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**Appendix A**

**General Investment Consultant**

**Questionnaire and Document Request**

City of Austin Employees’ Retirement System

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Austin, TX 78731

(512) 458-2551

[www.coaers.org/gic-rfp](file://COAERS-DC01/Groups/Investments/Consultant%20RFP/www.coaers.org/gic-rfp)

# EXECUTIVE SUMMARY

**Please address the following items in five pages or less and include as part of your response to the RFP.**

1. Overview: Please summarize the key elements of your proposal including:
2. Your firm, its location, lines of business, number of employees in each area of investment consulting (including any OCIO activities), and institutional clients (total and all public pension plans);
3. A high-level summary of your fee proposal;
4. The consulting team that will work with COAERS, including biographies limited to a few sentences each and the number of other clients they serve; and
5. The top three reasons COAERS should retain your firm.
6. Specialties, strengths, and limitations: Please summarize the following:

1. Your specialties, strengths and limitations in the areas of client interaction, research, asset allocation, investment strategy, efficient portfolio design, performance evaluation, and manager searches and monitoring;
2. Your philosophy and key policies regarding transparency, disclosure and communication with clients; and
3. The elements of your firm that you believe distinguish it most from its competitors.
4. Key metrics: Please identify the following for the last three years:

1. Total number of research and consulting staff by each area;
2. The number of asset allocation and asset liability studies completed for public pension funds;
3. The number of investment manager searches completed by asset class; and
4. The number of operational due diligence reviews, by asset class.

# SPECIFIC GENERAL INVESTMENT CONSULTANT CAPABILITIES

PLEASE CLEARLY LABEL ALL EXHIBITS THAT YOU PROVIDE WITH (1) SUFFIXES SUCH AS A-16, A-31 OR A-42 THAT ARE IDENTICAL TO THE APPLICABLE QUESTION NUMBER, AND (2) A SHORT TITLE SUCH AS “CODE OF CONDUCT” OR “RISK BUDGET MODEL” THAT IS READILY ASSOCIATED WITH THE QUESTION’S SUBJECT MATTER OR CONTENTS OF THE EXHIBIT.

## ORGANIZATION

1. Please list your firm’s complete name, address, voice telephone and fax numbers. Include the name and title of your proposed primary consultant and the location from which the consulting work will be done.
2. Please provide a brief history of your firm and parent organization (if any) going back to inception. Describe any significant developments in your organization, such as changes in ownership, restructuring, or personnel reorganizations within the past five years. Please indicate the nature of any prospective changes your firm anticipates in its corporate structure, ownership, organization structure, leadership, location, or professional staffing.
3. Describe the ownership structure of your organization giving specific details with regard to your parent and any affiliated companies. Include an ownership organizational chart showing this structure. Show and describe the distinct lines of business of your firm and your parent (if any) which are in addition to your investment consulting line of business.
4. Is your firm, its parent, or affiliate a registered investment advisor with the SEC under the Investment Advisors Act of 1940? If not, what is your fiduciary classification?
5. Describe any circumstances specifically related to your investment consulting activities under which your firm, its officers, or employees receive direct or indirect compensation from investment managers.
6. Does your firm, its parent, or affiliate sell information, data or any other services to investment managers? If so, describe in detail.
7. Based on the criteria identified in Section II of the RFP (Scope of Services), which three features in this Proposal are the most compelling reasons for COAERS to select you? Explain why.
8. Please describe your Firm’s financial stability, overall business objectives with respect to future growth, and provide the most recent audited financial statements. What portion of the Firm’s revenue (if any) is generated by each of the below sources (should equal 100%) for each of the last three year-ends?
   1. Non-discretionary advisory services
   2. Discretionary advisory services
   3. OCIO services
   4. Brokerage activity
   5. Investment management organizations
   6. Other sources (please specify)

1. Describe the firm's compensation arrangements for senior management, consultants and other professionals, including any incentive and other bonuses and how and for what they are awarded. What incentives are provided to attract and retain superior individuals and to ensure key professionals do not leave the firm either as a group or individually? Does staff participate in equity ownership? If ownership is not available, is there a specific arrangement for sharing in the profits earned by the enterprise? How does the firm tie client performance and satisfaction to a consultant's compensation?

