



**Request for Proposal (RFP)  
NON-DISCRETIONARY  
GENERAL INVESTMENT CONSULTING SERVICES**

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**Notice to Prospective Respondents  
February 3, 2022**

You are invited to review and respond to this Texas Municipal Retirement System (TMRS) Request for Proposal (RFP) entitled *Non-Discretionary General Investment Consulting Services*. In submitting your proposal, you must comply with the instructions found herein.

Responses must be received **no later than 5:00 p.m. Central Standard Time (CST) on March 3, 2022**. Proposals received after this date and time will not be considered. Please see Section-VII – Transmittal instructions for detailed information on how to respond.

Respondents requiring clarification of the content of this RFP may request clarification by submitting written questions on or before February 27, 2022 to:

[ConsultantSearch2022@tmrs.com](mailto:ConsultantSearch2022@tmrs.com)

TMRS will send its written response to a request for clarification to all confirmed Respondents.

No verbal representations made or assumed to be made during any discussions held between representatives of potential Respondent and any TMRS personnel are binding.

Any attempt by a Respondent to initiate contact with any member of the TMRS Board and/or TMRS staff, other than the contact listed above regarding this RFP process, may disqualify the Respondent from further consideration.



**REQUEST FOR PROPOSAL**

**NON-DISCRETIONARY  
GENERAL INVESTMENT CONSULTING SERVICES**

**FEBRUARY 3, 2022**

# Table of Contents

	<u>Page</u>
<b>SECTION I - EXPECTED SCHEDULE OF EVENTS .....</b>	<b>4</b>
<b>SECTION II – INTRODUCTION.....</b>	<b>5</b>
<b>SECTION III - TMRS PROGRAM OVERVIEW .....</b>	<b>6</b>
<b>SECTION IV – GENERAL INFORMATION &amp; MINIMUM REQUIREMENTS .....</b>	<b>7</b>
<b>SECTION V - SCOPE OF SERVICES .....</b>	<b>10</b>
<b>SECTION VI – TRANSMITTAL INSTRUCTIONS.....</b>	<b>12</b>
<b>SECTION VII - RFP QUESTIONS &amp; REQUESTED ATTACHMENTS.....</b>	<b>14</b>
<b>SECTION VIII - FEE PROPOSAL .....</b>	<b>26</b>
<b>SECTION IX – APPENDIX .....</b>	<b>27</b>
<b>Exhibit A (Draft Agreement of Investment Consulting Services &amp; Exhibits)</b>	

**SECTION I**

**EXPECTED SCHEDULE OF EVENTS**

<b><u>EVENT</u></b>	<b><u>DATE</u></b>
Request for Proposal (RFP) Issue Date.....	Feb. 3
Response Due Date.....	March 3
Finalist Notification (tentative).....	Apr. 14
On-Site or Virtual Due Diligence Visits (tentative).....	Apr. 25-May 6
Estimated Date for Board Finals Presentation.....	Late May

## **SECTION II**

### **INTRODUCTION**

TMRS is issuing an RFP for non-discretionary General consulting services — see Section V “Scope of Services” for more detail on the consulting mandate. Section VI “Transmittal Instructions” provides information on how to respond to this RFP. Section VII “RFP Questions & Requested Attachments” and Section VIII “Fee Proposal” are sections of the RFP which respondents are requested to review and provide responses to.

## SECTION III

### TMRS PROGRAM OVERVIEW

TMRS is a \$36 billion statewide hybrid cash balance retirement system established in 1947 that provides retirement, disability, and death benefits for employees for approximately 900 cities in Texas.

TMRS is governed by a Board of Trustees consisting of 6 members who are appointed by the Governor of Texas to 6-year terms.

TMRS is actuarially well positioned with an 89.5% funding status. The target portfolio return expectation is 6.75%. The allocation targets are as follows:

- 35% Global Public Equity
- 20% Non-Core Fixed Income
- 12% Real Estate
- 12% Other Public and Private Markets
- 10% Private Equity
- 6% Core Fixed Income
- 5% Hedge Funds

Additional information concerning TMRS may be obtained from the following website:  
<http://www.tmr.com>. TMRS' Investment Policy Statement is located here:  
[https://www.tmr.com/down/investments/TMRS\\_IPS\\_July\\_2021.pdf](https://www.tmr.com/down/investments/TMRS_IPS_July_2021.pdf).

## SECTION IV

### GENERAL INFORMATION & MINIMUM REQUIREMENTS

#### **A. Issuing Office**

This Request for Proposal (“RFP”) is being issued by the Texas Municipal Retirement System (“TMRS”).

#### **B. Purpose of Document**

The purpose of this RFP is for TMRS to seek proposals for services from qualified general investment consultants who are currently providing general investment consulting advice, on a non-discretionary basis, to public pension plans larger than \$5 billion.

#### **C. Commitment of TMRS**

TMRS reserves the right to amend or withdraw this RFP at any time and for any reason. In the event it becomes necessary to amend, add to, or delete any part of the RFP, an amendment will be provided to all firms who received the original RFP or who notified TMRS of the firm’s intent to respond to the proposal.

Receipt of proposal materials by TMRS or submission of a proposal to TMRS confers no rights upon the Respondent nor obligates TMRS in any manner.

A contract based on this RFP may, or may not, be awarded. All agreements between TMRS and a successful Respondent shall be governed by and construed and interpreted according to the laws of the State of Texas, without regard to conflicts of law principles. This RFP and the Respondent’s proposal may become a part of the contract with such Respondent, if issued.

#### **D. Period of Contract**

The term of the initial contract will be negotiated and begin after approved by the Board of Trustees of TMRS.

#### **E. Verification of Information**

TMRS may request additional documentation from Respondents for any information provided in their proposals.

## **F. Principal Firm Responsibility**

Any contract that may result from this RFP shall specify the principal individual or individuals responsible for fulfillment of the contract with TMRS. The principal individual or individuals shall be designated in the proposal.

## **G. Cost of Preparing Proposal**

Costs for developing all proposals are solely the responsibility of the Respondents. TMRS shall provide no reimbursement for these costs.

TMRS may ask specific Respondents to conduct oral presentations either in TMRS' offices, Respondent offices, or both, relating to their proposals. If a Respondent is invited to make an oral presentation, any costs associated with any oral presentations shall be the responsibility of the Respondent and shall in no way be billable to TMRS.

## **H. Rules Regarding Contact**

The Proposal Period begins on February 3, 2022 and will end with the cancellation of this RFP or the execution of a contract with the selected firm.

TMRS reserves the right to request additional information from any or all firms to assist it in its evaluation process. However, during the Proposal Period, no firm or representative may contact any TMRS trustee or staff regarding the RFP, other than as set forth in the Notice to Prospective Respondents.

Current service providers who are responding to this RFP are expected to limit their contact for business transactions to TMRS employees with whom they ordinarily interact and to avoid direct contact with trustees or other staff during this Proposal Period, other than that which might occur at regularly scheduled meetings or in the normal course of their existing business.

## **I. Minimum Eligibility Requirements**

Respondents must satisfy the minimum eligibility requirements as outlined below to be considered for contract award:

1. Respondent must be currently providing general investment advice on a non-discretionary basis to at least 5 public pension plans larger than \$5 billion and at least 2 public plans over \$20 billion.
2. Respondent must certify in writing that it will act as a fiduciary when performing these services.
3. Respondent must accept a contractual negligence standard (not gross negligence).
4. Respondent must agree to be held to the Prudent Expert standard.
5. Respondent must agree to Texas law and venue.
6. Respondent must be a U.S. Securities and Exchange Commission-Registered Investment Adviser under the Investment Adviser's Act of 1940 (Form ADV, Parts 1 and 2, must be submitted).



