

# INVESTMENT MANAGEMENT RFI QUESTIONNAIRE

## Organization

1. Provide the address of the office that would service the Reading Police Pension Fund DROP Accounts. If you have other office locations, where are they located (address and telephone number), and what are the primary functions performed within each office?

*The Beirne Wealth Consulting Services, LLC office at 4905 W. Tilghman St, Suite 210, Allentown, PA 18104. The telephone number is (610) 295-1083 would be the primary office servicing the Reading Police Drop Accounts. This is the Pennsylvania office of BWC, 612 Wheelers Farm Road, Milford CT. 06461. The same full ranges of municipal pension consulting services are performed at each office. The Allentown office services accounts in Pennsylvania and the Milford office services accounts in Connecticut.*

2. Provide a brief history of your firm and its operations. Include the year formed, ownership structure, and any ownership changes that occurred during the past five years. Are ownership changes planned or anticipated at this time?

*In 1992, Christopher Englebert and Daniel Reitz, while at what would later become Morgan Stanley, formed the Englebert/Reitz Group. Christopher had been with the firm since 1983 and Daniel joined in 1992.*

*Fast forward to 2014 and the two have accumulated combined experience of over 50 years. The practice has centered on hiring professional money managers for institutions and providing creative solutions for defined benefit and defined contribution plans. They have also innovated the process for the discretionary management of assets through the use of proprietary modeling.*

*In January 2014, The Englebert/Reitz Group joined Beirne Wealth Consulting Services, LLC. The resultant firm now has an even more robust structure, geographic diversity and a strong market presence along the East Coast. This combined with unparalleled expertise and execution of winning investment strategies has created a firm that can most assuredly fulfill the needs of City of Chester.*

*The genesis of Beirne Wealth came in 1966 when the Founder, John Beirne, started working at the investment banking firm, White Weld and Co. While there, he started the consulting practice for tax-exempt institutions: working on performance monitoring and reporting. In 1978, John was hired by the first public pension fund in the country to consult on investment structure using independent money managers, a best practice in the industry. Also in 1978, White Weld and Co. was purchased by Merrill Lynch.*

*Starting in 1978, John worked on building out the institutional consulting practice for the Merrill Lynch Institutional Consulting Group. He expanded the practice throughout Connecticut and New England. During the 1980's, he worked with various trustees on trustee education topics ranging from safety of custodians to asset allocation. As the practice expanded during the 1990's, John began the process of diversifying ownership in the practice. John started the second generation ownership of the firm bringing in his first partner, Jim Betzig. Throughout the 1990's, John and*

*Jim brought the latest thinking to institutional consulting, including adding new asset classes to the asset allocation mix by including alternative investments. During the 2000's, John and Jim expanded the practice by adding new partners, staff, and capabilities (including defined contribution, endowment, and foundation capabilities). In 2009, Merrill Lynch was purchased by Bank of America. Bank of America began to deemphasize the institutional space, especially the public fund sector, and the team sought out other options for their practice.*

*John and his team formed Beirne Wealth Consulting Services, LLC (BWC) on January 20<sup>th</sup>, 2012, a firm dedicated to investment consulting for clients. BWC is comprised of four owners (three partners and one private equity investor, Focus Financial). Focus Financial Partners, LLC (Focus) [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com) is headquartered in New York City. Focus Financial Partners, LLC has shared equity interests in 23 independent firms. Focus Member Firms are located across the United States and the United Kingdom, managing client assets of approximately \$50 billion. Focus is the largest organization of independent registered investment advisers in the world.*

*No ownership changes planned or anticipated at this time.*

3. Provide copies of the following organizational charts as **Exhibit A**:
  - a. Organizational structure, including parent/subsidiary relationships, if any;
  - b. Proposer's consulting unit listing major functional areas with the names and titles of key staff in each area along with the total number of staff in each area and their experience. If there are staffing overlaps, please indicate and explain as a footnote.

*See attached organization chart in Exhibit A.*

4. When was the firm first registered as an investment adviser under the federal Investment Advisers Act of 1940? Please provide Form ADV I and II as **Exhibit B**.

*Beirne Wealth Consulting itself is an SEC-registered RIA. BWC has operated as an **independent**, SEC-registered investment adviser since its inception and is controlled entirely by its senior professionals. See ADV I and II in Exhibit B.*

5. Do you consider yourself a fiduciary with respect to recommendations you will provide? If hired, will you acknowledge in writing that you have a fiduciary obligation as an investment advisor to the plan while providing the consulting services we are seeking?

*Yes. BWC believes that every client relationship is a partnership based on mutual trust and responsibility. Our clients are responsible for clearly communicating their goals and risk tolerance, and we are responsible for molding those objectives into a risk-appropriate Investment Policy Statement. We take great care to uphold the meaning of the word "fiduciary" by exercising prudence with every step of our investment process BWC would share full fiduciary responsibilities with Reading Police Pension Fund.*

6. Provide details on the financial condition of your firm as **Exhibit C**. The most recent annual report filed with the SEC is acceptable, but any recent material changes should be included.

*Since BWC is a private firm, we do not disclose our financial statements. However, BWC is in strong financial condition. We continue to invest in new resources, technology, and people. We focus on the responsible growth of the firm without sacrificing the integrity and financial stability of our firm.*

7. Briefly summarize your philosophy relating to the consultant's/client relationship that your firm will have with the DROP Participants and the Board.

*We utilize the "high service" model when it comes to handling DROP accounts. We meet with each individual officer to discuss their entry into the DROP program. We review their investment objectives and have them complete a questionnaire on their attitudes on risk and return. Once they are in the DROP we meet with them a minimum of two times per year in person and make ourselves available by phone and email at any time. To summarize, we overservice our DROP clients.*

8. Disclose any relationship you have or have had with any Board Member or City of Reading employee. If there are none, so state.

