

**REQUEST FOR PROPOSAL
INVESTMENT CONSULTING SERVICES 2019**

INTRODUCTION

The Metropolitan Water Reclamation District Retirement Fund (the “Fund”) is requesting proposals from qualified investment consulting firms interested in providing General Investment Consulting Services to the Fund’s Board of Trustees and investment staff for a period up to, but not exceeding, five (5) years.

The search process is in accordance with the Fund’s Procurement Policy for Investment Consultants which can be viewed on our website at [www.mwrdrf.org/Do-Business-With-Us/Procurement Policy for Investment Consultants](http://www.mwrdrf.org/Do-Business-With-Us/Procurement%20Policy%20for%20Investment%20Consultants). Additionally, the Fund’s Formal Investment Policy and all other policies are available on our website.

The Fund reserves the right to reject any or all submitted proposals. The Fund will not reimburse any respondent for any expenses incurred in preparing proposals in response to this request.

All proposals will be evaluated by the Fund’s investment staff. Selection of the Investment Consultant is subject to final approval by the Fund’s Board of Trustees.

BACKGROUND INFORMATION

The Fund is the administrator of a single employer defined benefit plan, established by the Illinois General Assembly in 1931 and is governed by the Illinois Pension Code (40 ILCS 5/13-101 et Seq.). The sole purpose of the Fund is to provide retirement annuities, death and disability benefits to eligible employees and elected officials of the Metropolitan Water Reclamation District of Greater Chicago (“District”) as well as Fund employees.

The Fund is governed by a seven-member Board of Trustees (“Board”) and administered under the direction of an Executive Director appointed by the Board.

The Board invests the Fund’s assets according to the Prudent Person Rule. This rule requires a Trustee, who is a fiduciary by way of title, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

TERM OF AGREEMENT

The term of the contract shall not exceed five (5) years in duration. No contract with an Investment Consultant may be renewed or extended. At the end of the term of the contract, however, the consultant is eligible to compete for a new contract as part of a competitive proposal process.

INVESTMENT SUMMARY

As of September 30, 2018, the Fund’s invested assets were valued at \$1.407 billion. 44.1% of the Fund’s assets were invested in domestic equities, 22.0% in international equities, 30.0% in fixed income and 3.9% in real estate. The Fund’s target allocation is 42.0% domestic equities, 23.0% international equities, 30.0% fixed income and 5.0% in real estate. The Fund’s actuarial assumption is 7.25%. For more detailed information on the portfolio, please review our Investment Policy which can be viewed on our website.

TIMELINE

RFP Date of Issue:	January 2, 2019
Deadline to Submit Written Questions:	January 25, 2019
RFP Due Date:	January 31, 2019
Proposal Evaluation (Tentative):	February 27, 2019
Finalists Notification By (Tentative):	February 28, 2019
Finalists Presentations	TBD
Projected Contract	TBD

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SUBMISSION OF QUESTIONS

Questions regarding the RFP must be submitted via email to the search contacts by 3:00 PM Central Standard Time by January 25, 2019. All questions received will be combined into a single Q&A document. The document will be posted, without identifying the questioner, on the Fund's website at www.mwrdrf.org.

SUBMISSION OF RFP

An electronic copy of the RFP responses should be sent to the search contacts with RFP noted on the subject line no later than January 31, 2019. Any responses after the deadline will not be considered for this search.

SEARCH CONTACTS

Susan A. Boutin, Executive Director, BoutinS@mwrdrf.org
Brian A. Gillespie, Financial Analyst, GillespieB@mwrdrf.org
MWRD Retirement Fund
111 E Erie Street, Suite 330
Chicago, IL 60611

QUALIFICATIONS

To be qualified to participate in the RFP process, all respondents must meet all the following qualifying criteria:

1. Agree to act as a fiduciary with respect to the Fund.
2. Be an investment advisor duly registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940 and that such registration is current.
(Please provide Form ADV I and II)
3. As of December 31, 2018, the firm must have been in business at least five years
4. As of December 31, 2018, the firm must have at least two public fund clients.
5. The primary consultant(s) assigned to the Fund's account must have at least five years of consulting experience with at least two years as a primary consultant.
6. Carry errors and omissions insurance or a comparable instrument to cover the firm's negligent acts or omissions.