7. Respondent and its personnel must have all authorizations, permits, licenses, and certifications as required under federal, state, or local law to perform the services specified.
8. The Respondent and its key professionals must not have, nor could they potentially have, a material conflict with the TMRS Board of Trustees, staff, or Custodial Bank (State Street).
9. Respondent must have fiduciary and liability insurance coverage.
10. Upon selection as a successful Respondent, the Respondent must be willing to enter into an Agreement for Consulting Services in a form substantially similar to such Agreement set forth in Exhibit A (the "Agreement"); And,
11. Respondent must certify that it has and will maintain adequate controls and operational support to fully execute the requirements of the Agreement.

## SECTION V

### SCOPE OF SERVICES FOR GENERAL CONSULTING

- 1. Fiduciary Standard of Care General Investment Advisory Services.** The General Investment Consultant (Consultant) is hired by, and reports to, the Board. The Consultant provides advice to the Board on all investment-related matters, including the development of investment goals and objectives, investment policies and strategies, asset allocation decisions, high-level implementation issues, some manager search, selection, monitoring and terminations, investment management guidelines and restrictions, analysis of investment performance, and internal staffing issues. The Consultant also provides the Board with educational opportunities designed to improve each Trustee's knowledge of investment practices and issues.

Although the Consultant is retained to provide competent, objective and independent advice to the Board, the Consultant is a valuable resource for investment staff, working closely with them in all aspects of the investment program and to ensure that issues remain focused and addressed specifically to TMRS' investment objectives, and in accordance with applicable state and federal laws.

- 2. Asset Allocation and Portfolio structure.** During the annual allocation review, work with staff to prepare and present to the TMRS Board and/or Staff Investment Committee a report containing an evaluation of the effectiveness of the current portfolio's asset allocation and asset class structure as it relates to the goals and objectives of the investment program and, if necessary, make reasoned recommendations for any changes. A formal asset allocation study has historically been conducted every 3 years. TMRS last completed a formal asset allocation study in 2019 and is schedule to conduct the next formal study in 2022.
- 3. Asset-Liability Review.** TMRS completed an asset-liability review in 2019 and expects to conduct such an analysis approximately every 3-6 years, with the next study coming up in 2022. The Respondent may bid this service under separate reporting fees—please see Section VIII for more information.
- 4. Specific Investment Policy analysis.** Review and analyze investment initiatives proposed by the TMRS staff, TMRS Board and/or Staff Investment Committee, and investment managers to ensure overall consistency of TMRS' investment policies as they relate to the goals and objectives of the investment program.
- 5. Investment Performance.** Review and recommend appropriate performance goals, objectives, and benchmarks. Calculate, evaluate, analyze (including performance attribution) and report on total return performance as currently provided by the custodian bank.
- 6. TMRS Board Agendas.** Assist in the development of agendas for the TMRS Board and/or Staff Investment Committee meetings as required.
- 7. Attendance at TMRS Board meetings.** Attend regular meetings of the TMRS Board. It is anticipated that there will be approximately 5 Board meetings and 1 Board retreat in 2022.

- 8. Trustee education/symposium.** Provide relevant research-based ideas and education to the Board and staff. Recommend specific reporting by TMRS staff to the Board and assist TMRS staff in developing specific topical presentations at regular Board meetings. Participate in trustee education/symposium discussions on various investment policy issues or specific issues designated by TMRS.
- 9. General research, analysis, and reporting.** Upon request of the Board and/or TMRS staff, provide research, reports, analysis, presentations, recommendations, and/or advice on specific TMRS investment matters or general market issues as required by the TMRS Investment Policy Statement or as may otherwise be reasonably requested.
- 10. Custodian bank and security lending agent.** Assist TMRS staff in the ongoing evaluation of the custodian bank as well as ongoing evaluation of the structure of the securities lending program (if applicable).
- 11. Assist TMRS staff in identifying issues.** Assist in identifying issues related to implementation of asset classes and portfolio strategies, including operational, accounting, administrative, and legal issues, and advise or identify resources to assist TMRS staff as needed.
- 12. Investment manager search, evaluation, selection, and oversight.** TMRS currently uses external investment managers to assist in the management of the public market portfolios. The consultant will be expected to assist in the research, review, recommendation, implementation, and monitoring of Public Market investment managers. This would include but not be limited to:
  - Assist and advise in the selection and monitoring of external investment manager(s) and provide reports related thereto.
  - Establish and provide the Board and/or Staff Investment Committee with external investment manager selection criteria within the guidelines defined by TMRS; prepare background material for the TMRS Board, Staff Investment Committee, and investment staff, provide reasoned analysis including evaluation factors and methods, screen prospective managers and establish a calendar of events regarding external investment manager selection; assist TMRS with manager interviews and comparisons; and assist in the communication decisions regarding manager selection to the Board and Staff Investment Committee.
  - Provide analysis and advice on questions or issues that arise in the course of overseeing the investment manager(s). For example, advice on investment guidelines, restrictions, or fee structures.
  - Provide advice and recommendations concerning investment advisor termination.
  - As requested by TMRS staff, accompany staff on due diligence trips to review investment manager(s) and/or custodian/securities lending agent.

## SECTION VI

### TRANSMITTAL INSTRUCTIONS

#### **A. Introduction**

Please answer the following questions as succinctly as possible, without leaving out important information. TMRS reserves the right to seek additional information from any firm responding to this Request for Proposal. TMRS is not obligated to make an award or contract from the Request for Proposal. The responses to the Request for Proposal are the property of TMRS and will not be returned. Before providing any of the information below, please address each minimum requirement as outlined in Section IV-I providing information documenting how the firm meets each requirement or an affirmative statement relative to the requirement.

#### **B. Written Response and Proprietary Information**

This RFP specifies the format, required information, and general content for proposals submitted in response to the RFP. Proposals are to address all the questions posed in the order in which they appear in this RFP. To the extent permitted by law, TMRS shall not disclose any portions of the proposals prior to contract award to anyone outside TMRS' contract award process. TMRS shall have the right to duplicate, use or disclose all proposal data submitted by Respondents in response to this RFP if required by the Texas Public Information Act. TMRS recognizes the Respondent's possible interest in preserving selected data which may be part of a proposal. TMRS shall treat any requests to maintain the confidentiality of selected information as required by law and applicable statutes. TMRS shall have the right to use all ideas, or adaptations of those ideas, contained in any proposal received in response to this RFP. Selection or rejection of the proposal shall not affect this right.

#### **C. Proposal Submission Requirements**

Please submit three (3) electronic Proposals, labeled as indicated below:

- One containing all information, labeled "General Investment Consultant RFP – Complete".
- One containing **only** information you consider confidential and proprietary, labeled "General Investment Consultant RFP – Confidential Information"
- One containing **only** information you consider not to be confidential and proprietary, labeled "General Investment Consultant RFP – Publicly Available Information"

Please provide the electronic copies to the TMRS at email address [ConsultantSearch2022@tmrs.com](mailto:ConsultantSearch2022@tmrs.com) site **no later than 5:00 p.m. CST** on the date indicated in the cover letter. Should email be an impractical format for delivery, TMRS can coordinate the establishment of an FTP site for document transmittal. Please contact Kristin Qualls, Director of Investment Administration & Operations at [ConsultantSearch2022@tmrs.com](mailto:ConsultantSearch2022@tmrs.com) for more details if this is of interest.

