

TOWN OF GUILFORD
RFQ/RFP #3-1718
PENSION INVESTMENT CONSULTANT
August 7, 2018
ADDENDUM #1

1. **Inquiry: A potential bidder asked:** “Are you looking for a service provider to act as Trustee?”

Response: The new consultant will not be asked to act as trustee.

2. **Inquiry: A potential bidder asked:** “Are you looking for the new service provider to offer benefit payment services or is that service not being presently considered?”

Response: We are not looking to change our benefit payment services at this time.

3. **Inquiry: A potential bidder asked:** “The Minimum Qualifications states the “firm must be a registered investment advisor under the Investment Advisors Act of 1940.” As a nationally regulated bank and trust company, we operate as a fiduciary under the oversight of the Office of the Comptroller of the Currency (OCC) and are exempt from registration under the Investment Advisors Act and we do not file a Form ADV. Given our status under the OCC and not as an RIA, will the Town view this as meeting the minimum qualifications?”

Response: Yes, the OCC is acceptable as a substitute for being an RIA.

4. **Inquiry: A potential bidder asked:** “We construct the pension portfolios we manage for municipalities with mutual funds, index funds and ETFs which meet the guidelines found in an IPS. We take discretion over the selection and active management of the funds within a portfolio. We do not use outside investment managers in a separate account format. As a bank with national fiduciary powers, we are Custodian of the holdings and we have hired SEI, one of the country’s largest custodians for institutional investors, as sub-custodian. Will a portfolio and our RFP response constructed in this fashion be acceptable to the Town?”

Response: The new consultant would have to be non-discretionary and their investment platform would have to be open architecture in order to be considered.

5. **Inquiry: A potential bidder asked:** “Why is this search being conducted?”

Response: As standard practice that hasn’t been done in a long time.

6. **Inquiry: A potential bidder asked:** “Who’s the incumbent consultant and can they rebid?”

Response: Wells Fargo. Yes, they can rebid.

7. Inquiry: A potential bidder asked: “When is a selection expected to be made?”

Response: As stated in the Tentative Timeline in the Bid Specifications, the selection is estimated to be made in early October 2018.

8. Inquiry: A potential bidder asked: “Can you please provide your current Investment Policy Statement and manager roster?”

Response: Please see the attached documents.

9. Inquiry: A potential bidder asked: “How many manager searches have been conducted each year, over the last 3 years?”

Response: Several, including; international growth, international small cap, domestic small cap value, domestic mid cap value, and floating rate bond.

10. Inquiry: A potential bidder asked: “Can you please advise as to the expected contract duration?”

Response: No stated duration.

11. Inquiry: A potential bidder asked: “Can you please advise as to what particular months the hired consultant will be expected to attend Committee meetings?”

Response: Quarterly, when performance reports are completed.

12. Inquiry: A potential bidder asked: “When is the Plan next expecting to perform an Asset Liability study for each of the plans? When was the last study conducted?”

Response: The committee has not had an Asset Liability study performed recently. The actuary calculates and reports the duration of the liability to the committee annually.

13. Inquiry: A potential bidder asked: “The insurance requirements outlined in the RFP regarding excess liability coverage are higher than those we have seen in other public, corporate, and endowment & foundation RFPs. We carry a \$4 million in Excess Liability Coverage, which we and our nearly 200 clients believe to be a sufficient level of insurance, backed as well by a \$3 million Fidelity Bond. With this as context, can you please advise if the insurance coverage such as ours – which meets or exceeds current industry standards – would be considered adequate by the Town of Guilford?”

Response: Yes, the amount of coverage that you describe will be considered adequate.

14. Inquiry: A potential bidder asked: “Do you currently retain an investment consultant? If so, can you please provide their name and the length of time they’ve been retained? If possible, can you please provide the current fee being paid for investment advisory services?”

Response: Wells Fargo for more than 10 years. We do not disclose the fee.

15. Inquiry: A potential bidder asked: “In the Submission Requirements of this RFP, #6 Staffing and Continuity requests a matrix of Connecticut Municipal Staffing. If we do not have any employees in Connecticut, should we indicate that or would you like us to complete the matrix with our non-CT employees?”

Response: Please indicate that you do not employ anyone in Connecticut and complete matrix only for the team responsible municipal pension management.

Issued by:

Nicole Dankowski
dankowskin@ci.guilford.ct.us
Administrative Assistant
Purchasing Department
Town of Guilford
203-453-8015

Town of Guilford

Investment Policy Statement

Certification by the Pension Committee

This Investment Policy Statement was adopted by the Pension Committee of the Town of Guilford at its meeting duly held on March 17, 2005 and revised on May 26, 2005, July 21, 2005, December 21, 2006 and September 22, 2017.

