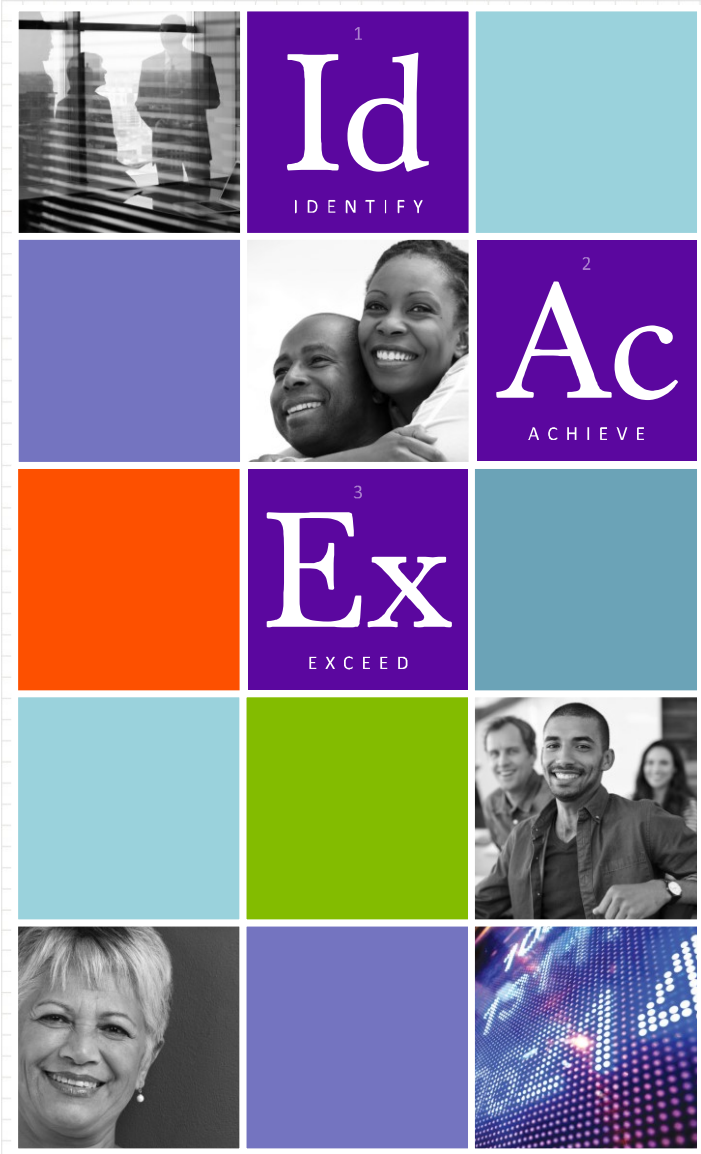
hooker & holcombe

CITY OF BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

REQUEST FOR PROPOSAL FOR INVESTMENT ADVISORY SERVICES



Please forward questions/responses to:

Arthur J. Meizner, CFA, CAIA, CFP®, AIF®
Director, Investment Consulting Services
ameizner@hhconsultants.com

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Actuarial | Retirement | Investment
CONSULTING

The City of Burlington Employees' Retirement System
REQUEST FOR PROPOSAL
Investment Advisory Services for
The City of Burlington Employees' Retirement System

The City of Burlington Employees' Retirement System Board is seeking proposals from qualified firms for investment advisory services to assist the Board in carrying out its fiduciary responsibilities. Response to this Request for Proposal (RFP) must be received no later than 4:00 p.m. (EST) on October 8, 2020.

This RFP does not obligate the Board to complete the project and the Burlington Employees' Retirement System Board reserves the right to cancel the solicitation if it is in the City's best interest.

I. INTRODUCTION

The City of Burlington Employees' Retirement System Board is responsible for the proper operation of the City of Burlington's Retirement Plan. In meeting this responsibility, the Board establishes objectives of the investment manager(s) of the Investment Fund, selects investment manager(s) of the Investment Fund and evaluates the performance of the investment manager(s) based on the established objectives. The Board monthly reviews and approves the contracts and/or fee schedule of its investment manager(s) and its investment custodian and approves the continuation of its business relationships with the investment manager(s) and its custodian.

The City of Burlington Employees' Retirement System currently has approximately $195 million in assets.

The Board has established performance objectives for the funds under its control. In its efforts to meet or exceed these objectives, the Board utilizes the advice and recommendations of an investment advisor in the design, development and implementation of its investment program.