**Please note that it is the responsibility of the Respondent to confirm that all required materials have been received by TMRS.**

#### **D. Transmittal Letter**

The transmittal letter shall be on the Respondent's official business letterhead. It shall include the following, in the order given:

1. a signed statement certifying that no personnel currently employed by, under contract with, or in any way associated with the State of Texas or TMRS have participated in any activities relating to the preparation of the Respondent's proposal, except as provided for in this RFP.
2. a statement that acknowledges and agrees to all of the terms and conditions, and all other rights and terms specified in this RFP.
3. the Respondent's guarantee that the proposal as submitted shall remain in full force and effect as specified in this RFP for at least six (6) months after the closing date for responses or until a contract is approved, whichever comes first.
4. a statement explaining any exceptions taken to the requirements of this RFP.
5. A statement explaining any required material revisions to the Agreement for Consulting Services.
6. a statement that contains the Respondent's contact person, address, phone, and email addresses; and
7. a statement that the person signing the proposal is authorized to bind the firm in this RFP and any contract awarded hereunder.

The letter and the proposal shall be signed by a person with the authority to bind the Respondent, answer questions, and provide clarification concerning its proposal.

## SECTION VII

### RFP QUESTIONS & REQUESTED ATTACHMENTS

*Please provide the following requested attachments:*

- 1) The last 3 RFP responses (by date) provided to prospective public pension plan clients (redacted as appropriate—question and answer portions only).
- 2) A presentation with no more than 25 slides summarizing your firm’s general consulting services and capabilities. This presentation should at a minimum include information on:
  - a. History of the firm.
  - b. Ownership structure.
  - c. Provide an organizational chart showing functions, positions and titles of all personnel involved in pension fund investment consultant services.
  - d. Client asset allocations.
  - e. Client performance.
  - f. Biographical information of personnel proposed to be assigned to TMRS’ account.
- 3) Schedule of all public plan clients and their respective assets under advisement.
- 4) Provide a list of three (3) comparable current clients as references, including name, contact, telephone number, asset values, number of years the client has retained your firm, and the product(s) or services the client uses. TMRS may contact these clients for reference purposes.
- 5) Your firm’s Code of Ethics, Trading Policy, ESG & D&I policies, and related documents.
- 6) Provide a list of all clients who terminated their consulting services contract or which did not renew their contracts in the last three (3) years and the reasons given for those terminations or non-renewals. Please include information if your firm made the decision to drop specific clients over the same time period.
- 7) Provide one example Investment Due Diligence report on a public equities manager and a public fixed income manager.
- 8) Provide one example Operational Due Diligence report on a public equities manager and a public fixed income manager.
- 9) Provide a list of managers recommended over the last 24 months for public equities and for public fixed income and their firm AUMs. Please provide information on the number of managers that populate the firm’s database for each of public equities and public fixed income strategies.

- 10) Please provide the following recent research/performance reports to the extent available:
- 2021 & 2022 (to the extent available) Capital Market Expectations
  - Peer universe reporting (for public pensions specifically if available)
  - Example performance reporting package (please provide examples of long and short formats to the extent different versions are prepared for different audiences)
- 11) Please provide a table with the following information from the last 5 years (2017-2021) of capital market expectations generated by your firm:
- Expected returns and volatility for Global Equity (MSCI ACWI)
  - Expected returns and volatility for Core Fixed Income (Barclay's Aggregate)
  - Expected Inflation
  - Expected Global Equity and Core Fixed Income Correlation Coefficient
  - Expected Returns for both 60/40 and 70/30 portfolios.
- 12) Please provide a schedule of firm ownership, including a listing of individual ownership interests among firm employees as well as third party owners. Please provide detail on third party owners' roles in or conflicts of interest with respect to providing advice to clients.
- 13) Provide the resumes of all principals, other professionals and support employees expected to be assigned to this account. Please include information concerning their length, type, and any specialty experience in pension fund investment consulting services.

***Please provide the following questions regarding your firm:***

**1. General Information**

- Describe any significant developments in your organization within the last five years, such as changes in ownership, personnel reorganization, and staff departures.
- Describe any near-term changes in your organization's basic ownership structure or any other significant changes in your organization which you anticipate.
- Describe all your firm's lines of business and the approximate contribution of each business to your organization's total revenue, delineating if services provided are non-discretionary or discretionary in nature, the number of clients and AUM served by each line. If your firm is an affiliate or subsidiary of an organization, state what percentage of the parent firm's total revenue your affiliate or subsidiary generates. State what percentage of your revenues are reinvested in which specific research functions.
- State whether your firm or an affiliate manages money for clients. If so, describe, in detail, how conflicts of interest between the research supporting client recommendations and the portfolio management functions are prevented.

- e) State whether your firm or its parent or an affiliate are broker/dealers. If so, state whether you trade client accounts through your own brokerage and whether your firm accepts soft dollars as a method of payment for services provided. Describe how conflicts of interest between the research supporting client recommendations and the brokerage functions are prevented.
- Is there physical separation between the consulting area and the area(s) with manager revenue/brokerage activities?
  - Is there personnel overlap between the consulting area and the area(s) with manager revenue/brokerage activities?
  - What parties have oversight authority for both the consulting area and the area(s) with manager revenue/brokerage activities?
  - What firewalls are in place to prevent the personnel and systems of the consulting area and area(s) with manager revenue/brokerage activities from sharing information?
- f) Has your firm, or any officer, employee, or principal within the firm been involved in any financial issues, business litigation, regulatory or other legal proceeding or governmental inquiries, investigations or proceedings involving allegations of fraud, negligence, criminal activity or breach of fiduciary duty? If so, please provide a description, explanation, and indicate the current status of litigation, proceeding, inquiry, and/or investigation.
- g) Please describe when the last time the SEC, or any regulatory agency, conducted an exam of your firm and/or any employees, officers, or principals of your firm. What was the nature and scope of the exam(s) and what were the results of the exam(s)?
- h) Describe any circumstances not disclosed above under which your firm or individuals employed by the firm receive fees from investment managers.
- i) Are there any circumstances under which your firm, or any individual in your firm, pays compensation, fees, or any other benefit to investment managers or third parties? If yes, please describe in detail.
- j) Does your firm have a written code of conduct or a set of standards for professional behavior? If so, how are they monitored and enforced?
- k) Does your firm maintain an internal trading policy? Does your firm or any of your personnel invest their money in the investments that are recommended to clients? If so, does your firm allow personnel to terminate personal investments made with client held investments? What disclosure requirements regarding personnel's trading and investment activities are required?
- l) Please describe any inquiries or investigations of your firm or employees of your firm by a state or federal regulatory body or organization within the last ten years and whether the issue is resolved or not.
- m) Describe any litigation involving your firm or employees of your firm within the last ten years. Is there any pending or threatened litigation against your firm, its principals, or anyone



proposed for the relationship of any type (civil, criminal, regulatory, arbitration, mediation, etc.)? If yes, please explain.

- n) Describe the fiduciary and professional liability insurance the firm carries. List the insurance carriers supplying the coverage.