Introduction

The purpose of this Investment Policy Statement (the "IPS") is to establish a clear understanding between the Pension Committee (the "Committee"), the Investment Manager(s) and the Investment Consultant as to the investment objectives and policies applicable to the Town of Guilford's Employees' Pension Plan, Police Retirement Fund and Public School Employee's (Non-Certified) Pension Plan (the "Plans") and investments (the "Portfolio"). The Investment Policy Statement will:

- * establish expectations, objectives and guidelines for the Portfolio
- * set forth an investment structure, identifying permitted asset classes and expected allocation among asset classes
- * provide guidelines for the Portfolio that establish levels of overall risk and liquidity
- * establish formal criteria to monitor, evaluate and compare performance results achieved by the Investment Manager(s) on a quarterly basis
- * comply with all fiduciary, prudence and due diligence requirements

The person(s) ultimately responsible for making all decisions with regard to the administration of the Portfolio, including its management and carrying out this Investment Policy Statement on its behalf shall be the Town of Guilford's Pension Committee.

Statement of Objectives

After reviewing current and expected financial requirements, the Committee has established the following objectives:

- * As the Pension Committee does not believe in market timing, the Committee continues to strive for fully invested status. The Pension Committee will attempt to match the duration of the Pension Fund.
- * Maintain a reserve over and above any immediate obligations to provide for unanticipated change in the investment or funding environment, future benefits and Plan expenses.
- * Maintain an asset structure consistent with the liability structure of the Plans.
- * Maintain a financially prudent, diversified portfolio with returns generated in each asset class in the top 50% of returns generated by the peer group of managers with the same investment style as the Investment Manager for that asset class, managing to the benchmark identified in the contract between the Investment Manager and the Town.

Time Horizon

The time horizon for the purpose of planning for investments is to be in excess of ten years. Capital values do fluctuate over shorter periods and the Committee recognizes that the possibility of a temporary capital loss does exist. However, historical asset class return data suggests that the risk of principal loss over a holding period of at least three to five years can be minimized with a long-term investment mix employed under the IPS.

Risk Tolerance

The Pension Committee will take a moderately conservative approach with regards to the Portfolio. At the same time, it recognizes that prudent investing requires taking reasonable risks in order to achieve the targeted investment returns.

As a result of the Committee's recognition that higher returns involve the necessity of experiencing some cyclical market volatility, the Committee has indicated a willingness to tolerate temporary declines in the value of the Portfolio.

The Portfolio will be managed in a manner that seeks to minimize principal fluctuations over the established time horizons and is consistent with the stated objectives. Financial research has demonstrated that risk is best minimized through diversification of assets, including international investments.

Asset Allocation

Research reveals that the decision as to how to allocate total assets among various asset classes will far outweigh security selection and other decisions in terms of impact upon portfolio performance. The following asset allocation was chosen after reviewing the long-term performance and risk characteristics of various asset classes and balancing the risks and rewards of market behavior.

Asset Allocation Guidelines

The following guidelines have been approved by the Pension Committee and are expected to produce a long-term annual rate of return of 7.0% based on the current actuarial assumption:

<u>Global Equity by Market Cap</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Large Cap	20%	42.5%	53%
Mid Cap	0%	12%	17%
Small Cap	0%	<u>5.5%</u>	8%
		60%	
.....			
<u>Equity by Categories</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S.	20%	39%	60%
International (MSCI EAFE)	5%	13%	19%
Emerging Markets	0%	4%	8%
Other (REITS)	0%	<u>4%</u>	8%
		60%	
.....			
<u>Equity by Class or Categories</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Value	5%	20%	45%
Core	5%	20%	45%
Growth	5%	<u>20%</u>	45%
		60%	
.....			
<u>Fixed Income by Categories</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. Barclays Government Corporate Index	20%	40%	50%
U.S. Barclays Government Corporate Index 1-5Y	0%	0%	25%
U.S. Non-Investment Grade Bonds	0%	0%	8%
Non U.S. Developed Market Bonds	0%	0%	8%
Non U.S. Emerging Market Bonds	0%	<u>0%</u>	4%
		40%	
.....			
<u>Total Portfolio</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Total Equity Securities	40%	58%	70%
Total Debt Securities	25%	38%	60%
Total Cash Equivalent	1%	<u>4%</u>	10%
		100%	

Fixed Income Assets and Guidelines

The following investment goal is expected to be achieved by the Investment Manager:

A total return that is in the top half of a representative universe of professionally managed funds.

