



TOWN OF HANOVER
DEPARTMENT OF MUNICIPAL FINANCE
550 HANOVER STREET
HANOVER, MASSACHUSETTS 02339
781-826-5000 ext. 1000

Lincoln Heineman
Finance Director

The Town of Hanover Other Post-Employment Benefits (OPEB) Trust Fund
Request for Qualifications (RFQ)

The Town of Hanover is issuing a Request for Qualifications (RFQ) in connection with investment management services for its Other Post-Employment Benefits ("OPEB") trust fund. Specifics regarding the request are included in the RFQ document. The Town of Hanover has retained SAA Advisors, Inc. to manage the review and evaluation process.

Background

The Town of Hanover's OPEB trust fund was created in 2009 to fund future other post-employment benefits of town employees. The fund currently has \$1.7 million in assets. This amount is expected to grow over time as the town continues funding the trust to meet the accrued OPEB liabilities.

Timeline & Response Details

- The deadline for RFQ responses is **Friday, November 9, 2018 at 5pm ET**. Any responses received after this date/time will be rejected.
- Responses should be sent in electronic format only via email to the following individuals:
 - Mr. John P. Mohr, CFA, CAIA
Strategic Asset Alliance
Email: jmohr@saai.com
 - Mr. Lincoln Heineman
Town of Hanover
Director of Finance
Email: Lincoln.heineman@hanover-ma.gov
- Questions related to the RFQ should be submitted by 5pm ET on Monday, October 22, 2018. All questions should be submitted in writing via email to the above individuals.
- Further information related to the Town of Hanover and the OPEB trust fund are located on the town's website at <https://www.hanover-ma.gov>
- **OPEB valuation:** <https://www.hanover-ma.gov/finance-department/pages/oheb-reports>
- **OPEB Investment Policy Statement:** [https://www.hanover-ma.gov/sites/hanoverma/files/uploads/8-6-18 - oheb liability trust investment policy statement - 55-75 equity - voted.pdf](https://www.hanover-ma.gov/sites/hanoverma/files/uploads/8-6-18_-_oheb_liability_trust_investment_policy_statement_-_55-75_equity_-_voted.pdf)



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**TOWN OF HANOVER OPEB TRUST
REQUEST FOR QUALIFICATIONS**

I. Firm/Staffing Information

Firm Name:	
Year of Organization:	
Total Number of Employees:	
Total Number of Investment Professionals:	
Address:	
Telephone:	
Contact for RFQ:	
Telephone:	
Email:	

- A. Firm ownership and any changes within the past five years: (please indicate majority owner of the investment firm);
- Organizational structure: Public, Private, Subsidiary of another firm
 - % Held by: (Employee Ownership, Firm Name)
 - Managed by (Firm Name, NA)
 - Changes within last 5 years:
 - If employee ownership is part of your structure, how does an employee become an owner?
- B. Registration Status with the SEC. Please provide a copy of your most recent **full** form ADV, if available.
- Registered, Not Registered, In Process
 - ADV attached? (Yes, No)
- C. Please provide an organizational chart of the organization, the investment and client service teams:
- D. Please list key Investment and client service professionals who would be involved in the management of the Hanover OPEB portfolio and provide the following information:
- Name
 - Title (President, Vice-President, Director, Portfolio Manager, Other)
 - Areas of Responsibility

- d. Professional Designations (CFA, CAIA, CPA, Other)
- e. Years of Experience with your firm (0-5, 5-10,10-15,15+)
- f. Years of Experience in investment field overall (0-5, 5-10, 10-15, 15+)
- g. Years of Experience overall (0-5, 5-10, 10-15, 15+)

Please provide biographies for these key individuals.

- E. Please provide information regarding the number of relationships covered by client service professionals at the firm.
- F. Please provide Information on any changes to personnel within the investment team or key personnel within the organization over the past five years:
 - a. Key Personnel Name
 - b. Title Designation (President, Vice President, Portfolio Manager, Other)
 - c. Year Departed/Retired (2017, 2016, 2015, 2014, 2013)
- G. How are members of the investment team, client service and marketing team compensated?
- H. Has your firm, parent, or subsidiary, or any officer or principal of the organization been involved in litigation relating to the management of investment assets and/or compliance violations within the last seven (7) years? If yes, please explain.
- I. Is there any pending litigation? If yes, please provide a brief explanation and indicate the status of the proceedings or disposition.
- J. In the past five years, has your organization or any members of your organization been involved in an Attorney General or SEC investigations? If yes, please describe in full including resolution.
- K. Please provide levels of coverage for fidelity bonds, errors and omission coverage, officers and directors, and other fiduciary coverage that the firm carries; including the names and addresses of the coverage provider.
 - a. Fidelity Bonds (Name, \$\$, Address)
 - b. E&O (Name, \$\$, Address)
 - c. Officers and Directors (Name, \$\$, Address)
 - d. Other Fiduciary Coverage (Name, \$\$, Address)
- L. Has your firm or associated custodian had a SSAE 16 review completed? If so, please provide a copy. If not, please explain.
- M. Does your firm have a Code of Ethics? If yes, please provide a copy.