The City of Burlington Employees' Retirement System Board has requested Hooker & Holcombe Investment Advisors, Inc. (HHIA) to assist in preparing and distributing a formal RFP to evaluate available investment advisory services. HHIA will not be submitting an RFP for the position. The Board and HHIA will review responses and will recommend a candidate to the City of Burlington Employees' Retirement System Board for approval. The Board expects the process for evaluating

and selecting an advisor will be completed by November 27, 2020, with approvals and start date determined by December 3, 2020.

RFP Schedule

RFP released:	September 10, 2020
Deadline for receiving questions:	September 22, 2020
City's response to questions:	September 29, 2020
Proposals due to City:	October 8, 2020
Finalists selected by CAO and Mayor:	November 6, 2020
Finals presentations:	November 24, 2020
Vendor selected:	November 27, 2020
Approvals and start date determined:	December 3, 2020

The selected advisor will report to the Burlington Employees' Retirement System Board. In carrying out its responsibilities, the advisor will work closely with the Burlington Employees' Retirement System Board and other City of Burlington staff.

The primary responsibilities of the advisor selected through this RFP process shall include, but are not limited to the matters of investment objectives and asset allocation, management structure (active vs. passive, investment style mixes), performance measurement and evaluation of other needs.

II. PURPOSE

The Burlington Employees' Retirement System Board utilizes qualified advisors to provide independent, objective and creative input in the process of fulfilling its fiduciary responsibilities.

The advisor employed by the Board will be expected to deliver analysis, advice and recommendations with respect to:

- Investment policies and investment management structure, including asset allocation, allocation optimization and asset/liability modeling;
- General investment, research, public market and regulatory analysis;
- Initial and ongoing evaluation, due diligence, selection and monitoring of investment managers and/or funds;
- Portfolio performance evaluation, including monthly reviews and outlook reports;

- Meetings (as needed) with the Burlington Employees' Retirement System Board;
- On-site consultation and assistance;
- Co-fiduciary responsibility with the Burlington Employees' Retirement System Board for investment related processes;
- Special requests

Detailed requirements are set forth in Part V of this RFP.

III. MINIMUM ELIGIBILITY CRITERIA

The minimum criteria to be eligible to bid on this RFP are as followed:

- The investment advisory firm must have been in business for a minimum of five years. Allowance to this will be given to advisory teams that have been intact at another firm for a minimum of five years.
- The primary individual(s) assigned to the Burlington Employees' Retirement System, as lead advisor must have a minimum of ten years professional experience in the investment advisory field.
- The firm must be providing investment advisory services to at least four public pension plans presently, one of which is in excess of 75 million dollars in assets.
- The firm must be able to maintain an electronic data processing interface with the plan's custodian. The firm must document that it has data redundancy and catastrophic data recovery programs currently in place.

IV. BACKGROUND

The City of Burlington Employees' Retirement System provides Pension income and health benefits to eligible City of Burlington Employees'. Provisions of the City Charter govern the Plan. The Burlington Employees' Retirement System Board consists of eleven members: three elected by plan members, six appointed by City Council and the City Treasurer and Personnel Director who both serve as ex-officio members.

As of July 1, 2019, the Employees' Retirement Plan has:

Employees'' Retirement System	Number of Members
Active Employees'	913
Terminated vested Employees'	375
Vested in employee contributions only	114
Retired, disabled and beneficiaries	766
Total Participants	2,168

The funded ratio as of July 1, 2019 was 72.80%.

The discount rate as of July 1, 2020 is 7.40%.

The inflation assumption is currently 2.60%.

Please refer to the enclosed Actuarial Valuation report for additional demographic details.

Investments and Managers

The Plan can invest primarily in domestic and international equities, global fixed income securities and alternative investments in the form of mutual funds, commingled investment trusts (CITs), ETFs, separate accounts, limited partnerships, private placements and MLPs. An investment advisor manages allocation and fund/manager selection of the Plan's assets. The Board will need to approve all investment classes, assets and structure.