*BWC does not have any relationship with any Board Member or City of Reading employee.*

9. Do you or a related company have relationships with fund/money managers that you recommend, consider for recommendation, or otherwise mention to clients? If so, describe those relationships.

*No. BWC does not own a broker-dealer, proprietary asset management firm or any other organization that sells services to institutional investors. BWC has no business relationships with investment managers, insurance companies, or service providers to pension trust funds. We are proud to disclose that our firm or employees receive absolutely no fees from investment managers, insurance companies, or service providers to pension trust funds.*

10. Do you or a related company receive any payments from money/fund managers that you recommend, consider for recommendation, or otherwise mention to clients? If so, what is the extent of these payments in relation to your other income (revenue)?

*No. BWC does not accept any other fees, revenues, rebates or consideration, directly or indirectly (e.g. referral fees, share in brokerage commissions, soft dollars, 12(b)1 fees, revenues from sale of other services and products to investment managers used in any client's account, asset management fees, or others) from any institutional client.*

11. What percentage of your clients utilizes money managers, investment funds, brokerage services or other service providers from whom you receive fees?

*None.*

12. Do you have any written policies or procedures to address conflicts of interest, including (but not limited to) the payment of fees or other consideration from other clients, relationships or entities that may compromise your fiduciary duty to your clients? If so, please include a copy as **Exhibit D**.

*All BWC employees are expected to abide by the firm's Code of Ethics, which is predicated on the principle that BWC owes a fiduciary duty to its clients. Accordingly, BWC's employees must avoid activities, interests, and relationships that run contrary or appear to run contrary to the best interest of our clients. The Code of Ethics demands the highest levels of professionalism, ethics, and integrity. Many professionals within BWC hold designations such as CIMA, CFP, CRPC, and etc. All of these licenses or designations require ongoing continuing education that includes technical, analytical, regulatory, and ethical training. See attached Code of Ethics in Exhibit D.*

13. Is your firm or affiliate a broker/dealer? If yes, does this broker/dealer execute trades for portfolios for which your firm provides consulting services?

*No, BWC or affiliate is not a broker/dealer.*

14. Do you have any arrangement with broker/dealers under which you or an affiliated/related company will benefit if money managers place trades for their clients with such broker/dealers?

*No.*

15. Has your firm or any officer or principal of your organization been involved in litigation or any SEC or other regulatory action relating to investment management, brokerage or consulting activities in the last 10 years? If so, provide a brief explanation and indicate the current status of the proceedings.

*We are proud to say there are no complaints, litigation, or regulatory issues that the firm and or principles are involved with over this time period or any other.*

16. Do you subcontract or outsource any part of your DROP account administration business? If yes, please describe in detail which parts are performed externally and the reason for doing so. Please provide the name(s) of the providers, their office location, how long they have been in business, and the qualifications of the specific people who would be working on our account.

*No, BWC does not subcontract or outsource any party of our investment consulting business.*

17. Describe the levels of coverage for errors and omissions insurance and any other fiduciary and professional liability insurance the firm carries. List the insurance carriers providing the coverage.

*BWC carries some of the highest insurance of any RIAs in the industry. BWC carries \$10,000,000 of professional liability insurance and \$2,000,000 in general aggregate coverage.*

18. What are your firm's consulting specialties and strengths? What are your firm's limitations?

*The principals of BWC have consulted on municipal pensions, endowments, and foundations for over 40 years. This deep experience has given the team unique insight into the investment needs of institutional clients. BWC's approach to structuring portfolios has been developed specifically to enable institutional clients to **manage their costs and attain top percentile performance**. The Beirne Wealth Consulting team is focused on providing **superior client service with top percentile performance**.*

19. What investment consulting services do you provide to clients that are not among the Services Requested in this RFI?

*None.*

20. What differentiates your firm from your competition? Why should the Plan hire your firm rather than your competitors?

*Our DROP service and experience is truly exceptional. Our firm recognized 10 years ago that municipal pension plans were going to need help administering their DROP programs. We recognize that although this is a program sponsored by the municipality, the participants themselves are extremely important in the process. We "overservice" the participants and make ourselves available at any time to discuss their DROP investment program.*

*As a BWC client, the Reading Police Pension Fund DROP Accounts would receive exceptional client service backed by deep resources and work with pioneers in the public fund space. We are deeply committed to the public fund market place, which represents a large segment of our clients. While other firms have exited the public fund market, we have developed a firm, specifically, to solve problems that exist in the public fund sector. Our forty years of experience gives us significant insight into problems which have developed in the public fund marketplace.*

21. Please provide a summary of your firm's experience with DROP accounts, self-directed DROP accounts and governmental plans in general.

*Our team has a tremendous amount of experience with DROP accounts in Pennsylvania. We started consulting for, servicing and investing DROP account 10 years ago. We have administered more than 100 DROP accounts in the state of Pennsylvania with various municipalities. We were contracted by the City of Allentown, in 2009 to handle the DROP account for 22 police officers including the Chief of Police and the Assistant Chief along with four Captains.*

*Our municipal pension experience is unparalleled. The Allentown office of BWC has over 50 years of combined municipal pension consulting experience. The Milford BWC officer has over 80 years of combined experience. Our firm specializes in municipal pension plans including Defined Benefit, DROP and 457 plans.*

**Clients**

1. Please describe the type, size and number of clients your firm currently provides a full range of investment consulting services for in the table below.