EVALUATION CRITERIA

Each proposal received in response to the RFP will be objectively evaluated and rated according to the Firm's approach and process, staff, experience of Firm, results of reference checks and fees. The proposal will be evaluated by the Fund staff. The firms with the highest scoring proposals will be interviewed by the Board and staff.

SELECTION

The evaluation process is designed to award the contract to the Respondent whose proposal best meets the requirements of this RFP, and not necessarily to the respondent with the least cost proposal. The final selection, if any, will be based on the evaluation committee's recommendation after analysis of the technical, management, and cost elements of the proposal and oral presentations, if required.

Selection of the Investment Consultant is subject to final approval by the Fund's Board as a whole, not by individual Board members.

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QUIET PERIOD

According to the Fund's Investment Consultant Procurement Policy, the quiet period shall commence as of the deadline for the submission of responses to the RFP and end when the selection has been made by the Board. The quiet period exists to ensure that the process of selecting an Investment Consultant is efficient, diligent and fair. Initiation, continuation and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations. A respondent will be disqualified for violating the quiet period.

DISCLOSURE OF PROPOSAL CONTENT

Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act, 5 ILCS 140. The law requires that after the selection process, the contents of all proposals be placed in the public domain and be open to inspection by interested parties. Trade secrets, confidential or proprietary information must be clearly identified as such in the proposal and will not be released to the extent permitted by law.

DISPOSITION OF PROPOSALS

All proposals become the property of the Fund and will not be returned to the respondent. The Fund reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance of the conditions contained in this RFP.

SCOPE OF WORK

The Investment Consultant shall furnish to the Fund the following described services:

1. Coordinates and/or assists with a review of each Investment Manager.
2. Attend monthly Board meetings and Investment Committee meetings as required;
3. Provides accurate, timely monthly, quarterly and annual reporting relative to the investment performance (net and gross fees), trade quality, portfolio characteristics (issue by issue basis), style based benchmarks, and activities of the Fund's Investment Managers;
4. Performs comprehensive formal asset allocation studies every three to five years;
5. Monitors Investment Managers compliance with their investment mandate and the terms of their Investment Management Agreement or agreements with the Fund;
6. Coordinates and/or assists with the formal evaluation of the various investment professionals retained by the Fund, including recommendations regarding the hiring, retention, reduction and/or dismissal of any of the Fund's investment professionals including coordinating/consulting relative to transitioning of assets;
7. Coordinates and/or assists with investment manager searches, including the analysis of the portfolios of prospective investment managers;
8. Advises and educates the Trustees and Investment Staff relative to risk considerations, recent market changes, asset allocation issues, and any other significant issues facing the investment community;
9. Assists with the development and periodic review of the Fund's Investment Policy;

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10. Shall not directly or indirectly receive benefit from recommendations made to the Fund and shall comply at all times with the Fund's Ethics Policy and with the Consultant's Ethics Policy;
11. Works internally and with business partners to ensure that viable continuity plans are in place that provide for the resumption of business in the event of an unforeseeable disaster;
12. Has a fiduciary responsibility;
13. Provide Trustee and staff training programs, on request, based on contemporary investment management information on an ongoing basis;
14. Provide other services under the contract as may be reasonably asked of an Investment Consultant by a public pension plan.

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PROPOSAL

All proposals must be complete in every respect and must answer concisely and clearly all questions proposed by this RFP. Incomplete proposals will be disqualified.

Date: _____

Date: _____

Name: _____

Phone: _____

Fax: _____

Mailing Address: _____

Primary Contact: _____

Email Address: _____

**SECTION 1
ORGANIZATIONAL BACKGROUND**

1. Ownership Structure:

___ Independent Advisor ___ Bank Affiliated ___ Broker Affiliated

___ Insurance Affiliated ___ Mutual Fund Company

___ Other (Please Describe)

Employee Ownership ___% Non-employee Ownership ___%

2. Is your firm a certified Minority, Woman or Person with a Disability Owned Business Enterprise?
If yes, please provide your firms certification as an exhibit.