A. Types of Assets:

This portfolio is to be managed as a high-grade intermediate to long-term active account. While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the assumption of moderate and reasonable risk is warranted and encouraged in order to allow the investment manager the opportunity to achieve satisfactory long-term results consistent with the objectives of the fund.

1. All assets selected for the portfolio must have a readily ascertainable market value, and must be readily marketable. In order to provide the Investment Manager with flexibility to invest in various types of assets, the following list of assets are among those approved for investment:
 - * U.S. Government & Agency Securities
 - * Money Market Funds
 - * FNMA, GNMA & FHLMC Securities
 - * Commercial Paper
 - * Certificates of Deposit
 - * Investment Grade Corporate Bonds
2. The following assets are prohibited:
 - * Factored Debt
 - * Collateralized Mortgage Obligations, except those of the U.S. Government
3. The fixed income strategy will be executed through separate managed accounts, exchange traded funds, (ETF) and mutual funds.

In aggregate, the bond portfolio should have characteristics similar to, but not necessarily equal to, the Barclays Government Corporate Index.

B. Duration

Average portfolio duration shall be between 3 and 10 years, unless an exception is previously approved in writing by the Pension Committee.

Equity Assets and Guidelines

The following investment goal is expected to be achieved by each Investment Manager:

A total return that is in the top half of the universe of professionally managed accounts representing its declared investment style.

A. Types of Assets:

1. All assets must have readily ascertainable market value and must be readily marketable. In order to provide the Investment Manager with flexibility to invest in various types of assets, the following list of types of assets is among those approved for investment:

- * Common Stocks
- * Preferred Stocks
- * Convertible Securities including Debentures A-1 (highest rated)
- * Real Estate Investment Trusts
- * American Depository Receipts
- * Mutual Funds
- * Commodity Funds – Managed Futures

The above securities should be of good quality and listed on a major stock exchange with the requirement that such stocks have adequate market liquidity relative to the size of the investment. Holdings should generally meet a minimum capitalization requirement of \$50 million with adequate liquidity.

2. The following types of assets or transactions are expressly prohibited:

- | | | |
|----------------------|----------------------|---------------------------|
| * Selling Short | Closed End Funds | Options |
| * Unit Trusts | Futures | Unrestricted Stock Letter |
| * Insurance Products | Private Placements | Unregistered Securities |
| * Warrants | Limited Partnerships | Purchasing on Margin |

3. The equity strategy will be executed through separate managed accounts, exchange traded funds (ETF) and mutual funds.

B. Diversification:

Securities held in the portfolio need not represent a cross section of the economy. Each Investment Manager will have discretion to choose the degree of concentration (or lack thereof) in any industry group with the following guidelines.

1. Securities selected should be of quality to qualify under the prudent man rule.
2. Based on the market value of the portfolio under each Investment Manager's control, the following will apply:
 - a) No more than 10% in any one company
 - b) It is expected that the portfolio weighting of a single economic sector, at market value, will not exceed 15% of the Investment Manager's portfolio, or two (2) times the weighting of that economic sector in the index assigned to each equity manager, whichever is greater, provided no single sector make up no more than one-third (1/3) of a manager's portfolio.

Performance Monitoring and Evaluation

A proper analysis of each investment manager shall be performed and shall cover the following:

1. Past and current investment policy
2. Strategy used to carry out each investment policy
3. Present and Prospective market climate
4. Composition and associated risk levels of securities represented in the portfolios, including average duration of any fixed income portfolios.

For each separate account or sub-account, a Manager will be reviewed for falling below the top one half of their peer group or policy index on a rolling 12 quarter period. The Manager must then perform at or above the median for the following four quarters or be subject to review or dismissal.

Performance results for the Investment Manager(s) may be measured by a third-party investment consulting service on a quarterly basis and will be reported to the Pension Committee within 45 days following the end of each quarter. The Committee, the Investment Manager(s) and the Investment Consultant will measure fund performance (both in terms of risk and return) against the benchmarks established by the Committee for each Investment Manager. Consideration shall be given to the extent by which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this IPS.