<b>Client Type</b>	<b># of Consulting Clients</b>	<b>Total Client AUM (\$mil)</b>
Public Pension Plans	<i>15</i>	<i>&gt; \$400m</i>
Under \$50 million		
\$50 million to \$500 million		
Over \$500 million		
ERISA plans		
Under \$100 million		
\$50 million to \$500 million		
Over \$500 million		
Foundations & Endowments	<i>11</i>	<i>&gt; \$300m</i>
Under \$50 million		
\$50 million to \$500 million		
Over \$500 million		
DROP Accounts	<i>8*</i>	<i>\$2 million</i>
Other (provide detail)	<i>50</i>	<i>&gt; \$1,300m</i>
DB, DC and HNW		
<b>Total</b>	<i>76</i>	<i>&gt; \$2,000m</i>

\*This is current active DROP accounts and assets. As officers go through the DROP program and officially retire we take the number of DROP accounts out along with the assets. In 2013, the City of Allentown represented 22 officers and \$4 million in assets.

2. A. Indicate the total amount of assets under your pension fund consulting management at the end of each calendar year from 2009 to 2013.

	12/31/13	12/31/12	12/31/11	12/31/10	12/31/09
# of clients	<i>76</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>
Assets (\$)	<i>&gt; \$2.0bil</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>

- B. Indicate the total amount of DROP assets under your consulting management at the end of each calendar year from 2009 to 2013.

	12/31/13	12/31/12	12/31/11	12/31/10	12/31/09
# of clients	<i>17</i>	<i>15</i>	<i>14</i>	<i>12</i>	<i>10</i>
Assets (\$)	<i>\$6m</i>	<i>\$4.5m</i>	<i>\$3m</i>	<i>\$1.7 m</i>	<i>\$ 1m</i>

3. Indicate the approximate aggregate market value in US Dollars of your full service clients' investments in various asset classes as of 12/31/13 (do not overlap amounts).

Asset Class	Total Client AUM (\$mil)
Domestic equities	> \$800m
Domestic fixed income	> \$500m
Non-U.S. equities	> \$400m
International bonds (not included above)	
Commercial mortgages	
Cash (not included above)	> \$100m
Real estate	
Alternative investments (describe)	> \$200m
Hedge Funds	
Other (describe)	
<b>TOTAL</b>	> \$2,000m

4. List the total number and provide at least three (3) references for all public pension fund self-directed DROP Accounts with assets comparable to the Reading Police Pension Fund DROP Account's assets for whom you provide primary consulting and/or administrative services comparable to the Services Requested in this RFI, and whether they are a full-retainer client. For each reference listed, include **client name, name of contact person, title, address, telephone number and e-mail address**. In addition, for each client referenced, include the inception date of consulting relationship and the total number of dollars under management. If you do not have at least three (3) public pension fund clients as requested above, list at least two (2) of the most comparable pension plan clients that you have, providing the same reference information and the amount of their funds and whether they are a full-retainer client.

*Borough of Pottstown, Charles McClincy, Chairman of the Police Pension Board, 100 E.High St. Pottstown, PA19464, 610-970-6591, pd34@pottstown.org*

*City of Allentown, Debra Bowman, Deputy Director of Finance and Treasury, 435 Hamilton St, Allentown, PA 18101, 610-437-7500, Debra.Bowman@allentownpa.gov*

*Lower Providence Township, Richard Gestrich, JD,MS. Township Manager, 100 Parklane Drive, Eagleville, PA. 19403, 610-539-8020, RGESTRICH@LowerProvidence.org*

5. Describe your plans for managing the future growth of your firm in terms of staff, maximum assets, number of clients, etc.

*BWC's growth strategy contains three components:*

- ***New Clients:** BWC believes in bringing on new clients who fit strategically with our DNA. Since we are independent thinkers at an independent firm we value working with new clients who want customized solutions not simply a cookie-cutter process. By implementing a customized solution for clients, we give them boutique like service, with access to the most sophisticated solution, and thinking in the industry, with the ultimate goal of obtaining top level results.*

- **People:** *As an independent firm we pride ourselves on our ability to attract top talent and retain some of the brightest investment professionals in our industry. We continue to add quality people to our firm in order to provide existing clients and new clients superior access to ideas, service, and top quartile results.*
  - **Current Clients:** *Finally the growth of our current clients is another major focus of the firm. We are focused on helping current clients grow their assets by providing them with the foremost thinking as it pertains to the investment landscape. This is achieved through client education and allowing clients full access to our top professionals.*
6. Briefly describe how a new client would transition to your firm. Do you backload transaction and/or investment performance data? What problems have you encountered in transitioning a new client to your firm from their previous consultant?

*Initially, in any consultant transition, there is a large amount of information both tangible (staff/custodial/manager contact information, authorization letters, and etc.) and intangible (discussion on plan objectives, risk tolerance and etc.) that need to be provided. We will set up data contacts with you custodian and managers to receive data going forward plus we will look to staff for ongoing communications regarding manager, investment, or custody issues.*

*In the initial stages, communication between BWC and Reading Police will be critical to success. We want to develop an understanding of your organization, its goals and objectives, the Board's point of view with regard to portfolio construction, risk and return, operational issues, and concerns and reporting needs. If we have that level of understanding and level of familiarity it will make it much more likely that analytical and implementation goals are met in a timely manner. Dan, Chris and Richard will be responsible for coordinating the implementation process.*

*Objective (in transition):*

- *Collect all necessary information and created a customized performance report*
- *BWC will present quarterly performance measurements and customized executive summaries at Board meetings once all data is integrated.*
- *Discuss system's goals, objectives and desired outcomes with the Board and Northern York County staff.*
- *Initial meeting to discuss our write-up with all our findings*
- *Asset/Liability Study and Manager Analysis: findings presented to the Board in a write-up*
- *Based on review and discussion BWC will then make recommendations regarding any changes.*



3. Describe the firm's compensation and incentive program for hiring and retaining key consultant personnel. How does the firm tie client performance and satisfaction to a consultant's compensation?