3. Please give a brief history of the firm
a. The year organized;
b. The year the firm began providing investment consulting services to clients;
c. List any acquisitions of other consulting firms;

4. Please list the name and address of any entity that is a parent of or owns a controlling interest in the responding firm, any persons who have ownership or distributive income share in the firm that is

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greater than 7.5%, and the executive officers of the firm.

5. Please list the locations(s) of your headquarters, branch offices and the primary function of each office.
6. Which of your firm's offices would service this account? Which specific services would be provided by which offices?
7. Please describe the levels (dollar amounts) of coverage for SEC-required (17 g-1) fidelity bonds, errors and omissions coverage and any other fiduciary coverage which your firm carries. List the insurance carriers supplying the coverage.
8. Please provide details on the financial condition of your firm. Most recent annual reports filed with the SEC will be acceptable. Any subsequent material changes should be included. Please include a copy of your most recent ADV Part II.
9. Within the last five years has the firm, any predecessor of the firm, or a member of the firm:
 - a. Been the subject of any stop order, consent decree censure, reprimand or any other disciplinary action by the SEC, NASD, NYSE, ASE, or any other state or federal regulatory agency? If yes, please explain.
 - b. Is any employee or any of your affiliates (*including third party vendors*) currently the subject of *any* current investigations, which there are no formal charges yet rendered? If yes, please explain.
10. Please discuss any conflicts of interest your firm may have in the management of any client accounts. Include any activities of affiliated or parent organizations, brokerage activities, investment banking activities or any past or current relationships of any kind with board members. Include any other pertinent activities, actions, or relationships not specifically outlined in this question.
11. Please provide a copy of your firm's most recent policies and procedures addressing business continuation and disaster recovery.
12. Does your firm provide investment management services? If so, to what extent?
13. Please provide your firm's employee ethics policy, code of conduct, policy regarding conflicts of interest and/or any similar policies and supply a description of policy monitoring and enforcement procedures.
14. How many investment management firms are listed in your database? Please furnish a listing of firms.
15. Do you have a separate investment manager database for minority and/or women owned businesses or businesses owned by persons with a disability? If so, how many firms are included? What are the criteria for inclusion? Please provide a list of minority and/or women owned businesses or businesses owned by persons with a disability found in your database.

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16. Does your firm permit its staff members to serve on board of directors? If so, are any restrictions placed on this activity and how is their director compensation treated?

17. Please list the services your firm provides and the percentages of revenue to the firm:

Type of Service	Assets under Advisement/ Management	Revenue (\$ millions)	Location	Revenue %
Investment Consulting				
Asset Management				
Brokerage				
Other				
Total				

**SECTION 2
PEOPLE/ORGANIZATION**

1. Please complete the following table regarding your firm's professional characteristics.

Male

	Caucasian	African American	Woman	Asian	Hispanic	Native American	Disabled	Total
Senior Executives / Mgmt.								
Consultants								
Sales / Marketing & Client Services								
Office / Clerical								
Other Non-Professionals								

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Female

	Caucasian	African American	Woman	Asian	Hispanic	Native American	Disabled	Total
Senior Executives / Mgmt.								
Consultants								
Sales / Marketing & Client Services								
Office / Clerical								
Other Non-Professionals								

2. Provide biographies of other key individuals in your firm.
3. Please list all principal officers, consultants, and client service officers by name, providing appropriate biographical information. Highlight the person(s) who would be responsible for our account. This information should be provided in the format below.

Name	Office Location	Title	Years of Experience	Years with Firm	Most Advanced Education/ College Degrees	Type of Experience *

*Plan Sponsor, Investment Manager, Investment Consultant or other.