Responsibilities of the Pension Committee

- A. The specific responsibilities of the Committee in the investment process include:
1. Understanding the Portfolio's projected financial needs and communicating such understanding to the Investment Manager(s) on a timely basis.
 2. Establishing the Portfolio's risk tolerance level for the pension funds.
 3. Making investments in the interest of the Town with the intention of providing for the pension benefits of the participants and their beneficiaries and for defraying the reasonable expenses of administering the Plans.
 4. Investing the assets with the care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent person acting in a like capacity and familiar with such matters would use in the investment of a fund of like character with like aims.
 5. Developing and reviewing sound and consistent investment policy guidelines, which Investment Manager(s) will use in formulating investment decisions.
 6. Establishing reasonable investment objectives.
 7. Selecting qualified Investment Managers and a qualified Investment Consultant.
 8. Communicating clearly the major duties and responsibilities of the Investment Managers and Investment Consultant.
 9. Exercising due diligence through the monitoring of information supplied by Investment Managers and the Investment Consultant, and evaluating performance results to determine whether the policy guidelines are being adhered to and that objectives are being met.
 10. Taking appropriate action to replace an Investment Manager for failure to perform as expected.
- B. The Committee realizes the Investment Policy Statement will need to be reviewed and possibly revised from time to time to ensure that the IPS continues to reflect their attitudes, expectations and objectives.
- C. The Committee retains the right to assign or change the parties responsible for the following services, whether in part or in whole, at any time: Actuarial, Investment Consulting, Investment Management and Trustee & Custodian.

The Committee shall provide its Investment Managers and Investment Consultant with all relevant information on financial condition, net worth and risk tolerances of the Portfolio, and shall notify the above parties promptly of any changes to this information

- D. The Committee is responsible for the administration of the Plans. The following represents the essential administrative duties of the Committee:
1. Maintaining records of enrollment for all employees covered by the Plans and certifying to the Trustee the names of those entitled to pension benefits; directing the Trustee to make payments in accordance with the Plans.
 2. Approving additions and terminations to the Plans, beneficiary changes and credited service for leaves of absences; keeping records of meeting proceedings and acts.
 3. Approving actuarial tables, assumptions and the interest rates to be used as the basis for all actuarial calculations.
 4. Determining partial or total and permanent disability and requiring, as necessary, medical examinations by one or more duly licensed and practicing physicians selected by the Committee. The Committee shall also determine the date of disability with payment to begin on the first day of the month following the date of disability.
 5. Interpreting the provisions of the Plans.

- 6 Consulting at least annually with the actuary to review the actuarial valuation of the Plans.
- 7 Reviewing and forwarding information to Board of Selectmen from the actuary concerning cost of living adjustments (COLA), as appropriate.
- 8 Conducting interviews for counsel, actuaries, investment consultants, medical advisors, trustee & custodian and any other professional consultants required for the purpose of administering the Plans; recommending such professionals to the Board of Selectmen; periodically reviewing qualifications of engaged professionals.

Investment Manager Guidelines

The Investment Manager(s) selected by the Pension Committee hereunder, shall as of the date of their selection and at all time thereafter, have:

1. Been in Business for five or more years
2. \$500,000,000 or more under discretionary management (Managers with less than \$500,000,000 under management may be accepted at the discretion of the Pension Committee).
3. An investment philosophy and style that is consistent and can be identified.
4. Depth to the organization in research and portfolio management.
5. A proven performance record over the most recent five-year period.
6. Reporting capabilities adequate to provide reports in reasonable detail on at least a quarterly basis as well as on a calendar year-end or fiscal year-end basis (June 30th).
7. All pension funds must be held in 3rd party custodian funds.

Responsibilities of the Investment Manager:

A. Adherence to Investment Policy Statement:

1. Investment Manager is expected to adhere to the IPS as herein provided. The Investment Manager(s) will be provided with a written copy of the IPS and any subsequent revisions.
2. Investment Manager's acceptance of the responsibility to manage the Portfolio will constitute a ratification of this IPS, affirming the belief that they are realistically capable of achieving the Portfolio's objectives within the guidelines and limitations stated herein.

B. Discretionary Authority:

1. Investment Manager(s) will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under its jurisdiction. The managers will be held accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that are reflective of the Investment Manager's current investment strategy and compatible with the Portfolio's investment guidelines. The Committee may however, occasionally determine that certain specific investment classes of securities are unacceptable as pension assets, as it relates to the guidelines.
2. The Investment Manager(s) must vote all proxies and shall do so in the best interest of the Portfolio, however, the Pension Committee retains the right to direct specific votes of proxies associated with securities attributable to its Portfolio.