## CLIENTS

1. Please list the number of clients you serve within the following plan-type categories for each of the past three years:

|  |  |  |  |
| --- | --- | --- | --- |
| **Client Plan Type** | **2022** | **2021** | **2020** |
| Retirement Systems in Texas |  |  |  |
| Other Pubic Employee/Government |  |  |  |
| Union/Taft-Hartley |  |  |  |
| Corporate |  |  |  |
| Endowment and Foundation |  |  |  |
| Other |  |  |  |

1. Please list the number of clients you serve within the following size categories:

|  |  |  |
| --- | --- | --- |
| **Client Size (total assets at market)** | **Number of Clients** | **Number of Public Plans** |
| <$1 billion |  |  |
| $1 billion to $5 billion |  |  |
| $5 billion to $20 billion |  |  |
| $20 billion to $50 billion |  |  |
| Over $50 billion |  |  |

1. Please list the number of clients with portfolio-wide AUM over $1 billion for these specific specialized consulting mandates:

|  |  |
| --- | --- |
| **Type of Relationship** | **Number of Clients** |
| Real Estate |  |
| Infrastructure |  |
| Private Equity |  |
| Private Credit |  |
| Hedge Funds |  |
| Other Alternatives |  |
| Risk Management |  |

## PERSONNEL

1. Provide (in this response, not an exhibit) an organizational chart across all offices of the investment consulting portion of your firm’s business. List the number of employees, professional and support, in each function and/or location. Please provide your employee breakdown:

|  |  |
| --- | --- |
| **Staffing Group** | **Number of Employees** |
| Field Consultants |  |
| Risk Management |  |
| Performance Analysts |  |
| Manager Selection |  |
| Other Research |  |
| Administrative and Support Staff |  |
| Other |  |
| Total |  |

1. For the Primary (P), Secondary (S), and Primary Backup (B) personnel assigned to the COAERS account:
   1. Provide the names, their titles, and their biographies including educational qualifications, professional affiliations, and their investment performance of pension plans, for which they provided consulting services. Disclose the office location to which they primarily are assigned. Also, provide additional information using the format below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Role** | **Name** | **Title** | **Current # of Accounts Assigned, ex COAERS** | **Years with Firm** | **Years of Institutional Consulting Experience** |
| P: |  |  |  |  |  |
| S: |  |  |  |  |  |
| B: |  |  |  |  |  |

* 1. Provide client names, plan type (such as: Defined Benefit, Defined Contribution, Endowment, etc.), length of relationship, and asset size using the format below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Role** | **Client Name** | **Plan Type** | **Length of Relationship (in years)** | **Client’s Asset Size ($M)** |
| P: |  |  |  |  |
| S: |  |  |  |  |
| B: |  |  |  |  |

1. Describe the firm’s policy on changing staff assigned to a client. The COAERS contract will specify that the replacement of client-facing staff on the account will require our pre-approval. For which personnel including strategists will your engagement agreement provide “key person” rights for COAERS to cancel the engagement if the individual(s) terminates or suspends employment with you? Explain any “substitution policy” that would apply to the above personnel, and the limits you will impose on substitutions.
2. List senior staff hires and departures over the last three years, and for departures indicate the reason for termination or departure.
3. Across the firm, how many relationships on average does each consultant have? What is the maximum limit of relationship per consultant?
4. Please provide any other roles and responsibilities any consulting personnel hold within your parent organization, firm, and/or affiliates.

## STANDARDS OF CONDUCT AND COMPLIANCE/REGULATORY MATTERS

1. Describe your compliance function and staffing. Describe your compliance processes as they relate to research personnel and your field consultants serving COAERS.
2. Does your firm have a written Code of Conduct, Ethics Policy and/or a set of standards for professional behavior? (Identify as an Exhibit Appendix.) If so, how are they monitored and enforced?
3. Does your firm follow the CFA Institute’s Code of Ethics & Standards of Professional Conduct? If so, how is employee compliance monitored?
4. How are consultants’ recommendations to clients reviewed and monitored by your organization for compliance? How does your firm maintain consistency in consultant recommendations while facilitating customization?
5. Within the last five years, has your organization or an officer or principal been involved in litigation or other legal proceedings relating to your business activities? If so, please provide an explanation and indicate the current status.
6. Other than broad industry sweeps, has the firm or any of its employees been investigated, disciplined or censured by any regulatory body in the past twenty years? If so, please describe.

