

Commonwealth of Massachusetts
Department Of Higher Education
Request for Proposals from Qualified Firms to
Conduct Investment Fund Reviews
DHE-ORP-004

1. Solicitation

The Department of Higher Education (“DHE” or the “Department”) as Plan Administrator for the Massachusetts Optional Retirement Program (“ORP” or the “Plan”) seeks to enter into a contract with a qualified firm (Vendor) to conduct investment fund reviews of funds available under the Plan for the 2011 and 2012 Plan Years.

Purpose

The firm selected to fulfill this contract will provide guidance to the DHE in meeting its fiduciary responsibilities related to making certain funds available under the Plan.

To that purpose, the Vendor will:

- assess the appropriateness of each fund’s investment objectives and investment methodology for use in a plan like the ORP;
- provide a review and analysis of each fund’s mid and long term performance;
- provide a review and analysis of each fund’s fee structure; and
- provide a review and analysis of each fund’s manager and management company.

Term of Contract

The term of the contract will begin as soon as is practicable after the award is made and will end on June 30, 2013. The fund reviews will include the following periods:

- Second Quarter 2011

- Third Quarter 2011
- Fourth Quarter 2011
- Annual Review for the Plan Year ending December 31, 2011
- First Quarter 2012
- Second Quarter 2012
- Third Quarter 2012
- Fourth Quarter 2012
- Annual Review for the Plan Year ending 2012

Requirements for submission of proposals are included under Section 6.

A schedule of activities relating to this request for proposals is included in Section 6.

The Department completed a system for evaluating proposals prior to making this document available to the public.

2. Proposal Format

Provide your firm's responses to inquiries by inserting text directly in this document under each respective item. Your notes should include your firm's ability to meet a requirement as well as areas where your firm cannot meet a requirement.

Please begin the insertion of your text with "**RESPONSE:**" which will help distinguish your notes from the original content.

Exception: Your proposed cost must be provided as a separate document; not included in this document as a "Response".

Please also make note of any supporting documentation in your responses.

Where appropriate print, sign and attach any required state forms (see Section 6).

RFP Information Updates

Responses to questions relating to either the Plan or the RFP will be distributed by email to those firms that have either expressed an interest in submitting a proposal or have submitted a proposal under this solicitation.

Updates and other changes to this Request for Proposals will be provided on the Comm-PASS system.

3. About the Optional Retirement Program

The Optional Retirement Program is a non-trusted money purchase plan operating under Internal Revenue Code (IRC) Section 401(a).

The Commonwealth of Massachusetts is the Employer and Plan Sponsor.

The Plan is governed by Chapter 15A Section 40 of the Massachusetts General Laws as Amended (MGLA). The enabling legislation was signed into law on January 4, 1994 and the Plan became effective on October 30, 1995.

Plan Contributions are directed to fully allocated and **self-directed** insurance products and mutual fund accounts that satisfy the requirements of IRC Section 401(f). Four "ORP Providers" offer these accounts: Lincoln Financial Group, Fidelity Investments, TIAA-CREF, and VALIC. The Providers invest plan assets and provide services to Participants and the Plan Sponsor. Current plan assets total approximately \$440M.

The Plan was restated as of July 1, 2010. The Commonwealth is currently soliciting a Letter of Determination from the Internal Revenue Service for the Plan in its current form. The Service issued a favorable Letter of Determination for the Plan in 2007.

Part 610 of the Code of Massachusetts Regulations (Section 11.00), which describes the Plan's operation, was authorized by the legislature in 1996. The content of this Part is currently being revised to reflect changes to the Plan; new administrative procedures, policies and governing statutes.

The Commonwealth operates the Plan as a governmental plan, and does not voluntarily comply with the Employee Retirement Income Security Act (ERISA). However, the Plan follows MGLA ch 32 Section 23 in defining the Commonwealth's fiduciary responsibilities. MGLA ch. 32 Section 23 is (essentially) ERISA's "Prudent Person Rule".

The Plan Year is January 1 through December 31.

The Commonwealth's Fiscal Year ends June 30.

A copy of the Plan Document is available upon request.

Additional information about the Plan is available on the ORP web pages. The URL is ***www.mass.edu/orpsplit.asp***.

4. Provider Products and Funds

Lincoln Financial Group

Lincoln Financial Group (LFG) maintains two products under the Plan:

1. MultiFund Annuity (fixed and variable annuities)
 - No. Fixed Annuity: 1
 - No. Separate Accounts: 48
2. Lincoln Alliance (mutual fund platform with a fixed annuity)
 - No. Fixed Annuity: 1
 - No. Mutual Funds (including Target Date line up): 23

Lincoln Total Funds: 73

Fidelity Investments

Fidelity offers a line-up of proprietary and non-proprietary funds.