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4. For each consultant identified above as having primary responsibility for the Fund, please disclose:
 - a. Any previous experience providing services to a public pension fund
 - b. Total assets and number of clients advised
 - c. Any other duties assigned to that person
5. Please describe your firm's back-up procedures in the event the primary consultant assigned to this account should leave the firm or is not available to attend a scheduled meeting.
6. Have any senior personnel left or joined the firm in the last three years? If so, please indicate when and why.
7. Please discuss your organization's compensation and incentive program. Included in your answer, please include information on the following:
 - a. How are professionals evaluated and rewarded?
 - b. What criteria must be met for employees to become vested owners of your firm, if any?
 - c. If no employee ownership program exists now are there any plans to include one in the future?
8. Please describe your succession plan and how it will be executed when there is a major change in the company structure regarding a majority shareholder/equity owner or senior officers with the company. Have you had to execute any portion of this succession plan since your firm started marketing investment services to clients?

**SECTION 3
RESEARCH**

1. Describe your firm's approach to investment (market, manager, strategy) research. Please indicate relationships with researchers or academics outside of your firm.
2. Give examples of how your research has been integrated into your products and services.
3. What tools do you use to evaluate managers and the market? Did you develop these tools in-house or purchase them from outside vendors?
4. Describe the educational opportunities provided to your clients' trustees and staff. Describe the qualifications of presenters at recent workshops.
5. Does the firm regularly produce research papers that are shared with clients?
6. Does the firm keep a database of white papers?
7. Does the firm conduct regular research focused conference calls for clients? If so, how many are typically conducted each year? Briefly describe the topics discussed on these calls.

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**SECTION 4
ASSET ALLOCATION & INVESTMENT POLICY**

1. Describe your firm's asset allocation process. Be sure to address the development of investment policy statements (provide most recent examples updated within the last year) portfolio structure analysis, and guidelines for investment managers.
2. How often does your firm recommend a formal review of asset allocation studies?
3. How does your firm develop capital markets and asset class return assumptions?
4. Describe your firm's capital markets model. Is the model proprietary, or does your firm rely on an outside vendor's model? If your firm relies on an outside vendor, indicate the name of the vendor, name of the model, etc.
5. How does your firm develop inputs to the model?
6. Does your firm develop standard inputs to the model for all clients? Can these inputs be customized based upon individual client views, needs or requirements?
7. Detail all asset classes with which your firm has experience. In addition, please detail all asset classes with which you have assisted your clients in implementing.
8. Describe the firm's philosophy for portfolio construction of a public pension plan
9. Describe your firm's view on rebalancing. Include discussion on targets, ranges, frequency, and implementation methods.
10. What is your firm's position on active vs passive management?
11. What is your firm's position on alternative investments?

**SECTION 5
INVESTMENT MANAGER SEARCH**

1. Does your firm maintain an in-house database of investment managers? If not, how do you obtain manager data? How many managers are in the database? What asset classes are covered?
2. Describe how your firm or your vendor gathers, verifies, updates and maintains the data collected on managers for the database.
3. If you have an in-house database, do you sell it to third parties? How do you receive compensation?
4. Do you charge investment managers any direct or indirect fees to be included in your database, included in searches, or if they are successful in being selected as a manager for one of your clients? What are the fees?

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5. Describe how you categorize equity managers by style.
6. Describe in detail your firm's ongoing manager due diligence process. What are some of the key issues that you examine?
7. Describe your firm's manager search process.
8. How many manager presentations, on average, are conducted on-site each year? How many manager presentations, on average, are conducted in your offices each year?
9. Give an overview of your firm's approach and criteria for placing a manager on a watch list. Under which conditions would a manager be removed from the watch list?
10. Does your firm dedicate specific resources to the alternative asset class space? If so please discuss.
11. What other services/vendors does your firm have resources and research available on? (e.g. custody, transition management etc.)
12. Describe your manager research structure (list your firm's researchers and their overall responsibilities) and the resources dedicated to this area?