## ETHICAL PRACTICES AND CONFLICTS OF INTEREST

1. How does your firm identify and manage conflicts of interest? Are there any potential conflicts of interest issues your firm, affiliates or parent company would have in servicing COAERS? If so, please describe them.
2. Based on the list of investment managers (refer to the exhibits provided at [www.coaers.org/gic-rfp](file://COAERS-DC01/Groups/Investments/Consultant%20RFP/www.coaers.org/gic-rfp)) currently managing assets for COAERS, please disclose any business your firm, affiliates, or parent company does with any of our investment managers including funds sponsored by your firm that are sub-advised by them.
3. Under what circumstances are employees allowed to own stock or otherwise hold an economic interest in managers or funds the firm recommends?
4. Does your firm or any affiliates provide investment management, brokerage, trust or actuarial services? If yes, how does your firm protect against conflicts of interest? Would your organization notify a client of any apparent or potential conflict of interest, regardless of whether it was required by regulations?
5. What is your firm’s policy on soft dollar payments? What percentage of your clients have soft dollar arrangements with your firm?
6. Describe any potential conflicts in your business model for public funds manager selection and oversight, and how you manage those.
7. Other than your own client-conference meals and multi-vendor-sponsored pension-conference meals, have you or anyone in your firm provided any gifts, travel and room expenses, entertainment or meals to any COAERS Trustee or Staff during the past twelve months? If yes, please describe the amount of any expenses and what they were for.
8. Are there any circumstances under which your firm or any individual in your firm receives compensation, finder’s fees, soft dollars, direct or indirect services or any other benefit from investment managers or third parties? If yes, please describe in detail.
9. Does your firm maintain and enforce an ethics code that prohibits employees from front-running or leveraging client decisions for personal inurement? If so, describe the compliance process and provide an excerpt from your applicable policy.

## INSURANCE, LIABILITY AND DISASTER RECOVERY

1. What limitation(s) on liability, if any, do you seek to secure through your proposed form of contract or engagement agreement? Be as specific as possible.
2. In light of your non-discretionary fiduciary responsibility to the fund, please describe the limits, provisions or requirements with respect to indemnification of COAERS on which you would insist if your firm is engaged. If you have sample contract language, please provide it here or provide a copy as an Exhibit Appendix.
3. Please confirm that your organization maintains the insurance coverages required in Section 3.7 (Insurance Coverages) of this RFP. Is the coverage on a per client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers by category, and their policy limits both aggregate and per client. Explain any issues you would have in obtaining such insurance or a rider at levels competitively comparable to coverage that would be offered by other finalists.
4. What client, investment-manager or employment-practice claims been made to or paid by your insurance carriers in the last five years? Provide an explanation and indicate the current status.
5. Describe your disaster recovery (DR) plan, capabilities and facilities. When did you last test your DR plans and what did you learn/fix?

## RESEARCH CAPABILITY AND PROCESSES

1. Describe your firm’s information technology capabilities and resources. Please list any 3rd party vendors that are used for critical processes in your general investment consulting practices.
2. Describe the firm’s research organization and your division of labor. What is the process for identifying investment manager candidates, qualifying/vetting them, and providing manager research to your client’s professional staff?
3. Other than databases you explain elsewhere, do you outsource or partner for any research function that would regularly be used in a COAERS relationship? If so, explain.
4. What ongoing metrics do you systematically maintain to measure useful post-hoc performance results of managers that your clients select and terminate? What are your capabilities and methodologies to evaluate quality of manager selection and/or errors in manager selection and de-selection?
5. Describe the manner in which external resources and sources of information are used in the research process. How does your firm integrate internal and external research? Outline your process for monitoring and reporting on market trends.
6. Do you provide any customized computer-based analytical tools or databases to your clients? Describe the services the firm provides clients over the Internet that would be available to COAERS.

## INVESTMENT STRATEGY, ASSET ALLOCATION AND MODELING

1. Please review the COAERS Investment Policy Statement and Investment Implementation Policy and provide general thoughts, especially as it relates to asset allocation, manager selection process, and rebalancing.
2. Has your firm articulated a set of investment beliefs or other guiding principles that underpin its approach? If so, please provide a copy.
3. Please describe the firm’s experience and capability for performing asset allocation and asset/liability studies for a defined benefit plan.
4. Describe your firm’s view on risk budgeting. Have you created a risk budget model that is actually used by your clients? If so, please attach an Exhibit Appendix.
5. COAERS presently indexes a substantial portion of the portfolio, retaining active management for less efficient sectors such as international equity and domestic fixed income. What changes in these macro portfolio strategies would you recommend (e.g. more, less or different kinds of implementation, and where)? Explain your rationale.