## **2. General Information Regarding Full-Service Capabilities**

- a) Describe your firm's total client base, including number of clients, type of client, asset size of clients, and total overall assets your firm services.
- b) Describe the broadest range of services you provide to clients.
- c) Describe your firm's expertise and experience in advising clients in custodial services and securities lending programs. Please indicate the two most frequently client selected custodial banks and three most frequently client selected securities lending agents.
- d) Identify proposed subcontractors, if any, and clearly outline the work to be performed by such subcontractor(s).
- e) How does your firm self-evaluate the quality of its consulting services?
- f) Provide a list of Board-level education topics your firm has presented over the last 3 years.

## **3. Personnel**

- a) Discuss employee recruitment, retention, and compensation policies. Discuss how many professionals have joined or left the organization since January 2016, along with the timing and reasons for such additions and departures.
- b) Describe your firm's client communication model. State whether communication would flow through a single contact person. Describe your back-up communication procedures when personnel assigned to the fund are traveling or unavailable. Describe your standard and emergency communication procedures.
- c) Describe the typical client load for your consultants. State how this would compare to the consultants assigned to our account.
- d) Describe your firm's back-up procedures in the event any key personnel assigned to the account leave the firm.
- e) List the number of your firm's professional and support employees involved in:

- Performance Evaluation
  - Due Diligence / Manager Search
    - a. Public Markets Investment Due Diligence
    - b. Alternative Assets Investment Due Diligence
    - c. Operational Due Diligence
  - Marketing
  - Client Consultation
  - Research (by area)
  - Computer Programming
  - Support Services
- f) TMRS assumes that more than one staff member will be assigned to our account. Explain who would be on the TMRS team and how the team would function in general, including lead person, back-up, specialty coverage (such as fixed income and securities lending), quality control and support services. Please provide information on assigned persons' experience in giving Board presentations and provide a description of communication philosophy and stylistic approach to Board presentations. Please provide links to notable publicly available presentations your firm has given to public pension boards.
- g) How many client relationships will the individuals assigned to the TMRS account have other than TMRS? List those current clients by asset size, type of client (e.g., public fund, corporate fund, endowment) and type of engagement (e.g., general consultant services, project-based services, etc.).

#### **4. Specific Information Regarding Research Capabilities**

- a) Describe the internal structure and organization of your firm's research department and whether this department is structured to be separate from those individuals performing due diligence on managers. What percent of your firm's revenues are annually reinvested in the firm's research function? Please provide the most recent annual dollar amount.
- b) Describe the way internal and external resources and sources of information are used in the research process. How does your firm integrate internal and external research?

#### **5. Investment Due Diligence / Process**

- a) Does your firm utilize an investment committee or other staged approval process for investments? Does your firm utilize separate processes for 'client-led' recommendations vs. 'firm-led' recommendations? Please describe the timeline in performing diligence, approving an investment and issuing requisite documentation to clients.
- b) Please discuss the firm's philosophy with respect to market coverage. Please describe if it is the consultant's business model to independently drive its research priorities based on

perceptions of risk/return or some other metric, or is client interest generally needed prior to significant research efforts being deployed?

- c) What is your history with achieving client aggregation fee discounts with investment managers?
- d) How would your firm review and evaluate the ethical standards and compliance systems of a fund manager/general partner and what conflicts of interest would your firm attempt to identify? Is this part of the investment due diligence or operational due diligence processes?
- e) Please describe your firm's philosophy surrounding the value of monitoring efforts on funds already committed to by clients. Please provide information concerning the process and frequency with which manager reports are read by consultant personnel and how any key findings may then be communicated to clients.
- f) Has your firm encountered situations in which there is interest in a fund vehicle amongst multiple clients and there is limited capacity? Has your firm been involved in the allocation process of that capital? If so, please describe your firm's process. Are there formal policies in place to deal with this situation? Are there different allocation policies or procedures in the event firm discretionary capital under management is competing with firm non-discretionary advisory capital?

## **6. Accounting, Performance & Fee Monitoring Services**

- a) Describe the processes your firm utilizes with respect to accounting for, calculating performance of, and tracking fees and expense related to client investments.
- b) Describe the client onboarding process with respect to coordinating historical client accounting and performance being uploaded to your systems, delivery of current client reporting to your firm, and timelines that would be expected to be needed prior to delivery of the first client report (no need to respond if your firm is TMRS' incumbent consultant).
- c) Does your firm keep track of management fees, expenses and incentive compensation earned by managers in relation to client accounts? If so, how is this information aggregated (e.g. does your firm request/require investment managers to fill out templates, is the information gleaned from client reporting, etc.)? Does your firm reconcile and/or do reasonability checks on fee, expense, and incentive data?
- d) Does your firm currently provide for higher levels of Accounting, Performance & Fee Monitoring services for a fee? If so, please describe differences in service levels, cost structure of different service levels, and data on the scale of this business line for the firm (e.g. # of clients, revenue, etc.). Describe the staff resources available for providing Accounting, Performance and Fee Monitoring services.

## **7. Other**

- a) Please describe the firm's experience and capability for providing education to trustees and staff.
- b) Identify any issues not listed in the scope of services as listed in this RFP which you believe TMRS should also consider; provide your reasons for each issue.

*Please provide the following questions regarding consulting services:*

## **1. Specific Information Regarding Investment Policy & Asset Allocation**

- a) Please outline your process for each of the following:
  - Development/review of client overall investment philosophy
  - Development/review of client investment objectives
  - Benchmark selection
  - Review of client risk management policies (i.e., policies regarding issuer diversification, securities lending, etc.).
- b) Outline your process for analyzing a client's investment portfolio structure. Describe your process for recommending modifications to the portfolio structure as warranted by risk considerations, changes in the marketplace or benefit obligations/assumptions.
- c) Outline your process for maintaining and providing a continuous review of your clients' investment policy and investment strategy.
- d) Please describe the asset allocation philosophy your firm has adopted and provide examples of asset allocations in use by similarly situated public pension plan clients under advisement (TMRS is 90% funded, utilizes a 6.75% discount rate, and is roughly cash flow neutral from a net contributions/benefits paid standpoint).
- e) Based on your firm's 2021 (or 2022 to the extent available) capital market expectations, what long-term expected compound return and level of volatility would your firm underwrite to TMRS' target portfolio composed of the following:
  - a. 35% Global Equity (MSCI ACWI benchmarked)
  - b. 12% Other Public & Private Markets (currently MSCI ACWI benchmarked)
    - i. Portfolio is moving toward being fully implemented into private market strategies that do not otherwise fit neatly into other elements of the asset allocation. Examples include private market infrastructure, energy transition, and mining, among other strategies.
  - c. 10% Private Equity (MSCI ACWI benchmarked)
  - d. 12% Real Estate (NACREIF ODCE Net benchmarked)
  - e. 5% Hedge Funds (HFRI Asset Weighted Composite benchmarked)
  - f. 20% Non-Core Fixed Income (Barclay's Aggregate + 150bps benchmarked)
  - g. 6% Core Fixed Income (Barclay's Aggregate benchmarked)
- f) Please describe your firm's historical approach to interacting with clients' actuarial consultants. Does your firm use your client's actuarial consultant data in building Asset Liability Management studies or does your firm generate liability data in some other manner? Describe your firm's philosophy on how frequently ALM studies should be conducted.