The Plan's current asset allocation, as of July 1, 2020:

City of Burlington Employees' Retirement System

	ASSETS	MANAGERS	WEIGHTS
US Large Cap Core Equities Index - CIT	$60,962,544	1	31.35%
US SMID Cap Core Equities Index - CIT	$36,052,430	1	18.54%
International Equities Index - CIT	$19,170,486	1	9.86%
Emerging Markets Equities Index - CIT	$19,372,439	1	9.96%
Total Equities	**$135,557,899**	**4**	**69.70%**
Core Bond Fund - MF	$39,282,951	1	20.20%
Total Fixed	**$39,282,951**	**1**	**20.20%**
Private Equity - LP*	$1,212,615	3	0.62%
Timber - LP*	$2,641,419	1	1.36%
Real Estate - LP	$14,863,927	1	7.64%
Total PE, Timber, RE	**$18,717,961**	**5**	**9.62%**
Cash - SMA	**$929,757**	**1**	**0.48%**
Total Portfolio	**$194,488,568**	**11**	**100.00%**

**Updated data is not available at this time, the March 30th ending market values was carried forward and adjusted for any cash flows that occured during the quarter.*

In addition, the Burlington Employees' Retirement System Board utilizes a master Custodian and Trustee to provide a variety of custody and recordkeeping services. Hooker & Holcombe serves as the Plan's actuary.

V. SCOPE OF ADVISORY SERVICES

The Burlington Employees' Retirement System Board has established investment performance objectives. In its efforts to meet or exceed these objectives, the Burlington Employees' Retirement System Board has sought and will continue to seek the investment advisor's advice and recommendations for its investment program. The Board expects the advisor selected through this RFP to provide independent, objective, creative and proactive input to its decision making process. The advisor may be required to perform any or all of the following tasks:

A. Investment Policies and Asset Allocation Structure

1. Conduct an annual comprehensive review and analysis of the Plan's investment policies and recommend changes, if appropriate. The review should address investment objectives, asset allocation and management structure.
2. Assist in reviewing and updating a comprehensive written Investment Policy Statement for the Plan.
3. Assist in developing an appropriate investment management structure for the Plan and each asset class, which considers the role of active versus passive management, available management styles and the advisability of altering management structures under differing market conditions.
4. Provide assistance in analyzing the investment characteristics of available asset classes and the risk/return potentials of alternative asset mixes.
5. Coordinate with the Plan's actuary to incorporate asset/liability needs of the Plan, actuarial assumed rate of return and capital market assumptions.
6. Advise in the development of guidelines and procedures for rebalancing the asset mix.
7. Provide the Board with information about new developments in investment management techniques and portfolio management theory. Analyze how new techniques might improve the Burlington Employees' Retirement System Board's investment program and whether they should be, or should not be, implemented.

B. Investment Manager & Fund Selection

1. Conduct manager and fund searches. Assist in establishing appropriate qualitative and quantitative selection criteria for reviewing potential candidates. Assist in screening prospective managers and funds and recommending finalists, which meet stated requirements.
2. Analyze the Plan's needs for particular managers within each asset class.
3. Provide ongoing monitoring, due diligence and recommendations of managers and funds.

C. Performance Evaluation

1. Facilitate the selection of appropriate performance benchmarks for each asset class and each manager and fund.
2. Assist in developing composite indices for the Plan to measure total fund performance related to an established target asset mix. Analyze actual performance relative to the composite indices on an ongoing basis.
3. Provide timely monthly performance analysis of the Plan's assets to assist in determining whether or not investment policies are being followed and whether investment goals are being achieved.
4. Provide performance attribution for each manager and fund and analyze individual and aggregate risk positions of the managers/funds on a periodic basis.
5. Evaluate manager and fund performance and consistency relative to investment guidelines and established benchmarks. Conduct ongoing discussions with managers/funds on investment performance and organizational issues (such as changes in ownership, staff, new products, etc.). Advise on manager and fund retention/termination and assist in developing formal manager and fund review process. Help evaluate any underperformance of managers/funds. Conduct annual organizational and performance audits of each manager and fund. Periodically analyze risk positions of each money manager and fund.
6. Assist the Burlington Employees' Retirement System Board with negotiating appropriate management fees and with monitoring and evaluating transaction costs and efficiency. Evaluate and recommend appropriate earnings enhancement strategies (e.g., cash management and revenue recapture).

D. On-site Consultation and Assistance

1. Attend quarterly (and monthly as required) Burlington Employees' Retirement System Board meetings to review performance, assess the investment program and make recommendations.
2. Meet with the Burlington Employees' Retirement System Board as necessary to assure timely completion of tasks set forth above.
3. Assist staff and the Burlington Employees' Retirement System Board with fiduciary education and adoption of pension-related best practices. Keep the Burlington Employees' Retirement System Board abreast of new developments in investment management techniques by making available ongoing research, topical papers and memoranda on current issues of interest to institutional investors.