*BWC compensates staff based on skill level, experience, and performance. Also, all of BWC's staff are eligible for the company's bonus pool. They are evaluated on three metrics: two quantitative (firm performance and contribution to firm performance) and one subjective (individual performance).*

4. Has your firm adopted the CFA Code of Ethics and Standards of Professional Conduct? If so, how is compliance monitored?

*BWC has a fully transparent legal structure – our advisory fees are clearly stated on our advisory agreement and the firm receives no compensation from product fees or revenue sharing agreement. BWC receives no fees or compensation from money managers, investment funds, brokerage services, or other service providers. This is, in our view, the best way to avoid conflicts of interest and therefore is the most appropriate approach to the business for advisors serving institutional clients.*

*All BWC employees are expected to abide by the firm's Code of Ethics, which is predicated on the principle that BWC owes a fiduciary duty to its clients. Accordingly, BWC's employees must avoid activities, interests, and relationships that run contrary or appear to run contrary to the best interest of our clients. The Code of Ethics demands the highest levels of professionalism, ethics, and integrity. Many professionals within BWC hold designations such as CIMA, CFP, CRPC, and etc. All of these licenses or designations require ongoing continuing education that includes technical, analytical, regulatory, and ethical training.*

### **Investment Management**

1. Describe your DROP account administration experience and approach in developing and monitoring, and updating investment policies, alternative investment options and objectives for a self-directed and non-self-directed pension fund DROP accounts. Comment on your process for analyzing a client's legal and regulatory restrictions, liquidity needs, time horizon, social responsibility, funding status, portfolio structure and for recommending modifications, including frequency of review.

*In a partnership with the Reading Police Pension Fund, Beirne Wealth Consulting would partner with the trustees to create, adopt, and or modify a statement of investment policy that will provide the groundwork for the fund's investments, spending and governance. Moreover, the Policy will focus on issues such as short and long-term risk tolerance, liquidity needs, allowable investment options and strategies for implementation. Once created, the Policy Statement will clearly articulate the asset allocation and flexibility for a diversified portfolio. We have found that this approach focuses the Committee's time and attention on the most important fiduciary issues with respect to portfolio structure and general governance. This model provides the trustees and Beirne Wealth Consulting the flexibility to implement timely portfolio changes within the allowable guidelines as defined in the Investment Policy Statement.*

*A well-constructed Investment Policy Statement incorporates an asset allocation that has a high probability of achieving the desired goals while taking the minimum amount of risk. Asset allocation is the primary mechanism for aligning a portfolio's risk and return profile with the client's investment objectives. Moreover, we believe in diversification and a goals-based investment strategy that seeks to preserve the long-range purchasing power of the foundation. A municipal portfolio should be allocated to emphasize consistent performance in all market cycles without significantly eroding the principal value of the fund. Risk management and diversification are crucial to protect against potentially challenging markets.*

2. What is your philosophy regarding risk in self-directed DROP accounts?

*The funds in the DROP accounts are ultimately for the benefit of the police officer who has elected to go into the DROP. When the officer is done with DROP, these funds will be rolled over to an IRA for that officer. Therefore, the officer and our firm have to work together to determine the type and amount of risk they want to take with these funds. We suggest to the officers to "break" the funds into different "buckets" of risk. The first \$50k in the DROP might be invested very conservatively in short-term fixed income or even Bank CD's so it is there for immediate needs when the officer is finished with DROP, (i.e. debt pay down, college, etc.). The second "bucket" of risk maybe more income oriented to help supplement the officer's pension after DROP if he doesn't get another job. The third "bucket" of risk may have a longer time horizon for future income needs, 10 years or more from the date of the officer's retirement. Each officer will have a different level of risk and may want different amounts in each "risk" bucket, or we may design more "risk buckets" for the officer. We offer a customized approach for each individual in the DROP program according to their "risk" tolerance and levels.*

3. How do you define risk? Briefly describe the risks to which a DROP account in a public pension fund is exposed.

*There are many types of risk. Excluding market risk and investment risk, here is an issue we have seen in public pension funds. Trustee and staff perceptions of newspaper and career risk reduces the appetite for less understood strategies, which could be beneficial to funds if implemented. Public pension fund trustees are subject to much more scrutiny than their corporate counterparts. Therefore, strategies that can increase return and reduce risk are not as readily adopted.*

4. How does your firm monitor risk? List the measurements that are used when evaluating risk.

*BWC takes what they think is the optimal risk and we stress test all of the client portfolios in different environments. We educate the clients in these different market environments on how to monitor their risk.*

Factor	Time Horizon	Economic Rationale	Market Information
<b>Economic</b>	Long Term	Attractiveness of assets depend on the stage of the economic cycle (strength/weakness of currencies, recession/growth prospects)	ISM, Leading indicators, Retail Sales, Payroll, Unemployment
<b>Valuation</b>	Medium Term	Favor the markets with attractive relative valuation driven by fundamentals	Price/Earning, Price/Book, Dividend Yield
<b>Sentiment/seasonality</b>	Medium to Short Term	Market performance can be affected by seasonal factors and sentiment	Consumer, Corporate, and Shareholder Confidence
<b>Technical</b>	Short Term	Model favors markets which have positive momentum (trend analysis)	Supply/Demand, Price Momentum, VIX, Yield Curves, Short-term Rates, Currency

