

I. INTRODUCTION

A. Overview

The Arlington County Employees' Retirement System (ACERS) is a defined benefit plan with an investment portfolio of approximately \$2.5 billion. As of December 31, 2019, these assets were invested as follows: 34% in domestic equities, 18% in global equity, 8% in international equities, 36% in fixed income, and 4% in alternatives including private equity and real estate.

This portfolio is managed by multiple, outside investment managers and includes both active and passive mandates. ACERS' staff includes a Chief Investment Officer, a Pension Investment Officer and an administrator.

ACERS is seeking investment consulting services to assist the Investment Staff and Board of Trustees (Board) in making prudent investment decisions related to ACERS' portfolio.

B. Services to be provided

Specific duties of the investment consultant will include, but are not limited to, the following:

- Review existing investment policy
- Recommend and implement an investment methodology/model for formulating a plan appropriately diversified among asset classes, investment styles and managers
- Develop appropriate benchmarks/targets against which to evaluate the portfolio's performance
- Continuously review ACERS' investment strategy and portfolio mix relative to changes in the capital markets and recommend changes, options, etc
- Assist in the hiring of outside managers through due diligence and analysis; identify and present investment manager options to the Board
- Attend Board meetings and other meetings as required, usually monthly
- Prepare quarterly evaluation reports on ACERS' overall performance and that of individual managers, to include comparisons to relevant peer groups and benchmarks
- Provide training on investment topics as requested

II. PROCESS

A. Proposal Submission

A cover letter including the following information will be considered an integral part of the proposal:

- Firm name, address and main phone number
- Statement expressing willingness to perform services described
- Statement that the firm is an Equal Opportunity Employer and complies with the American with Disabilities Act of 1990
- Name, title and phone number of primary person signing the cover letter and a statement that the signer is authorized to bind the firm contractually

Proposers must complete and return the Questionnaire in Section III.

Please submit three copies of your proposal to:

Arlington County Employees' Retirement System
2100 Clarendon Blvd, Suite 504
Arlington, VA 22201

Proposals are due no later than close of business March 31, 2020.

Requests for clarification should be directed to Randee Stenroos, via email, at rstenroos@arlingtonva.us.

ACERS may reject any or all proposals.

B. Evaluation

The purpose of the comprehensive evaluation process is to identify those bidders that are most likely to perform satisfactorily the services described and which work well with staff and the Board.

Written proposals will be reviewed and evaluated by ACERS staff. Those firms with the highest scores on the evaluation of written submissions will be selected for on site interviews with staff.

Staff will identify the top two firms based on a combined evaluation of the interview and written submission. These firms will present to the Board before a final selection is made.

III. QUESTIONNAIRE

A. Organization

1. Provide your company's name and address, and the primary RFP contact's name, phone number, e-mail address and fax number.
2. Please give a brief history of the firm including the year organized, the year the firm began providing investment consulting services, and the nature of the firm's ownership and specific details with regard to any affiliated companies or joint ventures.
3. If your firm has multiple offices, please provide the total number of offices, the location of you headquarters office and indicate which location would service this account.
4. Please list your firm's lines of business and the approximate contributions of each business to your organization's total revenue. If you are an affiliate or subsidiary of an organization, what percentage of the parent firm's total revenue does your subsidiary or affiliate generate?
5. Is your firm registered as an investment advisor with the Securities and Exchange Commission under the Investment Advisors Act of 1940? If so, please provide a copy of your Form ADV Part II.
6. Within the past three years, have there been any significant developments in your organization such as changes in ownership, restructuring, or personnel reorganization? Do you anticipate future significant changes in your organization?
7. What do you consider to be your firm's consulting specialties and strengths?

B. Legal/Compliance

1. Over the past five years, has your organization or any of its affiliates or parent, or any officer or principal been involved in any business litigation or other legal proceedings related to your consulting or investment activities?
2. Does your firm provide investment management services to U.S. tax-exempt investors? If so, to what extent?
3. Describe in detail any potential conflicts of interest your firm, affiliates, or parent, may have in management of this account.
4. Discuss your firm's policy on "soft dollar" or "revenue sharing" with vendors or other service providers (research credits, fee-sharing, rebates, etc. – any program where

**Arlington County Employees' Retirement System
2100 Clarendon Blvd, Suite 504
Arlington, VA 22201**

your firm receives items of value at less than market cost; at either firm or parent/affiliate level).

5. Does your firm accept fiduciary responsibility for its role as an investment advisor?
6. Describe the coverage levels and insurance carrier of errors and omissions insurance and/or fiduciary or professional liability insurance carried by your firm.

C. Experience/Clients

1. Identify the total number of consulting clients on retainer, by type (corporate plan, public plan, etc) in the following format:

SIZE	PUBLIC FUNDS	PRIVATE FUNDS	ENDOWMENTS, FOUNDATION, ETC.
Less \$100 M			
\$100 M - \$500 M			
\$500 M - \$1 B			
\$1 B - \$5 B			
Greater than \$5 B			

2. Please provide a representative client list.
3. Please provide:
 - total number of clients and total assets under advisement over the last five years,
 - average client and assets growth rate
 - total number of public clients by the years of service in the following format:

CY	Total number of clients	Total number of public funds clients	Total assets under advisement	Public funds assets under advisement
2015				
2016				
2017				
2018				
2019				
Average growth rate				

Arlington County Employees' Retirement System
2100 Clarendon Blvd, Suite 504
Arlington, VA 22201

Number of Public funds clients as of 12.31.2019	
Public funds clients by length of service:	
< 1 year	
1-5 years	
5-10 years	
Over 10 years	

4. What is the average client to consultant ratio?

5. Please provide aggregate performance data (net of fees) as of 12/31/19:

	5yr	10yr	15yr
Total Return			
Sharpe Ratio			

6. How many clients and associated assets has the firm lost and gained in each of the past five years?

7. Please provide the name, address, phone number, contact name, and title of three clients as references.

D. Staff/Team

1. Identify the different classification of employees within the firm and the totals for each classification (i.e. consultants, research analysts, etc.) How many investment consultants does your firm have? Please provide an organization chart showing functions and total number of investment consultants in each location.