- g) TMRS utilizes a discount rate of 6.75%. The capital markets expectations TMRS utilizes provide that 6.75% is not expected to be achieved through beta exposure to its target asset allocation. Is there a threshold expected return shortfall (i.e.,  $x$  number of basis points) at which your firm considers it advisable to rethink strategic asset allocations?
- h) Please describe your firm's philosophy with respect to alpha budgeting (i.e., identification of an explicit return premium to relative to beta estimates). What factors (e.g., staffing levels, staff skill & experience, width of distribution of manager returns within specific asset classes, etc.) does your firm believe contribute to the probability of achieving asset class level alpha?
- i) Please describe your firm's views on active vs. passive management in public equities portfolios. Please describe your firm's views on the ability of institutions to add alpha through security selection, beta tilting, or other means. To the extent your firm does generally support the pursuit of active public equity, what levels of alpha have you observed your clients achieving on the active portion of their portfolios? As a percentage of a total public equity portfolio, what percentage of the portfolio has your firm generally supported as being appropriate to pursue active management with? To the extent your firm believes in active management, please provide data on composite performance of clients' public equity portfolios. Have you had experience guiding clients on passive portfolio completion strategies? Under what circumstances do you believe clients would be best served by pursuing 100% passive public equities management?
- j) Please describe your firm's views on the role fixed income (both core [investment grade] and non-core [below investment grade]) should play in a portfolio. Please comment on your firm's view on Private Credit. What is your firm's view on the use of leverage in fixed income strategies? Does your firm have views on what lower bound thresholds for core fixed income allocations are appropriate (in the context of portfolio protection, serving as a funding asset for other asset classes or benefit payments, etc.)? What fixed income assets/strategies other than core/investment grade does your firm consider viable sources of liquidity? Please describe your firm's 5-year outlook on the propensity for core-fixed income to provide portfolio protection—describe how this view interacts with your firm's expectations regarding the path of inflation and inflation expectations over the same time-period. Please describe your history of making recommendations in structured credit, EMD, bank loans, CLOs, high yield, direct lending, and opportunistic and other credit strategies. Please provide examples of successfully implemented client non-core fixed income / private credit portfolios.
- k) Please describe your firm's views on cash holdings. Perspectives on appropriate targeted amount within asset allocations, how little cash is reasonable to hold in the instance of a 0% cash target, and how portfolio construction (e.g., inclusion of draw-down private markets vehicles) may be expected to affect the calibration of cash holdings are requested.
- l) Please describe your firm's views on private markets and the value they provide (or don't) strategic asset allocations. Does your firm have views on threshold amounts of private market assets that should be included in portfolios? Does your firm have views on threshold levels of returns that need to be pursued in order to justify the use of closed-end fund style illiquidity?

- m) Does your firm have views on appropriate relative weightings of private market strategies (in TMRS' case, comparing the weightings of private equity, private credit, private real estate, and other private markets) and what factors should be considered in making those decisions? Does your firm have views on what percentage of total equity (i.e., public and private) allocations should be invested in private strategies?
- n) Please describe your views on the role real estate should play in an institutional portfolio. Please share views on appropriate relative weightings of core vs. non-core strategies. Please share your views on the relative attractiveness the use of financial leverage in real estate as compared to its use in other asset classes (e.g., on the basis of cost of financing, risk, etc.). Please share your firm's philosophies regarding the use of sector specific vs. diversified private market real estate strategies.
- o) Please describe your views on the value other private market strategies such as infrastructure, mining, and energy transition provide portfolios. What is your firm's view on the long-term outlook for the necessity of institutions to access these markets through private market strategies as opposed to public markets? What additional esoteric strategies have you advised your clients on in the past (e.g., litigation finance).
- p) Please describe the strategy framework through which your firm looks at private equity as an asset class (e.g., Buyout, Growth, Venture, Special Sits, etc.). Does your firm have any views on specific equity markets which are more attractively accessed through private markets as opposed to public markets? What are your firm's views regarding the benefits of co-investments within a private equity program (e.g., fee reductions, portfolio customization, etc.)?
- q) Please describe your firm's views on the value of including hedge funds in a strategic asset allocation. Please describe the role hedge funds most suitably should play in a portfolio (e.g., equity diversifier, fixed income replacement, volatility dampener, etc.). Does your firm have views on the appropriate number of managers that should be included in a hedge fund portfolio? Are there strategies your firm feels are more or less attractive to include in a hedge fund portfolio?
- r) Describe your firm's views on gold and the value of its inclusion in institutional portfolios. Have you advised any clients on cryptocurrency or other forms of digital asset investments in the past? If so, please summarize the nature of advice given. Please describe any views your firm holds with respect to gold, cryptocurrencies, and other digital assets being inflation sensitive or held as "real" assets.
- s) Included among the investment beliefs of the Board in TMRS' IPS is: "As prudent stewards of the System's assets, we integrate environmental, social, and governance research into our rigorous investment process, where consistent with our fiduciary duty." Please describe your firm's approach to advising on ESG investing approaches and what steps your firm takes to integrate ESG into its own due diligence practices. In what ways do you contemplate ESG

investing approaches can be accretive to institutional investment portfolios? What improvements to ESG investment approaches does your firm believe can be made by institutions and the industry at large?

- t) How frequently does your firm refresh its capital market expectations? Please provide a narrative on changes in your firm's capital market expectations that took place between 2019 and 2020 and between 2020 and 2021. Please indicate how your views on inflation have evolved over the prior 12 months and indicate any expected changes in your firm's 2022 inflation expectations.
- u) Please describe your firm's methodological approach to modeling mean reversion in capital market expectations. In capital markets expectation modeling does your firm utilize a conditional/scenario-based correlation approach or are static correlations utilized?
- v) Over what time horizon does your firm model "long-term" capital market expectations? Does your firm generate 5-year, 10-year, or other views on specific asset class or total portfolio expected risks and returns?
- w) Please describe your firm's view on what the largest sources of tail risk are in public pension plan investment portfolios. What recommendations has your firm made in the past to help clients think through and minimize tail risk exposures?
- x) Does your firm have experience making portfolio level strategy recommendations (e.g., equity futures overlay, currency overlay, tail risk hedging, etc.)? If so, under what circumstances do you view portfolio level strategies to be appropriate for clients?
- y) Please describe your firm's primary framework for thinking about risk exposures at the total portfolio level. Please describe your firm's views on factor vs. sector-based approaches to risk aggregation. Under your advisement, have your clients' portfolios expressed any views on specific factors or sectors over the course of the past 5 years? If so, what factor/sector positioning have you advised your clients to take?
- z) Please describe your experience advising clients on tactical planning. If your firm does have experience with supporting tactical plans, what have typically been client goals and how frequently have these exercises been conducted?

## **2. Specific Information Regarding Performance Measurement**

NOTE: TMRS currently has the general investment consultant generate and report on investment performance.

- a) How many days after receipt of custodial data do you require to produce client reports?



- b) Describe your procedures for collecting the data necessary for these computations. What are your capabilities for on-line communication with client custodians? What sorts of quality checks and reasonableness checks do you perform?
- c) Describe the types of reporting and attribution analysis you can provide on investment performance at the security, asset type, and portfolio levels. Are you able to aggregate and disaggregate all components of the total portfolio for any time-period requested (including those prior to the inception of the prospective consulting relationship)? How many business days do you require to complete quarter-end reports?
- d) Describe your peer-review universe. Specifically, does your database contain a group of funds which could be used to place TMRS within a valid context (size, liability structure, investment objective, actuarial discount rate) for peer evaluation? Describe how peer evaluation would be addressed at both the total fund and asset class level. Does your firm utilize Wilshire Trust Fund Universe Comparison Service? If so, will TMRS staff have access to data therefrom?
- e) Can client reports be customized?