E. Special Requests

1. Prepare analysis of specific issues designated by the Burlington Employees' Retirement System Board. These may include topics such as socially responsible investments, shareholder-voting rights, tobacco-related investments or custodial relationships.

VI. SPECIFIC TERMS AND CONDITIONS

A. Communications

Communications in connection with this RFP should be submitted in writing via email to:

Arthur J. Meizner, CFA, CAIA, CFP®, AIF®
Hooker & Holcombe Investment Advisors, Inc.
1300 Hall Blvd, Suite 1C
Bloomfield, CT 06002

Office number:	860-521-8400, ext. 281
Cell Number:	860-874-4449
Fax number:	860-521-3742
E-mail:	ameizner@hhconsultants.com

It is the responsibility of the proposer to assure that correspondence has been received by Hooker & Holcombe Investment Advisors. Any questions or comments directed to other City of Burlington Employees', officials or agents may result in a respondent's proposal being disqualified.

B. Contract Term

The initial contract term will be for a period of five (5) years from the start date of the contract. An additional option period of one–three years will be available at the sole discretion of the City of Burlington for the Investment Advisor Services. The contract shall cover all functions described in this document for the five-year period and any subsequent renewal period that may be offered. The City does reserves the right to terminate the contract if terms are not carried through with adequate execution or for other valid reasons.

C. Proposal Questions / Clarifications & or Suggestions

All interested proposers who requested this RFP will receive all issued addenda via email. All items meeting the requirements of this section must be submitted in writing via emailto the attention of Arthur Meizner at ameizner@hhconsultants.com and must be received by:

9:00 am on September 22, 2020

Prospective proposers should be aware that the addendum in response to questions, clarifications and/or suggestions will be released on September 29, 2020 and will be sent to all interested proposers.

D. Addenda

The City of Burlington reserves the right to revise or amend the specifications of this RFP up to the time set for submitting the proposals. Such revisions, if any, shall be announced by addenda. If the revisions and addenda require changes in quantities or specifications, or both, the date set for submitting proposals will be postponed by such number of days, as in the opinion of the City of Burlington, will enable proposers to revise their submissions.

E. Exhibits

Please include the following in your proposal:

1) A recent performance statement for a Plan of similar size to the Employees' Pension.
2) Sample Investment Policy Statement
3) Form Adv Part II, A & B

F. Proposal Due Date

One (1) hard copy must be received in a sealed envelope no later than 4:00 PM, October 8, 2020. In addition, also include all documents on a flash drive.

The City will reject proposals received after the date and time noted above. The City will not accept submissions by e-mail or fax. Proposers are solely responsible for ensuring timely delivery.

Proposers are prohibited from contacting any other City employee, officer or official concerning this RFP. A proposer's failure to comply with this requirement may result in disqualification.

The address for U.S. mail and hand delivery is:

The City of Burlington
Purchasing Office
149 Church Street
Burlington, VT 05401

ADD EMAIL ELECTRONIC.

Additionally, please submit one (1) hard copy and one (1) flash drive to:

Arthur J. Meizner, CFA, CAIA, CFP®, AIF®
Hooker & Holcombe Investment Advisors, Inc.
1300 Hall Blvd., Suite 1C
Bloomfield, CT 06002

Also, email submissions to: ameizner@hhconsultants.com

Include a PDF and a Word document with the RFP answers and exhibits.

G. Proposal Withdrawal

Proposals are considered valid, and may not be withdrawn, cancelled or modified, for sixty (60) days after the opening date, to give the City sufficient time to review the proposals, investigate the proposers' qualifications, secure any required municipal approvals, and execute a binding contract with the successful proposer.

H. Evaluation and Selection

An evaluation committee selected by the City Council shall evaluate the proposals based upon the following factors:

1) Particular capability to perform the services required.
2) Experienced staff available to perform the services required.
3) Performance history.
4) Approach and philosophy used in providing services.
5) Fees or cost.
6) References.

The City reserves the right to interview one or more firms submitting proposals prior to making a final decision to award a contract. The city will award the contract to the responsible proposer whose proposal the City determines to be the most advantageous to the City based upon the evaluation process and the evaluation factors and the outcome of negotiations, as described above.

I. Award

The City reserves the right to correct, after proposer verification, any mistake in a proposal that is a clerical error, such as a price extension, decimal point error, etc. If any error exists in an extension of prices, the unit price shall prevail.