## PERFORMANCE ANALYTICS AND REPORTING

1. What databases and search/analytical engines do you routinely use for performance analysis and reporting?

*The next five questions are optional for the incumbent consultant, and mandatory for all other respondents.*

1. Describe the content and format of your firm’s quarterly performance reports for the total fund, major asset classes, and individual investment managers.Provide a sample report for one of your firm’s clients that is structured similarly to COAERS (cross-reference as an Exhibit Appendix).
2. Can these reports be customized to accommodate COAERS-specific information needs? Are there charges for these additional information requests? Within what time frames can these requested changes be implemented?
3. What is the anticipated turnaround time in calendar days for each performance report after COAERS’ custodian submits individual and consolidated returns to your firm?
4. Describe your firm’s source of comparable plan sponsor returns. Indicate the size (#’s and $’s), composition (#’s and $’s), and data compilation method.
5. Based on your review of the materials provided, describe what information COAERS does not currently receive in our consultant performance reports that you will provide as clear, useful improvements for both Staff and Trustees.

## MANAGER SELECTION, MONITORING AND TERMINATION

1. What is the firm’s fundamental view of active management? Do you believe that managers that can consistently add value over the long-term can be reliably identified in advance?
2. Please describe the firm’s experience and capability for sourcing and conducting manager searches. Describe the firm’s process from beginning to end. Include the resources the firm would use and the individuals that would be involved in the process.
3. Does your firm maintain a “top tier”, “recommended list”, “premier list” or other designation of managers and/or issue formal buy/sell recommendations? If so, describe the process by which managers are added to and removed from the respective lists. By what means is that information communicated to clients and how timely are the notifications?
4. Please discuss the firm’s criteria for recommending an investment manager be placed on surveillance or probation, removed from probation/watch or terminated.
5. Does your firm maintain an in-house database of investment managers? If not, what vendor do you purchase the database from? How many managers are contained in the database? What asset classes are covered? Can clients access the database?
6. Please discuss the firm’s criteria for recommending the selection of investment managers. Is there any unique information or process your firm uses that assists you in identifying managers that will perform well going forward, other than those that have performed well in the recent past? What evidence do you have of your ability to identify a superior investment manager? What reports will you present to COAERS to demonstrate whether managers sourced by your firm have added value?
7. Describe components of the operational due diligence (ODD) services you will perform in manager selections as a part of your base fee. Discuss your experience in performing operational due diligence and outline your resources and capabilities. Identify what you consider the 3-5 most important factors that cause you to reject an otherwise attractive manager. Do you outsource any ODD services? If so, to whom? What due diligence reports on prospective or incumbent managers will you provide to our Staff for confidential internal review?
8. If the Staff were to source one or more managers who are not familiar to your firm or already vetted, how would you go about providing independent due diligence for finalist firms if they become a CIO recommendation? Please provide guidance on limitations for the number of managers on which you would be willing to provide independent due diligence in this fashion.
9. Please describe your process for monitoring a client’s pre-existing managers. Will a client’s pre-existing managers outside your client base be assigned to the research staff that normally covers that asset class for monitoring?
10. If you maintain an in-house manager database, do you sell it to third parties? How do you receive compensation? Do you provide clients with access to any such database?
11. Please explain your firm’s strategy for client-level fee management and mitigation and suggest how you envision COAERS participating in your strategies.
12. Please provide examples of two written recommendations each 1) to hire an investment manager and 2) to terminate an investment mandate within the last 24 months.

## Private Markets Capabilities

1. Please describe your firm’s experience assisting organizations similar to COAERS with developing a Private Markets program. Please provide specific examples.
2. Is your organization willing to assist in training and supporting COAERS staff in building internal capabilities for private markets (both front and back office)? Please describe your experience and approach in doing so, and samples of associated educational materials.
3. Please describe your firm’s process for development of investment policies, strategic plans and pacing analysis for private markets investment activities. Please provide specific examples.
4. How does your firm recommend modeling risk for private markets exposures? Please provide examples.
5. What are your organization’s capabilities in private markets top-down research?
6. What are your organization’s capabilities in private markets manager research?

## OUTSOURCED CIO (OCIO) ACTIVITIES

*The next 6 questions are required for all respondents with an OCIO business.*

1. Describe the history, legal structure, and current scope of your firm’s OCIO business including the inception date, the size (in terms of assets under management and/or advisement), and the number of personnel assigned.
2. What conflicts does your firm believe that the OCIO business creates with respect to the traditional consulting business? How does it manage those conflicts?
3. Does your firm sponsor investment vehicles aimed to help smaller clients aggregate their investments? If so, please list these and state the assets under management as well as the number of clients invested.
4. To what extent are performance fees used in your OCIO business? In your opinion does this create an incentive to favor performance-based clients over those who do not have such arrangements, and if so how is this conflict managed by your firm?
5. Describe any differences between the compensation of employees either partially or wholly employed by this line of business and the traditional consulting model.
6. Describe your firm’s disclosure policy regarding the conflicts that arise in this business. Are potential conflicts disclosed out of an abundance of caution or must clients ask?