### **3. Specific Information Regarding Manager/Advisor Search**

- a) Describe your firm's process for the evaluation and selection of public market investment managers. Include how your firm evaluates a manager's personnel and organization; investment philosophy; investment styles and products; research capabilities; financial condition; assets under management; type of client service; and responsibility.
- b) Describe your firm's methodology and sources of data for analyzing and evaluating a potential manager's ability to add value on an advisory basis.
- c) Describe your firm's databases for manager searches. Describe how often the databases are updated; the sources of information; and how clients become aware of changes to the database. How do you verify the data collected from external sources? How often is each manager in the database visited by your staff?
- d) Describe your firm's process for monitoring managers in the database with respect to administrative conditions such as staff turnover, mergers, financial soundness. How are clients informed as to new information of this type? Do clients have continuing access to databases for updates/changes in status of their currently retained managers/advisors?
- e) Describe your process and basis for recommending manager/advisor termination.

## **SECTION VIII**

### **FEE PROPOSAL**

Provide the total all-inclusive annual fee for providing all services described in the Scope of Services, and any other costs which might be incurred during the contract term. The term of the contract will cover a multi-year period to be negotiated during final contract negotiations.

TMRS occasionally requires additional services such as Asset / Liability studies as well as a Practice & Performance report as required under Texas Statute §802.109. To the extent the Respondent would intend to charge “per report” fees for these services, please provide detail in a response to this Section VIII.

**SECTION IX – APPENDIX**

**DRAFT Agreement for Investment Consulting Services**

This Agreement for Investment Consulting Services (this “**Agreement**”) is entered into effective as of the \_\_\_ day of \_\_\_\_\_ 2022 by and between \_\_\_\_\_, a Consultant (“**Consultant**”) and the TEXAS MUNICIPAL RETIREMENT SYSTEM, a governmental pension plan and entity of the State of Texas (“**TMRS**”).

**RECITALS**

- A. TMRS is a governmental pension fund and entity of the State of Texas created and organized under the constitution and laws of the State of Texas to provide retirement, death, and survivor benefits for employees of municipalities in Texas and their beneficiaries.
- B. The TMRS Board of Trustees (the “**Board**”) holds TMRS assets in trust for the exclusive benefit of its members, annuitants and beneficiaries and has a fiduciary duty to such members, annuitants and beneficiaries. Accordingly, TMRS invests assets to achieve investment objectives consistent with the mission of TMRS.
- C. Consultant has substantial knowledge and experience in providing investment consulting and assistance with respect to institutional portfolio management, and possesses the resources, capacity, expertise, experience, qualifications, staff support, databases, contacts, software, methods, expertise and know-how to study, assist, and advise the TMRS staff and Board on such matters.

**NOW THEREFORE**, in consideration of the premises and mutual covenants and agreements contained in this Agreement and fees to be paid hereunder, TMRS and Consultant agree as follows:

**AGREEMENT**

**ARTICLE 1**

**ENGAGEMENT**

- 1.1 Recitals.** The above recitals are hereby incorporated by reference into this Agreement for all purposes.
- 1.2 Engagement.** Consultant is being retained to provide investment consulting services on the terms set forth in this Agreement and Consultant agrees to provide such services on such terms.
- 1.3 Status of Consultant.** For all purposes of the Agreement, and notwithstanding any provision of the Agreement to the contrary, Consultant is an independent consultant and is not an employee, partner, or joint venturer of TMRS. Consultant shall make no representation that Consultant is an employee of TMRS, nor will it bind or attempt to bind TMRS to any agreement or contract. As an independent consultant, Consultant is solely responsible for all taxes, withholdings, and

other statutory or contractual obligations of any sort related to its business, including, but not limited to, workers' compensation insurance.

- 1.4 It is understood and agreed that in providing the services under this Agreement, Consultant is acting as an independent contractor and neither Consultant nor any of Consultant's personnel is an employee of TMRS.

## ARTICLE 2

### FIDUCIARY STANDARDS AND SCOPE OF SERVICES; INDEMNIFICATION

- 2.1 **Standard of Performance and Duty of Care.** In its role as investment consultant assisting and advising the TMRS Board on investment matters, Consultant agrees that it is a fiduciary to TMRS, the TMRS Board, TMRS plan participants and beneficiaries, and TMRS trust assets. Consultant's fiduciary obligations shall include, but are not limited to, the fiduciary duty of loyalty, to take action and otherwise perform solely in the interest, and for the benefit, of TMRS, the TMRS Board, TMRS trust assets, and TMRS participants and beneficiaries. Consultant shall perform its duties with the care, skill, prudence and diligence under the circumstances then prevailing, in a manner consistent with that of a Prudent Expert acting in like capacity, all in accordance with applicable federal and state laws, and Board policies, guidelines and procedures. Consultant shall not (a) deal with TMRS assets in the Consultant's own interests or for its own account, or in the interests of its principals or affiliates; (b) act in any transaction involving TMRS assets, on behalf of a party, or represent a party, whose interests are adverse to the interest of TMRS or TMRS plan participants and beneficiaries; (c) take any action or render any services when Consultant's independence of judgment on behalf of TMRS is, or could reasonably, be affected; or (d) receive any consideration for its own account, or for the account of any of its principals or affiliates, from any party dealing with TMRS in connection with a transaction involving the assets of the trust assets for which TMRS has investment responsibility.
- 2.2 **Services.** Consultant shall provide the services described on Exhibit A.
- 2.3 **INDEMNIFICATION. CONSULTANT AGREES TO INDEMNIFY, DEFEND AND HOLD HARMLESS TMRS, ITS TRUSTEES, OFFICERS, EMPLOYEES, REPRESENTATIVES, COUNSEL, AND OTHER ADVISORS OR CONSULTANTS, FROM AND AGAINST ALL CLAIMS, DEMANDS, ACTIONS, LIABILITIES, DAMAGES, FINES, PENALTIES, LOSSES, COSTS AND EXPENSES, INCLUDING REASONABLE ATTORNEY'S FEES AND EXPENSES (INCLUDING WITNESS FEES), CAUSED BY, ARISING OUT OF OR RELATING TO THE NEGLIGENCE, WRONGFUL ACT OR OMISSION, BREACH OF FIDUCIARY DUTY, MISREPRESENTATION, MISSTATEMENT, FRAUD, WILLFUL MISCONDUCT, INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS, OR MISAPPROPRIATION OR THEFT OF TRADE SECRETS BY CONSULTANT, ITS PRINCIPALS, PARTNERS, MEMBERS, DIRECTORS, TRUSTEES, OFFICERS, EMPLOYEES, AGENTS, OR REPRESENTATIVES RELATING TO THE PERFORMANCE OF THIS AGREEMENT.**

This entire Section shall survive any termination, expiration, renewal, extension or amendment of this Agreement.