5. Describe your firm’s view on risk budgeting. Have you created a risk budget model that is utilized by your clients?

*BWC does not have a risk budget model but we do monitor the client’s risk.*

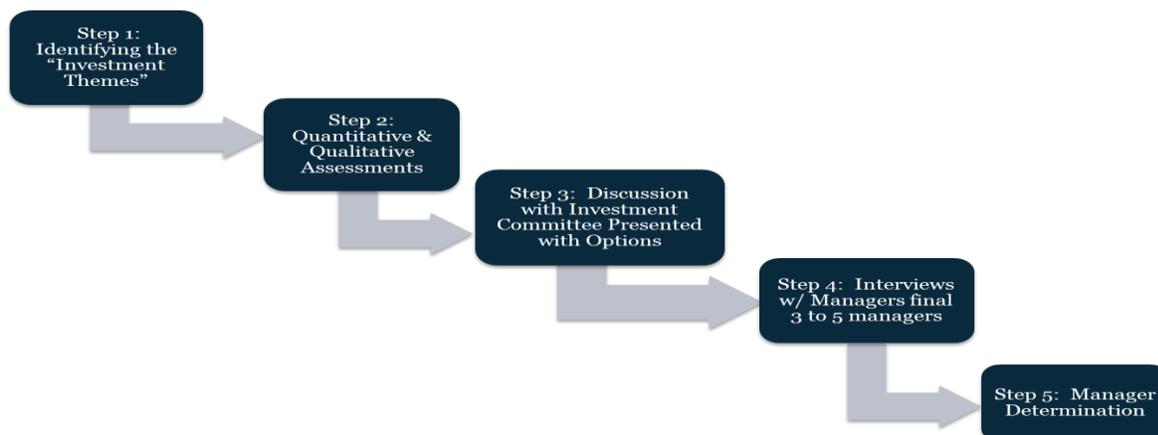
6. Describe any other risk management capabilities that are offered to clients.

*BWC does not have any other risk management capabilities that are offered to clients.*

7. Discuss the steps your firm would take to analyze the current Reading Police Pension Fund DROP Account administration and investment alternatives.

*See Question #1 above.*

8. Describe your firm’s philosophy with respect to manager evaluations (formal review, ad hoc, etc.). Briefly describe any on-going due diligence process. What critical issues are examined in the due diligence process? At what point would your firm recommend terminating an investment manager?



*BWC regularly evaluates its universe across a number of databases. This large universe of solutions is then reduced based on performance across a number of performance characteristics (total return, risk-adjusted return, risk, beta, and etc.)*

Types of Investment / Access	Current Coverage / Universe
Separate Accounts	11,413
Mutual Funds	182,250
Direct Hedge Funds	11,986
Hedge Fund of Funds	2,649
<b># of Analysts</b>	<b>67</b>

*BWC then applies a second filter of quantitative analysis to the remaining manager universe. BWC has access to what we believe is the best group of 3rd party analysts available in the industry. Our providers include Mercer, Prima Research, Fund Evaluation Group, Rogerscasey, Morningstar, and others. It is our belief that our clients are best served by having access to the best thinking available from multiple sources. We prefer our research providers to disagree as it demonstrates research rigor and intellectual honesty. It is part of the role of BWC’s investment committee to understand where these opinions diverge and make a final assessment on the value of the manager.*

*The qualitative research process involves a rigorous screening of the manager beyond the quantitative metrics. Our research providers perform regular on-site visits and interviews with key personnel. Numerous qualitative metrics are tracked for each manager. Holdings are reviewed to ensure the managers are maintaining style discipline. Trading patterns are monitored for unusual in-flows and out-flows. Finally, detailed analysis is performed to assemble comparative all-in cost*

*analysis factoring in investment management fees, trading fees, and so on. The BWC team evaluates the scoring for each manager and prepares a short-list of names in each category.*

*The short-list of manager finalists is then presented to the investment committee. The investment committee reviews any discrepancies among research providers. Then a select group of managers are interviewed by the investment committee. From here the best investment vehicles in each asset class are selected by the firm's investment committee based on a range of criteria. When the investment committee determines the final selection or selections in each sleeve of the portfolio these 3-5 recommendations are then presented to the trustees in a committee meeting.*

*BWC's consultants meet, interview, and evaluate solutions continuously. Our investment committee dedicates time weekly to evaluating and debating manager suitability, and it is within this committee where primary investing, research, and portfolio management activities take place. All managers making it to the short list have due diligence performed by BWC and third party providers at their offices.*

9. Do you believe DROP accounts should have a permanent allocation to cash? Why?

*BWC believes that a plan should have at least a little allocation to cash to pay fees and distributions. This allocation would also depend on the investment market cycle.*

10. Describe your firm's view on performance-based fees. What percentage of your firm's clients utilize these types of fees?

*BWC is not opposed to performance-based fees but currently, there are no clients who have these fees.*

11. Discuss your firm's philosophy on transition management. Do you recommend that clients maintain a pool of approved transition managers? How have you assisted with searches for qualified transition managers?

*Currently, BWC does not recommend clients to maintain a pool of approved transition managers.*

### **Performance Measurement/Portfolio Analytics & Reporting**

1. Describe your firm's experience and capability for calculating performance. Describe differences, if any, in the way the firm would calculate performance among different asset classes. How would the firm ensure accuracy in the performance calculations? How soon after receipt of settlement-date accounting data from the custodian would accurate performance reports be available to present to the DROP Participants?

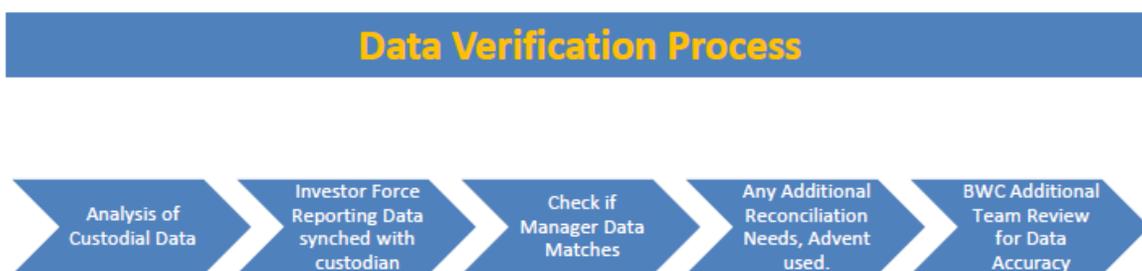
*High quality reporting is integral to any municipal advisory relationship. BWC has selected InvestorForce as its reporting provider of choice. InvestorForce exclusively serves high-end institutional consulting firms. The BWC reports provide detailed analysis of the source of a portfolio's performance, including attribution by manager, style and geography. These portfolio analytics are highly customized to the specific needs of each of our clients. BWC develops reports for each municipality based on their risk/return parameters and progress towards their investment goals. Furthermore, our clients have direct access to view their portfolio performance online and the ability to draw on an abundance of fund and industry data from their own computers. All client*

data is stored in a highly secure database with multiple layers of redundancy.