2. Based on number of investment consultants over each of the last five years please provide average number of consultants and their average turnover rate.

3. List the name and location of primary individual(s) who would be responsible for this account and provide brief biographies including titles, functions, academic credentials, and relevant experience. Include the role of each consultant for this assignment, the role of back-up personnel and how many clients are assigned to each person named above?

4. What experience does your firm have in identifying, evaluating and recommending alternative investments? Provide details of the alternatives team, include brief biographies.

E. Manager research, database, search

1. Do you have a group of individuals dedicated to investment manager research, selection and monitoring? If so, please state the name of each individual assigned, the asset class (es) they cover. If there is no dedicated group, please indicate this but note the individuals that are involved with investment manager research and their roles in the process – also indicating their primary role/responsibilities.
2. Describe in detail your manager database, including the number of strategies and asset classes. If you have an in-house database, do you sell it to third parties? If there is no in-house database, from what vendor do you purchase the database? How do you receive compensation for selling it? What fees or other consideration, if any, do you receive from managers who wish to be maintained in your database? Describe any advantage that you perceive your database has over others.
3. Describe how your firm gathers, verifies, updates, and maintains the data collected on managers for the database.
4. Describe your firm's manager rating system. Describe in detail your firm's manager selection and ongoing manager due diligence process. What are some of the key issues you examine? How often are on-site due diligence visits conducted with your client's managers? Please include investment manager turnover rates across all client portfolios over the last five years.
5. Give an overview of your firm's approach and criteria for terminating or placing a fund manager or fund on a watch list.
6. Describe your experience and capabilities in conducting searches for investment managers and other investment services. How many searches have been conducted for clients by asset class in each of the last three years? Provide a "finals" report for a recently completed manager search.
7. Describe, in detail, the firm's experience in researching, selecting and monitoring managers in alternative asset classes, such as hedge funds, private equity and real estate. Include how the firm evaluates a manager's personnel and organization, back office capabilities, investment philosophy, investment style(s) and products, research capabilities, financial condition and assets under management.

F. Performance Monitoring

1. Describe how the firm evaluates/monitors a client's investment managers. Besides investment returns, what key criteria does the firm consider in the review of an investment manager?

Arlington County Employees' Retirement System
2100 Clarendon Blvd, Suite 504
Arlington, VA 22201

2. Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can your firm provide custom benchmarks? Style benchmarks? Please also describe the database(s) your firm uses for peer universe comparisons.
3. Describe the performance measurement software your firm uses. Is this software proprietary, or does your firm utilize the software of an outside vendor? If your firm uses non-proprietary software, do you have the ability to influence changes to the software to meet the demands of the marketplace? Do you have alternative resources if the database is no longer available to you?
4. Describe your firm's performance attribution capabilities. Include a breakdown of domestic and international performance attribution capabilities.
5. What is your firm's process for return reconciliation? How will discrepancies between your firm and the managers be investigated and resolved?
6. Describe the content and format of your firm's quarterly performance reports for the total fund, major asset classes, and individual investment managers. Can reports be customized? Are there any charges for such changes? How soon following the end of a reporting period are reports made available to clients? Provide a sample report.

G. Investment Policy, Asset Allocation and Portfolio Structure

1. Describe your approach to developing investment policy and objectives for the fund. Please provide a sample Policy Statement.
2. Describe your firm's capabilities in providing asset allocation consulting services to ACERS. How often does your firm recommend a formal review of asset allocation studies?
3. Please provide the actual range of asset class weightings for your public plan clients with assets of \$1 billion to \$5.0 billion broken down into fixed income, domestic equities, international equities, convertibles and alternatives.
4. Describe your firm's capital markets model and methodology. 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. Outline your process for analyzing a client's investment portfolio structure.
6. What role does passive management serve in your firm's general view of investment strategy development?

7. How do you approach portfolio rebalancing and how often?
8. Describe the structure, organization and capabilities of your risk management department. (If no separate department exists, describe how this function is performed.) What is your approach to managing risk including portfolio selection process and asset allocation? What systems are utilized? What risk metrics are monitored in the risk management process? Can you describe a scenario in which the risk management model guidance was inconsistent with decisions within your investment team?

H. Research Capabilities

1. Describe the structure, organization and capabilities of your research department. (If no separate department exists, describe how this function is performed.) Provide the titles of any research reports provided to your clients.
2. Describe in detail the type and frequency of research that would be provided to ACERS. Through which media will it be provided? Provide three sample research reports on special topics generated by your firm.
3. Describe the investment-related education and types of publications provided to your clients.
4. What is the percentage of total revenue spent on research in the last three years.

I. Fees

1. Please provide a fee proposal for full-service retainer investment consulting for the next five years, including a list of all services that would be included in a full retainer fee (covering all services and expenses such as travel, lodging, meals and other out-of-pocket expenses) and which types of services would result in additional fees.
2. Please describe the services that you could provide related to your role as investment consultant for which you would require additional fee and state the basis upon which such fee would be determined.
3. Are you willing to guarantee your fees for a specific period of time?