**2.4 Assigned Personnel.** Consultant’s lead representative having primary responsibility for performance of the services required by this Agreement is \_\_\_\_\_ (“**Consultant’s Representative**”). Consultant’s additional key personnel initially assigned responsibility to perform the services are listed on Exhibit B (“**Key Personnel**”). (Consultant’s Representative, the Key Personnel and Consultant’s support staff providing services under this Agreement are sometimes collectively referred to herein as “**Assigned Personnel**”). Consultant agrees to discuss changes in its Assigned Personnel with TMRS before changes are made. TMRS’ designated lead representative is TMRS’ Executive Director or his designee(s) (the “**TMRS Representative**”). The TMRS Representative will have primary responsibility on behalf of TMRS for the relationship with Consultant; monitoring Consultant’s progress under the contract and approving payment; and designating TMRS staff personnel to act as liaison with Consultant for particular services under this Agreement.

**2.5 Confidentiality.** Consultant acknowledges and agrees that certain information received from TMRS or from certain third party vendors, consultants, investment funds, and/or investment managers (individually a “Third Party” and collectively, the “Third Parties”) relating to TMRS or its assets or investments may be proprietary, confidential, or privileged commercial and financial property of TMRS or such Third Parties. Consultant agrees that all information relating to TMRS (including, without limitation, information relating to TMRS’ assets, investments, or the operations of its investment program) received by Consultant (whether received from TMRS or from any Third Party) (collectively, “Confidential Information”) shall be received in confidence and shall be considered and kept confidential by Consultant. Confidential Information may not be used by Consultant except for the sole purpose of providing its services to TMRS under this Agreement, as amended from time to time. Consultant covenants and agrees that it will not use any Confidential Information for any other purpose. Consultant agrees not to disclose any Confidential Information to any person (other than Consultant’s employees responsible for matters relating to TMRS) or entity without the prior written consent of the TMRS Executive Director or his designee, provided that Consultant may disclose such Confidential Information to the extent that Consultant is required by law, regulation, or an order of a court of competent jurisdiction to disclose such Confidential information, in which event Consultant shall provide TMRS with prompt notice, if legally permissible, of such requirement so that TMRS may seek an appropriate protective order or other appropriate remedy (as to which Consultant agrees to reasonably cooperate). If any third person or entity requests, or seeks to compel, Consultant to disclose or produce any information, including without limitation any Confidential Information, provided to Consultant by, through, or on behalf of TMRS, or claims an entitlement to any such information on the grounds that such information is alleged or claimed to be generally available to the public or to constitute in whole or in part a public record, document or report under applicable law, Consultant agrees to notify TMRS within two (2) business days of such request and to provide TMRS adequate opportunity to request a legal opinion or to consent to or seek to prevent such disclosure through protective order or other appropriate remedy.

**2.5.1 Texas Public Information Act; Open Meetings.** Consultant acknowledges that all reports created by it for TMRS and other information provided by it to TMRS are presumed to be public records and may be subject to public disclosure under the Texas Public Information Act, Texas Government Code chapter 552 (the “**Act**”), unless an exception applies, and that oral discussions regarding the reports, information, and advice rendered by

Consultant may be conducted in meetings of the TMRS Board of Trustees or its committees that are open to the public under the Texas open meetings laws.

**2.5.2 Use of TMRS Information.** TMRS and its auditors, other advisors, consultants, or custodians, if applicable, are entitled to use and retain copies of all written materials and reports generated by or prepared by Consultant under this Agreement and may be permitted to disclose such materials to third parties. Consultant is solely responsible to provide sources and copyright notices for copyrighted information of third parties included by Consultant in any report prepared for TMRS under this Agreement. Consultant acknowledges that TMRS is an entity of the State of Texas and is subject to the Act.

**2.5.3 Records Retention and Disposition.** If requested by TMRS, subject to regulatory requirements that require Consultant to retain indefinitely original client records in its capacity as a registered investment adviser, Consultant agrees to return to TMRS all originals and any copies of any documents or other media provided to Consultant by or through TMRS. Unless earlier returned to TMRS, Consultant agrees to retain any work papers and reports in whatever form used for performance of this Agreement for the longer of (a) five (5) years after the date of this Agreement, or (b) for such period as may be required by a TMRS retention policy, Texas law, or order by a court of competent jurisdiction. Consultant shall notify TMRS before destroying documents after expiration of the applicable retention period and inquire whether TMRS desires to receive and retain such materials.

**2.5.4** The obligations set forth in Sections 2.3, 2.5, 2.5.1, 2.5.2, and 2.5.3 shall survive the termination or expiration of this Agreement.

### ARTICLE 3

#### FEES

**3.1 Fees.** Consultant's annual Fee for performance of the services shall be \_\_\_\_\_ (\$ \_\_\_\_\_).

Consultant's fees shall be payable quarterly in arrears from Consultant's invoices. TMRS will not reimburse Consultant for any out of pocket expenses or travel expenses.

**3.2 Invoices.** Except as provided in Section 3.1, Consultant shall send its fee invoices at the end of each TMRS calendar quarter to \_\_\_\_\_.

### ARTICLE 4

#### TERM

**4.1 Term.** This Agreement shall commence on the date first specified above and shall expire on \_\_\_\_\_, 202\_\_, unless sooner terminated as set forth in this Article 4 (the "Term").

**4.2 Termination.** TMRS may terminate this Agreement immediately upon written notice to Consultant for any reason or for no reason at any time during the Term of this Agreement; provided, however, that Consultant shall be entitled to receive a fee for the partial quarter determined by applying the ratio of days elapsed in the calendar quarter to the total number of days in the quarter multiplied by the regularly computed full quarterly fee. Upon termination of

this Agreement for any reason, Consultant agrees to cooperate in good faith with respect to any transition by TMRS to another consultant.

## ARTICLE 5

### REPRESENTATIONS AND WARRANTIES

**5.1 Representations, Warranties and Covenants by Consultant.** In Sections 5.1.1 and 5.1.2 below, the term “Consultant” includes all Assigned Personnel. Consultant makes the following covenants, representations and warranties, which will survive the execution and termination of this Agreement:

- 5.1.1** Consultant represents and warrants that Consultant has no direct or indirect personal or private commercial or business relationship, unrelated to the services that Consultant is providing through this Agreement, with any other party to a transaction with TMRS that could reasonably be expected to diminish the independence of judgment being provided in the performance of Consultant’s responsibilities to TMRS. Consultant has no personal or private business or commercial relationship with any third party, including a TMRS Trustee or employee that has not been disclosed in writing by Consultant to TMRS’ Executive Director that would violate professional standards or create any appearance of impropriety.
- 5.1.2** Except as disclosed on Exhibit C, neither Consultant nor any of its principals, partners, members, managers, officers, directors, or trustees, as the case may be, collectively or individually, has ever had ethical charges decided adversely against it or them by anyone, been sued for any reason relating to its investment-related activities, been the subject of any investigative action or proceeding relating to their respective investment-related activities, had a professional license or registration suspended, revoked or denied, or had a civil or criminal penalty, forfeiture, or fine imposed against them as a result of their respective investment-related business activities. Except as disclosed on Exhibit C, none of the foregoing entities or persons has ever been investigated or indicted for or convicted of a crime relating to their respective investment-related activities.
- 5.1.3** Consultant is, and shall remain for the Term of this Agreement, a registered investment adviser under the Investment Advisers Act of 1940, as amended.
- 5.1.4** Consultant’s Representative and the Key Personnel providing consulting services under this Agreement are qualified to assist and advise the TMRS board and staff as experts qualified to provide the services described in Exhibit A.
- 5.1.5** To the extent permitted by applicable law and not otherwise prohibited by any order of a court or regulator, the Consultant covenants that it shall notify TMRS in writing, within five (5) business days, of any extraordinary investigation, examination, complaint, disciplinary action or other proceeding of which it is aware relating to or affecting the Consultant’s ability to perform its duties under this Agreement or as a consultant in general, or involving any investment professional employed by the Consultant who has performed any service for TMRS in the twenty-four (24) preceding months, which is commenced by any foreign or domestic governmental agency, regulatory authority, or stock or commodity exchange.