The City reserves the right to accept all or any part of a proposal, reject all proposals, and waive any informalities or non-material deficiencies in a proposal. The City also reserves the right, if applicable, to award the purchase of individual items under this RFP to any combination of separate proposals or proposers.

The City will accept the proposal that, all things considered, is determined to be in the best interest of the City. Although price will be an important factor, it will not be the only basis for award. Due consideration may also be given to a proposer's experience, references, service, ability to respond promptly to requests, past performance, and other criteria relevant to the City's interests, including compliance with the procedural requirements stated in this RFP.

The City will not award the proposal to any business that or person who is in arrears or in default to the City with regard to any tax, debt, contract, security or any other obligation.

J. Opening of Proposals

Proposals will not be publicly opened. All proposals and evaluations will be kept strictly confidential throughout the evaluation, negotiation and selection process. Only the members of the Burlington Employees' Retirement System Board and other procuring officials, Employees' and agents having a legitimate interest will be provided access to the proposals and evaluation results during this period.

K. Sales Tax

The City of Burlington is exempt from the payment of federal excise taxes and Connecticut sales tax and use taxes. Such taxes must not be included in prices.

L. Interest

The City of Burlington will not pay interest on unpaid or disputed invoices, whether due or overdue.

M. Contract Changes

The City of Burlington may, at any time, by a written order and without notice to the sureties, make changes within the general scope of this contract. If any such change causes an increase or decrease in the cost of, or the time required for the performance of any part of the work under this contract, whether changed or not changed by any such order, a mutually acceptable equitable adjustment shall be made in the contract price and the contract shall be modified in writing accordingly. Any claim by the City of Burlington for adjustment under this clause must be asserted within ten (10) business days from the date of receipt by the proposer of the notification of change.

N. Contract Termination

In the event that this contract is terminated for any valid reason, the City of Burlington reserves the right to award this contract to the second highest-ranking proposer based on the original evaluations.

O. Contractor Evaluation and Demand to Cure

The investment advisor's performance will be evaluated by the City of Burlington's Employees' Retirement System Board until completion or termination of the contract. The quality of the advisor's performance in a number of areas will be rated as "satisfactory," "needs improvement," "unsatisfactory" or "not applicable." When evaluations are rated "less than satisfactory," the advisor will be notified. These notifications shall identify deficient areas in contract performance

and afford the advisor the opportunity to correct/cure or present its position concerning items that were reported to be deficient.

Failure to cure deficiencies in performance relative to any of the standards or requirements set forth in this document will result in a "demand to cure" notification to the advisor from the City of Burlington. The third documented notification of a "demand to cure" within any 12-month period may be grounds to cancel this contract for cause.

VII. PROPOSAL QUESTIONS

Responses to this RFP should be organized in the manner outlined below. Advisors will be evaluated, in part, on their ability to communicate clearly and succinctly.

A. Organization

1. Name of firm.
2. Name, address, and telephone number(s) of key contact.
3. Ownership structure of firm.
4. Team structure brief biographies of individuals to be assigned.
5. Business focus/client base.
    a. What is the primary business focus of your firm? Is your firm affiliated with any organization(s), specifically a brokerage firm? If yes, please describe the relationship in full.
    b. What is your firm's targeted market in terms of plan size?
    c. How many pension consulting clients do you currently have? What is the average plan size of your clientele?
    d. What is the client turnover (gains and losses) of your firm over the last three years?
    e. How many full-time staff is employed by your team and firm?
    f. When did your organization begin providing investment advisory services?
    g. Is providing investment advisory services currently one of your organization's principal lines of business?
    h. What percentage of your organization's revenues in the last fiscal year was attributable to the investment advisory practice?
6. Is your organization registered with the Securities Exchange Commission (SEC) as an investment advisor under the Investment Advisors Act of 1940?
7. Please provide a copy of your organization's Form ADV Part II A&B.

B. Potential Conflicts of Interest

1. Does your organization provide trust, investment management or securities brokerage services (including commission recapture)? If so, please identify and explain all such services provided:
    a. What percentage of your 2019 revenue was attributable to such trust, investment management or securities brokerage services?
    b. Does your organization provide any other services or engage in any other lines of business aside from investment advisory, trust, investment management,

commission recapture, soft-dollar or securities brokerage services? If so, please describe such services in detail, noting the percentage of your firm's 2019 revenue that was attributable to such services.