### **BWC Data Verification:**

BWC receives live feeds from custodians, which are monitored, through the custodian, online. The Reading Police and BWC will receive monthly statements from the custodian, which display securities values cost basis, gain/loss, and etc. for different asset classes. Internally BWC remains in constant contact with the custodian and money managers to maintain a seamless integration of information feeds between money managers and custodians. BWC has direct points of contacts with all money managers and custodians that are used in clients' portfolios. BWC hired investor force to group and give clients consolidated reporting performance. Also, BWC hired Advent for any portfolio reconciliation needs.

BWC implements a five step process to ensuring client data accuracy.



2. Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can the firm provide custom benchmarks? Style benchmarks? Normal portfolios? Please indicate whether your firm has ever developed benchmarks, and if so, please provide a description of the benchmarks developed.

BWC chooses benchmarks in accordance with an asset allocation study, investment policy statement analysis, and with particular attention to a specific management style and mandate. BWC analyzes performance using a three-pronged approach that encompasses manager performance, fund performance, and total fund performance. Manager performance is evaluated based on absolute returns and risk adjusted returns relative to the manager's benchmark and peer group. The fund's performance is compared to the policy index (created from the asset allocation study) on an absolute and risk-adjusted basis. Finally, the total fund's performance is ranked and compared to a universe of peer groups for similar funds. The universe may include, but is not limited to, the Mellon Public Funds Universe.

3. Describe the content and format of your firm's standard monthly/quarterly/semiannual performance reports for the Reading Police Pension Fund DROP Accounts. Provide a sample report for one of your firm's clients that is structured similarly to the DROP Accounts as **Exhibit F**.

The InvestorForce system is designed to allow BWC to run reports as soon as the underlying data is ready and available. As such, we can run monthly reports, quarterly reports and ad-hoc reports. The platform provides a high degree of flexibility associated with report customization as well. If BWC uses the report customization tool, Report Designer, to customize reports for clients, these reports become customized for each specific client and BWC can simply come to the Report page each month, select the Global Data change button and automatically roll each report forward to dynamically reflect the new month end.

*All reports are available on-line with secure access via InvestorForce Insight. BWC can provide our clients with full transparency into plan data and information, access to summary plan and account-level analytics and the ability to post documents, including ad-hoc, monthly and quarterly investment reports, directly to our client's own document center. Future versions of InvestorForce Insight will even allow customization by client.*

*A sample report is attached in Exhibit F that includes asset allocation, performance and other analytics. While this report is a customized InvestorForce report, it may not be the exact report that BWC provides to their clients. It is simply an example of the reporting capability available from the InvestorForce platform.*

4. Can these reports be customized to accommodate the Plan's information needs? Are there charges for these additional information requests? Within what time frames can these requested changes be implemented?

*Yes, these reports can be customized to accommodate the Plan's information needs. All changes are included in the fee schedule below. These changes can be implemented in a timely manner.*

5. Describe your firm's view on the most relevant methods of evaluating performance. Include the firm's approach to the measurement risk-adjusted performance.

*See Question #2 above.*

6. Describe your firm's performance attribution capabilities. Include a breakdown of domestic and international performance attribution capabilities. Does your firm's quarterly reporting package contain attribution analysis at the total fund, asset class and investment manager level?

*The InvestorForce system provides significant attribution capabilities. Attribution is available at the total fund level, composite/asset class level and individual portfolio level. Please note that all attribution analytics can accommodate for partial period returns.*

*A full list of attribution analytics, both holdings-based and returns-based, is provided below:*

- *Attribution Analysis Bar Chart*
- *Attribution by Manager Bar Chart*
- *Attribution Summary Table*
- *Attribution History Table*
- *Fixed Income Attribution Table*
- *Holdings-Based Historical Attribution Chart*
- *Attribution by Sector Table*
- *Attribution by Sector Chart*
- *Attribution by Characteristic Table*
- *International Equity Attribution Chart*
- *International Equity Attribution Table*
- *Attribution by Country Table*
- *Attribution by Currency Table*
- *Attribution by Region Table*

- Attribution Readiness Table (analyst tool to determine if returns-based attribution data is complete)

For equity portfolios, InvestorForce provides both holdings-based and returns-based attribution.

### **Holdings-Based Attribution**

For equity attribution, InvestorForce employs the Brinson Hood Beebower (BHB) methodology which shows that excess return must be equal to the sum of all other factors (e.g., allocation effect, selection effect, interaction effect, etc.). Market attribution effects (selection, allocation, interaction) are calculated against local portfolio and benchmark sector/region returns.

InvestorForce provides BWC with the ability to utilize the Brinson Fachler (BF) methodology as well. This is similar to Brinson Hood Beebower but uses a different formula to calculate the allocation effect.

*Domestic Equity:* InvestorForce utilizes BHB or BF methodology with GICS sectors used for security classification purposes. This type of attribution is holdings based and uses a wide range of equity indices.

*International Equity:* BHB or BF methodology is used and has been extended to capture currency effects by country and region. This type of attribution is holdings based and follows the MSCI region and country schemes.

