manager selection is expected to take place within 180 days of the RFP's submission deadline. The timing of the award of the contract may be extended at the Board's discretion upon mutual agreement between the Board and bidder(s).

The Board reserves the right to make an award without interviews of the bidders. A bidder should submit a proposal on its most favorable terms considering both services and price. The Board shall have sole discretion in deciding which bidders, if any, will be considered following the initial evaluations and/or interviews.

Rejection of Proposals:

The Retirement Board may, at its discretion, cancel a request for proposals or may reject in whole or in part any or all proposals in the best interest of the Retirement System.

Modification of Proposals:

A bidder may correct, modify or withdraw a proposal by written notice to the Retirement Board and Fiduciary Investment Advisors, the Board's Investment Consultant, prior to the time and date set for the opening of proposals.

The Retirement Board reserves the right to waive minor informalities and/or allow the bidder to correct them.

Submission of RFP: Due on Monday February 12, 2018 at 4:00 PM EDT. Late proposals will not be accepted.

An electronic proposal and all supporting documents must be submitted via InHub's online RFP management platform. Online access to the portal can be requested by visiting:

<https://open.theinhub.com/fia/watertown-us-midcap-equity>

Please ensure adequate time for online submission.

In addition, submit one complete original hardcopy and two complete electronic copies on CDs or flash drives to:

Richard Carey
Fiduciary Investment Advisors
100 Northfield Drive
Windsor, CT 06095

Important Note: Hardcopies of the Executive Summary and the Investment Manager Questionnaire should be generated via the InHub export feature. Please include **two (2) original signed sets** of the required PERAC forms – Vendor Contact Information Form, Vendor Certification, Vendor Disclosures and Placement Agent Statement. Failure to submit completed and signed disclosures as required will result in the disqualification and rejection of your proposal.

On the outside packaging, clearly note the Client Name and RFP for which you are responding to. For Example, "Watertown – U.S. Mid Cap Core RFP"

All respondents **must include** the following with its proposal:

- Signed Cover Page - On the Cover Page, please note your firm name, the RFP for which you are responding to, and the proposed strategy. The proposal must be signed by an official authorized to bind the firm, and it shall contain a statement to the effect that the proposal is firm offer for acceptance by the Retirement Board for 180 days from the date of submission.
- Required PERAC Vendor Certification, Disclosures and Placement Agent Statement – please see the following page for additional information.

- Certified Minimum Criteria Response
- Executive Summary Questionnaire
- Investment Manager Questionnaire
- Form ADV
- Other attachments as may be specified in the manager questionnaire

**Required Vendor and Certification Forms
(as required by amended M.G.L. Ch. 32 s.23B)**

Please note: Submit two (2) original completed and signed copies of the required PERAC forms below with your submission to the Board's Investment Consultant. The forms have been included with the RFP documents for your convenience. They may also be found on PERAC's website at <http://www.mass.gov/perac/forms-pubs/compliance-and-investment-gen.html>.

- Vendor Contact Information
- Vendor Certification of Good Faith
- Vendor Disclosures - Compensation Paid, Compensation Received and Conflict of Interest
- Placement Agent Statement (See Placement Agent Policy under mandatory contract terms and conditions)

Failure to complete and submit all required disclosures will result in rejection of bidder's proposal.

EVALUATION CRITERIA

Evaluation Criteria

Each proposal that satisfies the minimum criteria will be evaluated initially through due diligence in the following areas. Each evaluation criteria will be assigned a rating of Highly Advantageous, Advantageous, Not Advantageous, or Unacceptable. Each proposal will receive a composite rating taking into consideration the collective ratings of the individual criteria.

- Organization
- Assets Under Management
- Investment Team
- Investment Philosophy & Process
- Investment Performance
- Investment Fees

The Retirement Board reserves the right to waive certain minimum requirements or other provisions if deemed by the Board to be in the best interest of the Retirement System to do so.

MANDATORY CONTRACTUAL TERMS AND CONDITIONS

Chapter 176 of the Acts of 2011, through the addition of Section 23B to Chapter 32 of M.G. L., expanded the mandatory contract provisions for the procurement of investment related services for Massachusetts Public Retirement Systems. The legislation may be found through the accessing the following link:

<http://www.malegislature.gov/Laws/SessionLaws/Acts/2011/Chapter176>

The following mandatory contractual terms and conditions must be incorporated into the final written contract with the selected contractor (“Manager”). If terms and conditions cannot be met within a prospective fund’s offering and subscription documents, then the selected manager(s) will be expected to agree to the terms via side letter/agreement. Exceptions for closed-end investment vehicles are noted.

- The Watertown Retirement Board (“Board”) has advised the Manager that the Watertown Retirement System is subject to Investment Regulations (hereinafter the “Regulations”) promulgated by the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (“PERAC”), as set forth in 840 CMR, pursuant to Chapter 7, section 50 and is subject to Chapter 32, sections 21 and 23, and Chapter 176 of the Acts of 2011, of the Massachusetts General Laws.
 - The selected Manager(s) will be expected to acknowledge their ability and willingness to comply with all applicable laws and PERAC regulations.
- The contract shall not exceed a term of seven years, including any renewal, extension or option;
- The contract must contain a termination clause by which the contract may be terminated by 30 days written notice of either party to the other;
- Statement that the Manager is a fiduciary with respect to the funds which the Manager invests on behalf of the Retirement Board;
- Statement that the Manager will not delegate its fiduciary responsibility to the Board under the contract;
- Statement that the Manager shall not be indemnified by the Retirement Board;
- Acknowledgment that the Manager is required to annually inform the Retirement Board and PERAC 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 manager’s services to the Retirement Board or any other client;
- Acknowledgement that the Manager is required to annually disclose to the Retirement Board and PERAC compensation, in whatever form, paid or expected to be paid, directly or indirectly, by the Manager or a related person to others in relation to the Manager’s services to the Retirement Board or any other client;
- Acknowledgement that the Manager is required to annually disclose to the Retirement Board and PERAC in writing any conflict of interest the contractor may have that could reasonably be expected to impair the Manager’s ability to render unbiased and objective services to the Retirement Board;
- Placement Agent Policy – Each contract and amendment to an existing contract as of January 1, 2012 shall secure the agreement of the Manager in the final written agreement between the Retirement Board and the Manager to provide the board with the following remedies in the event the Manager knew or should have known of any material inaccuracy or omission in the placement agent information disclosure or any other violation of this policy:

- The reimbursement of any management or advisory fees paid by the Board for the prior two years or an amount equal to the amounts paid or promised to be paid to the placement agent as a result of the Board investment, whichever is greater.
- The authority to immediately terminate the investment management contract or other agreement with the Manager without penalty, to withdraw without penalty from a limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions (and paying any fees on these recalled commitments) to the limited partnership, limited liability company or other investment vehicle without penalty.
- Each contract and amendment to an existing contract as of January 1, 2012 shall secure the agreement of the Manager in the final written agreement between the board and the manager that the manager shall be solely responsible for, and the board shall not pay (directly or indirectly), any fees, compensation or expenses for any placement agent used by the manager.

QUESTIONNAIRES

EXECUTIVE SUMMARY & INVESTMENT MANAGER QUESTIONNAIRES

Both questionnaires are available on InHub's online investment RFP management platform. Request access here: <https://open.theinhub.com/fia/watertown-us-midcap-equity/>