2. If any part of your organization provides brokerage services, soft-dollar services, directed brokerage, discount brokerage or commission recapture programs (collectively, "brokerage related services"):
    a. What percentage of your organization's 2019 revenue was received in soft dollars?
    b. What percentage of your organization's 2019 revenue was attributable to (or compensation for) brokerage-related services?
3. Does your organization offer or sell services or products to investment managers? If so, identify these in detail and name every manager who purchased any such services or products (with hard or soft dollars) over the last two fiscal years.
4. Please confirm that your organization will not accept any commissions or other remuneration from any service providers in exchange for placing business with that organization.
5. Does your organization solicit or accept fees for placing or helping to place money managers? If so, please explain.
6. Does your organization charge to include any investment managers in your database or in any search? If so, please explain.
7. Does your organization have any clients or associations that could present a conflict of interest and possibly compromise the objectivity of its advice to the City of Burlington? If so, please explain.
8. Does your organization receive any products or services from any investment managers? If so, identify each service and the amount of compensation paid, if any.

C. Legal Fiduciary Status, Investment Advisory Status and Litigation

1. Does your organization consider itself to be a fiduciary in its role as investment advisor? Will your organization contractually agree to accept fiduciary responsibility with respect to its investment advisory services?
2. Does your organization serve as an independent fiduciary to any client subject to court supervision or a U.S. Department of Labor judgment or decree? If so, please identify them.
3. Has your organization, or a principal, employee, or agent of your organization, ever been investigated or charged by the SEC, the U.S. Departments of Justice or Labor, the Internal Revenue Service, or any other federal, state or local regulatory agency for any

purported or actual violation of applicable law? If yes, please explain and provide date(s) of the violation(s).

4. Over the past five years, has your organization or any principal, employee or agent been named or threatened to be named as a party in any private or governmental litigation, arbitration or other dispute resolution proceedings; been a target in any governmental or professional investigation; or settled any actual or threatened claim? If so, please provide details including a copy of all relevant complaints and communications, a list of all parties, and the results or status of such proceedings(s), investigation(s) or settlement(s). All fillings, or otherwise, must be disclosed.

D. Insurance

1. Does your organization carry a fidelity bond and/or fiduciary liability, professional liability or any other insurance that would be beneficial to the Plan? If so, please describe the insurer, the type of insurance coverage, the beneficiary of such coverage, the limits of such coverage and the deductible amount under such coverage. Please also attach a copy of each such policy or an applicable certificate of insurance.
2. Is your organization currently aware of any claims that have been made, are being made or may be made with respect to such policies? If so, please describe.
3. Has your organization ever assisted a client in reducing its fiduciary liability insurance premiums? If so, please explain how, and to what extent your organization has done this (and provide references), and whether and how your organization would assist the Plan in reducing its premiums.

E. Staffing and Facilities

1. How is your organization structured to service your accounts?
2. How many of your staff are investment consultants?
3. What is the average number of accounts handled per investment advisor?
4. Describe the qualifications and expertise of your organization's professional staff (both local and national), including their years of service and experience in the public pension sector.
5. Please list the name and location of the primary individuals who will be responsible for the City of Burlington's Plan, and provide detailed biographies of such persons, including their tenure with your organization. How many Plans similar to Burlington's do these primary individuals service? Please list the number of clients that are assigned to these individuals.

6. How many consultants have left your organization during the past two years? Include their reasons for leaving. Please describe the measures your organization takes to assure continuity of service when a team member leaves your organization.
7. Please provide a full disclosure of whether any of your organization's professional staff has ever been suspended or disbarred from performing investment advisory services or other professional services, has been subject to any disciplinary actions, or has committed any criminal offenses evidencing fraud, dishonesty or breach of trust.
8. Please describe the location(s) and capabilities of your organization's computer/data processing staff. Is the entire staff in-house? Does your organization outsource any of these services? Please describe the security of these resources.

F. Clients

1. Please provide a representative list of your organization's investment advisory clients of similar size.
2. Please list your organization's government public Pension system clients and the portfolio size for each.
3. Please complete the following table:

Size of Plan Assets	# of Plans	Total Pension Assets
UNDER $100M		
$100M TO $200M		
$200M TO $300M		
OVER $300M		
TOTAL		

4. Please list the number of clients that have terminated your organization's services during the past three years, including their reasons for termination.
5. For reference purposes, provide the name, address, telephone number and contact person for four current clients (three must be government public Pension system clients) for whom your organization provides comprehensive investment advisory services.