*Currency Effect* =  $W_{Portfolio} \times (R_{PortfolioBase} - R_{PortfolioLocal}) - W_{Benchmark} \times (R_{BenchmarkBase} - R_{BenchmarkLocal})$   
Where W=Weight and R=Return

The InvestorForce platform attribution analytics apply a well-documented industry approach for measuring the allocation and selection effects at work within an equity portfolio:

- Allocation Effect: The allocation effect measures an investment manager's ability to effectively allocate the portfolio's assets to various segments

*BHB Allocation Effect* =  $R_{Benchmark} \times (W_{Portfolio} - W_{Benchmark})$

*BF Allocation Effect* =  $(R_{BenchmarkinSector} - R_{WgtdBenchmark}) \times (W_{Portfolio} - W_{Benchmark})$

Where W=Weight and R=Return

- Selection Effect: The selection effect measures the investment manager's ability to select securities within a given segment relative to a benchmark. InvestorForce allows clients to include the interaction effects as part of the selection effect in the report output. When including interaction effects with the selection, the calculation for the selection effect reduces to the formula displayed below:

*Selection Effect* =  $W_{Benchmark} \times (R_{Portfolio} - R_{Benchmark})$

Where W=Weight and R=Return

For holdings-based attribution, allocation and selection effects are dependent upon portfolio holdings for the full period which come through the automated custodial feeds, InvestorForce Collect and/or are "user entered" by BWC directly into the system. Benchmark constituents are

supplied by InvestorForce for this analysis by having BWC select the appropriate attribution benchmark.

### **Returns-Based Attribution**

For returns-based attribution, InvestorForce utilizes BHB or BF methodology.

The data used for manager effect is target allocation (% weight), manager performance and a weighted benchmark performance.

For returns based attribution, the data used for allocation effect is weighted benchmark, current weight (% weight) of the asset class or manager and target allocation (% weight) for the asset class or manager.

For returns and holdings based equity attribution, the Jose Menchero (the industry standard arithmetic model) methodology is used for linking the attribution effects over time (monthly or quarterly).

### **Fixed Income Attribution**

For Fixed Income attribution, InvestorForce employs the methodology developed by Steve Campisi. The underlying methodology accounts for treasury effect, income effect and spread effect by fixed income sector. This attribution uses the Barclays Capital Indexes.

The fixed income attribution analytic shows income effect, treasury effect and spread effect and depends on sector returns, sector weights, coupon, duration and price. The fixed income attribution is not “holdings-based” and relies on client supplied data at either the manager or composite level via a user interface.

7. Please list and describe the specific analytical tools and/or software programs used by the firm with regard to:

- General Market & Economic Research
- Asset/Liability Modeling and Asset Allocation
- Risk Management
- Public Market Investment Manager Oversight, Selection & Monitoring
- Private Markets/Real Estate Opportunities
- Performance Measurement/Attribution
- Other (please specify)

We use a broad base of resources throughout our research process, including widely used financial software and subscription databases and libraries. In all cases we seek the most broad and objective data possible. As such, **managers are not charged to be included in our internal data**, nor do we believe that they are charged for inclusion in the subscription services that we utilize. A sampling of the resources we use as part of our research process is listed as follows:

- Mercer
- Prima
- Morningstar
- Envestnet
- CAIS

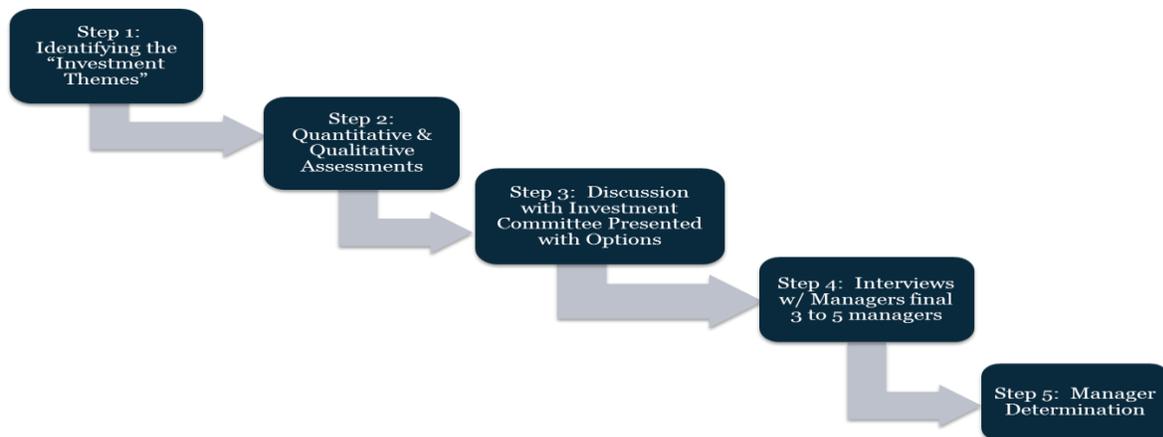
BWC employs S.M.A.R.T. Consulting to construct custom asset allocation models for each institutional client. S.M.A.R.T. is a dynamic proprietary process that combines the expertise of the investment committee with the findings of a select group of high quality external research providers. Additionally, we have a comprehensive manager selection process to determine the most appropriate vehicle for each asset allocation model. A number of the managers used at Merrill Lynch were sourced through BWC's diligence. Beyond our technical capabilities, the team provides comprehensive client service. The BWC team commits the time and resources it takes to educate trustees on topical events and investment strategy so they may be better equipped to make informed decisions. This proactive approach to client education helps to prevent emergency meetings, and we believe it is the combination of our investment process and our service model that has enabled us to consistently achieve **top decile performance rankings** for our clients. Furthermore, with our close proximity to Yale and New York City, we have access to academics such as Bob Schiller, Leon Cooperman, and Chief Economists of many firms (Numura, Goldman Sachs, Gluskin Sheff, etc...).