- 5.1.6 Consultant does not boycott Israel and will not boycott Israel during the Term of this Agreement.
- 5.1.7 Consultant does not boycott energy companies and will not boycott energy companies during the Term of this Agreement.
- 5.1.8 Consultant has not knowingly or intentionally failed to comply with Subchapter J, Chapter 552, Texas Government Code (which chapter is known as the Texas Public Information Act or “PIA”).
- 5.1.9 Consultant has sufficient resources to carry out its duties under this Agreement in a prompt, efficient, skillful, diligent and professional manner.
- 5.1.10 The terms of this Agreement do not violate any obligations by which Consultant is bound, whether arising by contract, operation of law, or otherwise. This Agreement constitutes a legal, valid and binding agreement of Consultant enforceable against Consultant in accordance with its terms except as limited by bankruptcy, insolvency, receivership and similar laws of general application. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Consultant.
- 5.1.11 Consultant is duly organized, validly existing and in good standing under the laws of the state in which its formation documents are filed as required by law and if a foreign entity, has authority to do business in Texas.
- 5.1.12 The Consultant agrees to notify TMRS immediately if any of the representations or warranties described in this **Article 5** change or are no longer true.
- 5.1.13 Consultant has not given, offered to give, nor does it intend to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a TMRS trustee or employee in connection with this Agreement, except as permitted under the TMRS Code of Ethics, Chapter 572, Government Code or Chapter 36, Penal Code.

## ARTICLE 6

### MISCELLANEOUS

**6.1 Insurance.** Consultant shall maintain the following insurance coverage during the Term of this Agreement, and shall from time to time provide to TMRS satisfactory evidence of the same upon request:

**6.1.1 Errors and Omissions and Fiduciary Liability Insurance.** A combined policy of errors and omissions and fiduciary liability insurance in an amount of at least \$\_\_ million. If the policy is a claims-made policy, Consultant also agrees to provide, at its sole expense, certificates evidencing continuing coverage or tail coverage, with extended reporting, under such errors and omissions insurance policy for not less than one (1) year after the termination or expiration of this Agreement.



- 6.1.2** Upon request, Consultant shall immediately deliver, or cause to be delivered, to TMRS certificates of insurance evidencing the coverage required by this Article 6.
- 6.2** **Amendment.** This Agreement may be amended and any provisions hereof waived, only in writing, signed by an authorized representative of the party against whom such amendment or waiver is sought to be enforced. To the extent any existing or recently enacted laws of the State of Texas require TMRS to include additional language in its contracts, Contractor agrees to amend this contract and to cooperate in the execution of any amendment to this contract necessary to effectuate and comply with such state law.
- 6.3** **No Assignment by Consultant.** Consultant may not assign, transfer, or convey this Agreement or assign, transfer or delegate any of its rights, duties, or obligations hereunder, and any such attempted assignment by Consultant shall be void. This Agreement shall be binding upon TMRS and Consultant, and, their respective successors and permitted assigns.
- 6.4** **No Third Party Beneficiary.** This Agreement is for the sole benefit of TMRS and Consultant and is not for the benefit of any third party.
- 6.5** **Headings.** Headings on the articles and paragraphs in this Agreement are for reference purposes only and are not intended to have any substantive effect.
- 6.6** **Governing Law and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to Texas rules respecting choice of law. This Agreement is performable in Travis County, Texas. The parties agree that venue of any action brought in connection with this Agreement is fixed in the state courts of competent jurisdiction of Travis County, Texas. This entire Section shall survive any termination, expiration, renewal, extension or amendment of this Agreement.
- 6.7** **Severability.** If any provision of this Agreement is held to be invalid or unenforceable in whole or in part, this instrument shall in all other respects remain in full force and effect as if the invalid provision had never been included, and the remaining provisions shall be construed as consistently as possible with the Agreement's original purpose.
- 6.8** **Exhibits.** All exhibits to this Agreement are intended to be attached to this Agreement and, whether or not so attached, are incorporated herein by reference as if set forth in full.
- 6.9** **Entire Agreement.** This Agreement sets forth the entire agreement between TMRS and Consultant with respect to the services of Consultant, including payment for such services, and supersedes all prior oral or written agreements among them. This Agreement may not be amended except in a writing signed by all parties.
- 6.10** **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall be deemed to be but one instrument.
- 6.11** **No Waiver.** No action or failure to act by a party hereto shall constitute a waiver of a right or duty afforded under this Agreement, or constitute approval or acquiescence in a breach of this Agreement, except as may be specifically set forth in this Agreement.
- 6.12** **Dispute Resolution.** To the extent that Chapter 2260, *Texas Government Code*, is applicable to the Agreement and is not preempted by other applicable law, the dispute resolution process

provided for in Chapter 2260 will be used by TMRS and Consultant to attempt to resolve any claim for breach of contract made by Consultant that cannot be resolved in the ordinary course of business. The Executive Director of TMRS or his designee will examine Consultant's claim and any counterclaim and negotiate with Consultant in an effort to resolve such claims. The parties specifically agree that (i) neither the execution of the Agreement by TMRS nor any other conduct, action or inaction of any representative of TMRS relating to the Agreement constitutes or is intended to constitute a waiver of TMRS' sovereign immunity to suit; and (ii) TMRS has not waived its right to seek redress in the courts. This entire Section shall survive any termination, expiration, renewal, extension or amendment of this Agreement.

**6.13 Notices.** All notices and other communications under this Agreement shall be in writing, properly addressed, and shall be (1) mailed by first class, United States Mail, postage prepaid, and properly addressed to the parties hereto at the address specified below, (2) hand delivered to the intended address by a nationally recognized courier service, or (3) sent by facsimile transmission. Notices shall be effective only upon delivery (or receipt of a completed electronic transmission in full, legible form during business hours of the addressee) to the address of the addressee. The parties hereto may change their address by giving notice to the other in conformity with this provision. For purposes of notices or other communications under this Agreement, the addresses and facsimile numbers of the parties shall be as follows:

If to TMRS by US mail or hand delivery:

Texas Municipal Retirement System  
2717 Perseverance Drive  
Suite 300  
Austin, TX 78731  
Attention: Executive Director

With a copy to:

Texas Municipal Retirement System  
2717 Perseverance Drive  
Suite 300  
Austin, TX 78731  
Attention: General Counsel

If to Consultant:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement to be effective as of the date first written above.

**CONSULTANT:**

\_\_\_\_\_

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**TMRS:**

**TEXAS MUNICIPAL RETIREMENT SYSTEM**

**By:** \_\_\_\_\_

David B. Wescoe, Executive Director

**Date:** \_\_\_\_\_

List of Exhibits to Agreement For Investment Consulting Services

Exhibit A	Scope of Services
Exhibit B	Consultant's Representative and Key Personnel
Exhibit C	Consultant's Disclosures

**EXHIBIT A**  
**Scope of Services**

**EXHIBIT B**

**Consultant's Lead Representative and Key Personnel**

**EXHIBIT C**  
**Consultant's Disclosures**