G. Services

1. General

   Please indicate which of the services listed below your organization intends to provide to the Plan (Please indicate yes or no):

   a. attend or teleconference regularly scheduled Board meetings (generally monthly). In person quarterly meetings at a minimum;
   b. advise the Board during these meetings on the investment impact of plan amendments that may be considered;
   c. provide oversight of all investment aspects of the Board's operations;
   d. review and develop an investment policy statement and provide an analysis on the reasonableness of investment assumptions;
   e. advise the Board on the prudence and relative financial impact of various investments;
   f. review, develop and periodically rebalance asset allocation;
   g. recommend hiring, retention and termination of investment managers, mutual funds and other investment products;
   h. prepare and present quarterly performance evaluations, including a review and report of all investment transactions by all investment managers in a five year investment performance history of the Plan (if source date is available);
   i. review and comment upon investment management agreements prepared by the Plan's counsel;
   j. develop and monitor adherence to individualized investment guidelines, risk controls, proxy voting and adherence to proxy voting policies;
   k. monitor custody bank and assist in retention and replacement, as appropriate;
   l. supervise, monitor and verify transfer of assets in the event of change of investment manager;
   m. provide assistance required by audits or examinations conducted by governmental agencies;
   n. assist in reducing fiduciary liability insurance premiums and address special investment and other issues as they arise.

2. Investment Policy Development & Portfolio Design

   a. Describe briefly the processes and tools your organization uses to help clients develop investment policies and objectives.
   b. How does your organization identify and understand the Plan's financial and investment objectives?

c. In addition, comment on your organization's process for recommending modifications to investment guidelines.
d. Describe your firm's philosophy and approach to using alternative investments, including:
    1) How you differentiate between traditional and alternative investments.
    2) Explain why you would use alternatives, i.e., risk reduction, alpha, non-correlated assets, etc.? Why would you not use them?
    3) Alternative investments you currently utilize.
    4) Typical percentage of alternative investments, including hedge funds.
    5) Delivery structure(s) in use (i.e., mutual funds, ETFs, separate accounts, CITs, limited partnerships, MLPs, etc.)
e. Describe your philosophy and approach to using factor weighted (Smart Beta) funds?
f. Describe your firm's philosophy and approach to development of asset allocation strategies, including:
    1) Methodology and approach used for asset allocation modeling, including linkage to asset/liability modeling and funding.
    2) Application of major variables (i.e., risk tolerance, return, correlation, skewness, kurtosis, etc.).
    3) How frequently and under what circumstances do you believe asset allocation should be changed?
    4) Does your firm employ a tactical allocation strategy? If yes, describe the parameters and the decision making process.
    5) Does your firm use alternative asset allocation methodology beyond Markowitz? Please explain.
    6) Does your firm utilize liability driven methodology? Please explain.

3. Manager Selection
    a. Briefly describe the process and methodology of choosing an investment manager and fund from initial screening through the development of your recommendation.
    b. Indicate the source of information for investment manager candidates, CITs, funds, ETFs, etc.
    c. Does your organization conduct on-site due diligence meetings? Please explain. How often do you visit with managers or representatives of the funds used in your portfolios?

d. Does your organization classify equity managers and funds by style? If yes, please indicate the style categories your organization uses and what process it uses to determine the manager's/fund's style?
e. How does your organization verify the validity of limited partnership and separate account managers' performance records?
f. What is your position relative to active and passive investing?
g. Do you use multiple funds or managers for larger sleeves such as Large Growth, Core or Value?
h. For portfolios of a similar size as the City of Burlington's pension plan, what types of investment vehicles (as shown below) would you use, and what percentage:

    1) CITs
    2) Mutual Funds
    3) ETFs
    4) Individual bonds
    5) Individual stocks
    6) Limited Partnerships
    7) Separately Managed Accounts (SMA)
    8) Other (explain)

4. Performance Measurement and Evaluation
    a. Describe your organization's approach to monitoring and evaluating portfolio performance, risk, investment style and individual investment managers for your clients. Please discuss how you benchmark the managers or funds.
    b. How often does your firm review an investment manager's performance?
    c. Explain what would cause you to recommend a manager or fund to be terminated? Also explain what would cause you to place a fund or manager on Watch?
    d. Briefly describe your organization's reporting system and the components of your performance reports. Please explain the extent to which these performance reports can be customized to meet a particular client's needs.
    e. Describe the types of analysis and investment performance comparisons included in a typical performance evaluation report. To what extent does your organization provide analysis of year-to-year changes? How does your organization monitor and report performance data that is typically delayed, i.e., LPs. Are there any performance adjustments that you use to compensation.