**SECTION 6
RISK**

1. What is your approach to managing absolute and relative investment risk?
2. Describe your general approach to controlling risk, e.g., do you favor the use of asset weight limits or risk limits, or a combination?
3. How does your firm monitor risk?
 - a. List what measurements are used when evaluating risk.
 - b. At what level are these risk measurements used: total portfolio, asset class, asset style, investment manager?
 - c. Which measurements are most important in the analysis of risk?
 - d. Discuss your views on investment manager tracking error.
4. What sort of risk budgeting, manager structuring tools and processes does your firm utilize? Are they proprietary or outsourced?
5. Describe any risk management capabilities and associated costs that are offered to clients.

**SECTION 7
PERFORMANCE REPORTING**

1. Describe your firm's performance reporting and evaluation services.

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2. What methods and sources of data do you use in calculating investment performance of a client's portfolio? Do you comply with CFA Institute standards for rate calculation? Do you reconcile your calculated performance with investment managers and custodians? Describe this process.
3. Briefly describe current quality control procedures for data.
 - a. How is the accuracy of data received from the custodian and investment managers verified?
 - b. How often does this verification take place?
4. Include a sample performance evaluation report in the appendix of your response.
5. Discuss the performance attribution your firm can provide.
6. Describe how benchmarks are chosen or developed. Describe your custom benchmark capabilities.

**SECTION 8
TRANSITION MANAGEMENT/SECURITIES LENDING**

1. Discuss your firm's philosophy on transition management.
 - a. Do you recommend clients maintain a pool of approved transition managers?
 - b. Have you assisted with a search for qualified transition managers?
2. Describe your firm's view on securities lending.
 - a. Do you typically recommend lending with the client's custodian or with a third-party lender?
 - b. Describe your viewpoint on each method of implementation.

**SECTION 9
OTHER CONSIDERATIONS**

1. Discuss experience in monitoring Illinois business development initiative: Experience in developing investments towards Illinois based companies. Have you developed goals, how do you evaluate them?
2. Discuss any databases and the ability to develop relationships for the Fund with regards to Illinois based managers.
3. How does your firm work with emerging minority, female and persons with a disability owned firms within the framework of an overall investment plan?
4. The Fund adopted an Emerging Investment Manager Utilization Program according to the Illinois Public Act 96-0006 which includes goals established for the management of assets by emerging Minority, Woman and persons with a Disability owned firms. Refer to our website at: [www.mwrdrf.org/financial-and-investment-related/policies/Emerging Investment Manager Utilization Program](http://www.mwrdrf.org/financial-and-investment-related/policies/Emerging%20Investment%20Manager%20Utilization%20Program). How can your firm assist us in meeting these goals?
5. What are your firm's consulting specialties and strengths? What differentiates your firm from your competitors? What are your firm's limitations?
6. Why should our Fund hire your firm rather than your competitor(s)?

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**SECTION 10
CLIENT BASE**

1. Enter number of institutional retainer clients in each category:

Size (Millions)	Public Pension Funds	Illinois Public Pension Funds	Corporate Funds	Endowments/ Foundations	Other
0 - 50					
51-500					
501-1000					
1001-5000					
Over 5000					

2. Please provide a current list of retainer public fund clients.

3. Please provide three public fund references.

4. Please provide the name, contact, title, and telephone number of three (3) clients which have terminated your firm’s services within the past three (3) years.

**SECTION 11
FEES**

1. The Fund will evaluate fee proposals based on full retainer services which shall include manager searches. The retainer fees quoted in this proposal must be in force for the entire five-year contract duration. **Please refer to the list of services (scope of work) required on page three.** Items 1 through 14 should all be included in the annual retainer amount.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total for Contract Period
Annual retainer						
Other services not included in items 1 through 8. Please specify.						

2. The Fund requires that the investment firm certifies that “no finder’s fee or finder’s commission or any other consideration has been, or will be paid to any individual or organization, other than a bona fide employee working solely for the investment firm, resulting from the establishment of this

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investment management relationship with the Fund.” Would your firm be able to make this certification?

Certification

I certify that the firm meets the terms of the RFP including all the qualification listed on page two.

I certify that at the time of submitting this RFP that there are no past or present litigation(s) or regulatory actions against the firm or any current employees.

I certify that I am an officer authorized to contractually bind the firm.

Signature

Title

Name

Date

Email Address: _____