8. Are your performance reports and attribution analysis tools available online?

*Yes, all reports are available on-line with secure access via InvestorForce Insight.*

### **Assessment of Investment Managers**

1. Describe the firm's experience and capability for assessing an investment manager's total performance. Besides investment returns, what key criteria do you consider in your overall evaluation of an investment manager?



*BWC regularly evaluates its universe across a number of databases. This large universe of solutions is then reduced based on performance across a number of performance characteristics (total return, risk-adjusted return, risk, beta, and etc.)*

Types of Investment / Access	Current Coverage / Universe
Separate Accounts	11,413
Mutual Funds	182,250
Direct Hedge Funds	11,986
Hedge Fund of Funds	2,649
<b># of Analysts</b>	<b>67</b>

*BWC then applies a second filter of quantitative analysis to the remaining manager universe. BWC has access to what we believe is the best group of 3rd party analysts available in the industry. Our providers include Mercer, Prima Research, Fund Evaluation Group, Rogerscasey, Morningstar, and others. It is our belief that our clients are best served by having access to the best thinking available from multiple sources. We prefer our research providers to disagree as it demonstrates research rigor and intellectual honesty. It is part of the role of BWC's investment committee to understand where these opinions diverge and make a final assessment on the value of the manager.*

*The qualitative research process involves a rigorous screening of the manager beyond the quantitative metrics. Our research providers perform regular on-site visits and interviews with key personnel. Numerous qualitative metrics are tracked for each manager. Holdings are reviewed to ensure the managers are maintaining style discipline. Trading patterns are monitored for unusual in-flows and out-flows. Finally, detailed analysis is performed to assemble comparative all-in cost analysis factoring in investment management fees, trading fees, and so on. The BWC team evaluates the scoring for each manager and prepares a short-list of names in each category.*

*The short-list of manager finalists is then presented to the investment committee. The investment committee reviews any discrepancies among research providers. Then a select group of managers are interviewed by the investment committee. From here the best investment vehicles in each asset class are selected by the firm's investment committee based on a range of criteria. When the investment committee determines the final selection or selections in each sleeve of the portfolio these 3-5 recommendations are then presented to the trustees in a committee meeting.*

*BWC's consultants meet, interview, and evaluate solutions continuously. Our investment committee dedicates time weekly to evaluating and debating manager suitability, and it is within this committee where primary investing, research, and portfolio management activities take place. All managers making it to the short list have due diligence performed by BWC and third party providers at their offices.*

## **Other Information**

1. Describe your firm's capabilities in providing educational information to DROP Participants (with regard to investment alternatives) and staff of the Plan (with regard to DROP plan administration). Provide a sample of educational materials developed as **Exhibit G**.

*BWC provides written summaries to trustees addressing fiduciary issues and education. Trustees have access to our investment research and team. We believe that open access is essential for trustees to have all questions and problems addressed. We understand that helping trustees make educated decisions is part of their fiduciary responsibility, and we take great pride partnering with trustees to help them fulfill that fiduciary obligation. All fees are included in BWC's fee structure. See attached samples in Exhibit G.*

2. How does your firm evaluate the quality of its administration/consulting services? Describe any benchmarks the firm has developed to evaluate its performance and the performance of its primary/lead consultants.

*BWC chooses benchmarks in accordance with an asset allocation study, investment policy statement analysis, and with particular attention to a specific management style and mandate. BWC analyzes performance using a three-pronged approach that encompasses manager performance, fund performance, and total fund performance. Manager performance is evaluated based on absolute returns and risk adjusted returns relative to the manager's benchmark and peer group. The fund's performance is compared to the policy index (created from the asset allocation study) on an absolute and risk-adjusted basis. Finally, the total fund's performance is ranked and compared to a universe of peer groups for similar funds. The universe may include, but is not limited to, the Mellon Public Funds Universe.*

3. List the frequency or schedule of specific services that will be provided under your proposed fee.

*In a full-service consulting relationship, BWC offers the client:*

- *Ten meetings a year (additional phone/conference access if necessary)*
- *Full client assessment*
- *Asset/Liability Study*
- *Creation of Investment Policy Statement outlining risk tolerance, liquidity needs and allowable investment options*
- *Asset allocation analysis*
- *BWC proprietary S.M.A.R.T Consulting (includes trustee education)*
- *Primary research on managers performed by BWC*
- *Secondary research on managers from third party providers*
- *Portfolio implementation where appropriate in discretionary relationships*
- *Dedicated Transition Team*
- *Full access to investment committee and staff*
- *Customized performance reporting*
- *Complete back office integration (accounting, compliance, and etc. with dedicated team member)*
- *Full online access (account data, market commentary, portfolio analytics, and etc.)*
- *Travel*

## **Fees**

1. What are your standard fees for providing self-directed DROP Plan services? Include separate schedules for any item in the Services Requested in this RFI that is not covered under your standard fee arrangement.

*Our fee on a yearly basis is 0.55% of assets. One fourth of this fee is billed to each DROP account on a quarterly basis. For example if the DROP account is \$100,000 then a fee of .1375% multiplied by the account would be billed each quarter. On a dollar basis this means that the account would be billed \$137.50 the first quarter. At the beginning of the next quarter the market value would be determined and the fee of .1375% would be billed . This Fee covers all transaction charges. There are no commissions or additional fees for investing the DROP funds. We will honor this Fee for 5 years. Our fee is all-inclusive, and covers all of our core services, including: Investment Policy Statement development and documentation, Monte Carlo simulation analysis (where applicable), asset allocation and portfolio construction, manager search and selection, custodial and consolidated performance measurement, portfolio accounting, etc.*