What is your organization's typical turnaround time for the preparation of such analysis?

f. Are rates of return routinely presented on a net of fee basis?
g. Databases:
    1) Please describe the databases your firm uses?
    2) Is the database proprietary to your firm or purchased?
    3) If purchased, how many do you use and for what purposes?
    4) How many investment managers are in your database(s)?
    5) If you maintain your own proprietary database, how does your firm gather, verify and analyze the data collected on managers for the database(s)? Include name of any external sources.
    6) Describe your screening process and capabilities.
    7) How many managers are actively monitored?

5. Risk Control
    a. Does your organization assist clients in developing individualized, written investment manager guidelines? If so, attach a sample of such guidelines for a domestic equity manager and for a domestic fixed income manager.
    b. Please explain how your organization measures and analyzes relevant financial characteristics regarding each manager's account and funds, and the entire fund portfolio in order to detect and control risk.
    c. How do you manage for extreme left-tail risk? Do you consider Value at Risk (VaR) or Conditional Value at Risk (CVaR)?
    d. How do you define risk for a defined benefit plan? How do you help sponsors mitigate that risk?
    e. What do you consider the critical success factors for a de-risking strategy?
    f. Describe the optimization or risk management techniques used in the portfolio construction process. Detail strategies employed to prevent excessive volatility.
    g. How does your approach differ for plans that are closed versus active?
        1) How do you propose meeting periodic cash flow needs?

6. Transition Management
    a. In light of the five LPs in the current Plan, describe how you would transition the assets to your recommended portfolio and custodian?
    b. What extra costs would be involved?

7. Computer and Technical Capabilities
    a. Describe the software and hardware that will be used to support the proposed work plan.
    b. Describe your catastrophic data recovery plans. How often do you test your recovery system?
    c. Describe your maintenance and backup procedures including daily backups, retention timetable and off-site backup storage approach. Where are your off-site backup facilities located? Is the backup data saved on disc or in the cloud?
    d. Describe how any database(s) can be accessed by the Burlington Employees' Retirement System Board staff.

H. Fees

1. Please outline your fee structure for this plan. Please indicate all services you propose to provide and their associated fees. Specifically, detail in terms of your retainer, manager searches, performance monitoring on a monthly basis and other functions.
2. Please indicate the number of years for which your organization would be willing to guarantee its fees.
3. Please list any anticipated miscellaneous expenses and disbursements for which your organization will charge or seek reimbursement and unit costs of such expenses (if applicable).
4. Disclose your portfolio management philosophy as it relates to negotiating/establishing fee arrangements with money managers. Disclose your review/evaluation process to determine reasonableness of each investment manager fee. Disclose your process for periodic review and recommendation of service fee reductions or consolidation.
5. What are the anticipated fund, limited partnerships, separate account, CITs, ETF, etc., fees and expenses?
6. What are the estimated fees and expenses charged by your Custodian/Trustee?
7. Do you intend to charge for special projects or ad hoc work? If so, how would these services be defined and billed? Would there be a discount from the standard fees or special projects?
8. If hired, will your firm receive any other form of compensation from working with this account that has not yet been revealed? If yes, what is the form of compensation?
9. Describe in detail any mutual fund revenue sharing (recapture), 12b-1 fees, finder's fees, directed brokerage commissions (separate accounts), collective trust rebates, and any other revenues or fee rebates. Full transparency and disclosure of expenses, fees, revenue sharing, etc. is an <u>absolute and nonnegotiable requirement</u>.
10. If your organization plans to bill for special projects on an hourly basis, please include a schedule showing the hourly rates of the professionals who would be assigned to the Trust's account. If selected, your organization will be expected to provide detailed back-up documentation reflecting the number of hours expended on a special project, billing rates, the subject matter of the services rendered, and the particular person(s) rendering those services.

    *A confirmation of fees will be required.

I. Miscellaneous

1. Please provide a confirmation of your organization's willingness and availability to commence work immediately upon selection and to devote sufficient resources to perform any and all services in a timely and efficient manner.
2. A certification that all information contained in the proposal is complete and accurate, signed by a person authorized to negotiate on behalf of and contractually bind your organization. Any misrepresentation in the proposal could result in the termination of the contract at any time and potential liability.
3. Any other information you feel will be beneficial to support your proposal.