C. Communication:

1. Investment Manager(s) will keep the Committee informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation and other matters affecting their investment philosophy.
2. The Committee is to be informed of any significant changes in the ownership, organizational structure, financial condition or senior staffing of the Investment manager's firm.
3. Whenever the Investment Manager believes that any particular guidelines should be altered or deleted, it will be the Investment Manager's responsibility to initiate written communications with the Committee expressing its views and expectations.
4. The Committee shall be provided with copies of the Investment Managers' annual audited financial statements, including all footnotes and opinions.

D. Reporting

1. The Committee will be afforded access to notices of transaction activities as well as quarterly performance reports.
2. Any information needed to assist the Committee in conducting their evaluation of the Investment Manager's performance as it relates to the Portfolio will be presented on a timely basis.

Certification by the Investment Manager

The undersigned Investment Manager hereby accepts the responsibility to manage assets of the Town of Guilford in accordance with the terms of this Investment Policy Statement and to act as the Town of Guilford for part or all of the assets of the Portfolio.

Investment Manager: _____

Title: _____

Date: _____

Responsibilities of the Investment Consultant

The Investment Consultant to the Portfolio is responsible for assisting the Pension Committee in making appropriate asset allocation decisions based on its particular needs, objectives and risk profile. The Investment Consultant shall also be responsible for:

1. Advising the Pension Committee about selecting and allocating Plan assets.
2. Monitoring the performance of all selected assets and Investment Managers.
3. Recommending changes to any of the above.
4. Periodically reviewing the suitability of investments for the Plans.
5. Meeting with the Pension Committee at least quarterly, or as required by the Committee.
6. Preparing and presenting appropriate reports, as more fully described in the Performance Monitoring and Evaluation Section.
7. Scheduling an annual meeting with the Pension Committee and selected Investment Managers to determine if assets are being managed in accordance with the IPS.
8. Arranging for due diligence from all Investment Managers and reporting this information to the Committee on at least an annual basis.
9. Assisting in reviewing and updating the IPS as necessary.
10. Providing Investment Manager searches by designated asset class whenever requested by the Committee; evaluating general financial information about Investment Managers including their financial condition, experience, policies and practices.

The Investment Consultant will not take any discretionary authority over the Portfolio; however, they shall be responsible to make recommendations to the Pension Committee and to implement decisions as directed by the Committee.

Certification by the Investment Consultant

The undersigned Investment Consultant hereby accepts the responsibility to provide investment monitoring, evaluations, and reporting to the Town of Guilford's Pension Committee in accordance with the terms of this Investment Policy Statement.

Investment Consultant: _____

Title: _____

Date: _____

Duties of the Trustee & Custodian

Trust/Custody Administrative Services:

- Asset administration
- Safekeeping of securities
- Securities settlement
- Income processing
- Maturities processing
- Asset pricing
- Automated cash management
- Corporate action notification
- Trade processing interaction with investment managers

Trust Fiduciary Services:

- Fiduciary monitoring of cash receipts
- Timely investment of cash

Reporting:

- Monthly asset and transaction statements
- Annual reports
- Internet-based reporting and account access

Distribution Processing:

- Periodic and lump sum distributions
- Check and ACH
- Federal and state tax withholding and filing

Total Quality and Service Partnership:

- Single point of contact
- Dedicated plan installation team
- Local administration and servicing

Pension Plan Employment & Member Compensation Policies

The Pension Committee (the “Committee”) shall review and make recommendations to the Board of Selectman (the “Board”) with regard to all professionals to be employed by the Pension Plans (the “Plans”) (e.g. Investment Managers, Actuaries, Custodians, etc.). The Board shall have the final authority to make employment decisions and enter into contracts with such professionals recommended by the Committee on terms acceptable to the Board.

No member of the Committee shall be a participant in any of the Plans. Town of Guilford 401(a) plans are not included in this definition of “Plans”.

No member of the Committee, or their immediate family members (as “family members” is defined in the Code of Ethics of the Town of Guilford), shall receive any compensation or fees from any source whatsoever related to their duties with regard to the Plans. If the Committee member shall become aware of a more distant family member receiving compensation or fees from the plan, they shall disclose this financial relationship to the Chairperson of the Committee. All Committee members are expected to fully comply with the Code of Ethics for the Town of Guilford in the performance of their duties.

Attachment 2

Town of Guilford
Pension Fund
Manager Roster as of 8/6/18

Anchor
Vanguard MCV
Schafer Cullen
Montag & Caldwell
Brandes
Invesco
Asset Adv/I-Shares
Glovista

PGI SCV
Vanguard SCV
Wisdom Tree
I-Shares
Hillswick
Voya
Reinhart