- N. Is your firm willing to assume a fiduciary role in your services as Investment Manager for the Hanover OPEB?
- O. Does your firm have or anticipate any conflicts of interest in working with the Town of Hanover?

II. Assets Under Management

- A. Please provide the following information related to firm assets under management:
 - a. Total assets under management
 - b. Total number of clients
 - c. Average client size
 - d. Median client size
 - e. Assets under management for OPEB clients
 - f. Number of OPEB clients
- B. How many years have you been managing OPEB trust portfolios and/or portfolios with similar objectives and constraints?

III. OPEB Strategy – Philosophy, Strategy & Performance

- A. Describe your overall investment philosophy and include comments on the following aspects:
 - a. Are you a proponent of active or passive management for components of the OPEB portfolio (i.e. fixed income, equities, etc.)?
 - b. Are you a proponent of alternative assets for an OPEB portfolio? If so, what types of alternative assets do you favor?
 - c. Do you employ a team-based approach or does a Portfolio Manager(s) make all decisions?
 - d. What differentiates your firm and its investment strategy from other managers in the industry?
 - e. Describe your investment process, who makes decisions and how you add value over time.
 - f. Has your philosophy or process changed over time? If so, how and why?
- B. Please provide information on the process you would use to determine an appropriate asset allocation structure for the Hanover OPEB portfolio?
 - a. What assumptions do you use in your modeling?
 - b. How are these assumptions developed?
 - c. Please describe the process and any modeling you conduct.

- C. Based on the information provided about the Town of Hanover's OPEB liabilities, how would you structure the portfolio? Please provide a sample portfolio structure including a break down by asset class (fixed income, equity, alternatives, other) and sub asset class (investment grade bond, high yield bond, large cap, small cap, domestic, international etc.)
- a. Based on your modeling, what is your expected return and risk for the portfolio along with the expected Sharpe Ratio?
 - b. Do you model negative scenarios including maximum drawdown? If so, what is the maximum drawdown associated with this portfolio?
 - c. How has your recommended asset allocation structure changed over the last 10 years?
 - d. Would you utilize individual securities or funds/ETFs for the Hanover OPEB portfolio? Will this change as the portfolio grows? Which funds/ETFs would you use? What is your investment selection process?
- D. Please provide historical performance information for an applicable composite of other OPEB or similar portfolios that you manage versus its applicable benchmark as follows:
- a. Summary historical returns (1- year, 3- year, 5-year, 7- year, 10- year, and since inception returns) versus the benchmark.
 - b. Quarterly returns for the portfolio and benchmark in an Excel file
 - c. Are your returns GIPS compliant?

IV. Administration (Fees, Compliance & Reporting)

- A. Do you provide a separate custodial arrangement as part of your service offering? Are you willing to manage assets held at a third-party custodian?
- B. Please provide your fee proposal for management of the Hanover OPEB portfolio. Given the portfolio is expected to grow over time, please incorporate any impact of this growth. Does your proposed fee include all costs? (custody, reporting, etc.)
- C. Are you paid commissions or fees when investments are purchased for client portfolios? Yes/No. If so, please explain how these commissions/fees handled and accounted for.
- D. Are you paid trailer fees on any investments? If, so how are these fees handled and accounted for?
- E. Briefly describe how trading is executed at your firm, who handles trades and how you determine you have received best execution?
- F. Describe your firm's compliance structure and answer the following questions:

- a. Who is the firm's Chief Compliance Officer and who does he/she report to?
 - b. What is the frequency of compliance reviews/monitoring processes. Are there pre-trade and post trade compliance processes?
 - c. How do you prevent and monitor for conflicts of interest?
- G. Describe the firm's client reporting package, the frequency and what it includes:
- a. Are reports available online to clients?
 - b. Are reports standardized or customizable?
 - c. How often are reports distributed and in what manner (hard copy, email etc.)
 - d. Please provide a copy of a sample monthly and quarterly report.

V. Contract

- A. Please provide a sample contract.
- B. Is the contract negotiable?

VI. Client Servicing & Ancillary Services

- A. Please describe the client service and communication process you employ.
- B. How often do you meet with clients?
- C. Does your firm provide additional ancillary services that would be useful to the Town of Hanover (actuarial services, additional reporting, accounting etc.)? If so, are there additional fees involved for these services?