- No. Mutual Funds (including Target Date line up): 30

Fidelity Total Funds: 30

TIAA-CREF

TIAA-CREF maintains two products under the Plan. Some funds are available in both products:

1. Group Retirement Annuity (fixed and variable annuities, and proprietary mutual funds)
 - No. Fixed Annuity: 1 (shared with the RC product)
 - No. Separate Accounts: 9 (shared with the RC product)
 - No. Mutual Funds (including Target Date line up): 18
 - 13 funds shared with the RC product

- 5 proprietary funds unique to the GRA product

2. Retirement Choice – “RC” (fixed and variable annuities, mutual funds)

- No. Fixed Annuity: 1 (shared with the GRA product)

- No. Separate Accounts: 9 (shared with the GRA product)

- No. Mutual Funds (including Target Date line up): 18

- 13 funds shared with the GRA product

- 5 non-proprietary funds unique to the RC product

TIAA-CREF Total Funds: 33

VALIC

VALIC maintains two products under the Plan:

1. Portfolio Director II (fixed and variable annuities)

- No. Fixed Annuity: 2

- No. Separate Accounts: 58

2. RSVP (non-proprietary mutual funds and fixed annuity)

- No. Fixed Annuity: 1

- No. Mutual Funds (including Target Date line up): 24

Total VALIC Funds: 85

TOTAL PLAN FUNDS: 221

5. Specifications for Minimum Requirements

Use this section to indicate your firm’s ability to meet each requirement.

Firms submitting a proposal in response to this Request, at a minimum must:

1. be properly and currently licensed to conduct such business in the Commonwealth:

☒ Company is currently licensed;

☐ Company is **not** currently licensed.

3. complete and submit all of the forms required under this Request:

☒ Yes, all required forms have been completed.

☐ No, the firm has not complete all required forms.

If not all forms were completed, please identify the form(s) not submitted with a brief note about the company's reason for not completing the form below:

1. Form name and comments.....

2.

3.

6. Conditions of the Proposal Process

BIDDER RESPONSIBILITY

This RFP has been distributed electronically using the Comm-PASS system. It is the responsibility of every bidder to check Comm-PASS for any addenda or modifications to a solicitation for which they intend to respond. The Commonwealth of Massachusetts and its subdivisions accept no liability and will provide no accommodation to bidders who submit a response based upon an out-of-date solicitation document. Potential bidders are advised to check the "last update" note on the first page of this solicitation; ensuring that they have the most recent version.

Cost: All costs associated with responding to this RFP are the sole responsibility of the responding firm.

Proposal Submission

Bidders' Conference: Potential Vendors may attend a bidder's conference at **10:00 am on Thursday July 14, 2011** to ask specific questions related to this solicitation. The Conference will be held at the Department of Higher Education:

One Ashburton Place
Room 1401
Boston, MA 02108

Vendors are not required to attend, but are responsible for any information/clarifications given at this meeting. If any information is given which is contrary to the specifications given in this proposal document, an amendment to this document will be issued which may or may not change the proposal delivery date.

Bidders' Conference RSVP: Your RSVP should be made via email, using the Program's email box: *ORP@bhe.mass.edu*. The "subject" should be **"Fund RFP RSVP"**

You should include your company name and the names and titles of those attending.

Please indicate your firm's intention to attend the Bidders' Conference no later than **Tuesday July 12, 2011**.

Responses to questions raised during the Bidder's conference will be distributed to attendees via email not later than **Friday July 15, 2011**.

Routine Questions: Specific vendor questions regarding the RFP may be submitted in writing to the DHE via email to the Program's email box: *ORP@bhe.mass.edu*. The "subject" should be **"Fund RFP Question"**.

Responses to these questions will be distributed via email to any and all firms expressing interest in submitting a proposal, as soon as is practical after receiving the inquiry.

The DHE will not respond to any questions received after the deadline for submitting proposals.

Submission: In order to be considered for selection, firms must submit **four** (4) printed copies of a complete, written response and one copy of the document formatted in Microsoft Word ('97 to '03) on a CD to:

Mr. Stephen W. Lenhardt
Deputy Commissioner for Administration and Finance
Department of Higher Education
One Ashburton Place, Room 1401
Boston, MA 02108-1696

Proposed Cost: Your firm must provide its proposal of cost for this contract as a separate document, in a sealed envelope. Please also include your proposed cost as a separate Word file on the CD.

Submission Deadline

Proposals must be delivered to the address noted above *no later than 5:00 p.m. on **Wednesday August 3, 2011.***

REQUIRED COMMONWEALTH DOCUMENTS

Affirmative Market Program Plan Form (Attachment III): This Form must be completed and returned as part of each firm's proposal

SAMPLE COMMONWEALTH DOCUMENTS

The following forms are attached to this Request for Proposals for informational purposes only and will be required at contract execution by those firms receiving an award.

Standard Contract Form & Instructions (Attachment IV)

Authorized Signatory Listing (Attachment V)

Commonwealth Terms and Conditions (Attachment VI)

Form W-9 (Attachment VII)

Authorization for Electronic Funds Transfer (Attachment VIII) use this URL to access the form on Operational Services Division web site :

http://www.mass.gov/?pageID=afmodulechunk&L=4&L0=Home&L1=Budget%2c+Taxes+%26+Procurement&L2=Procurement+Information+%26+Resources&L3=Conduct+a+Procurement&sid=Eoaf&b=terminalcontent&f=osd_all_forms&csid=Eoaf

Select "Authorization for Electronic Funds Transfer" link from the right-hand column of forms ("Other Forms/RFR Attachments (Generally Mandatory)")

BIDDER MODIFICATION

The bidder may not alter the RFP or its components except for those portions intended to collect the bidder's response. Modifications to the body of the RFP, specifications, terms and conditions, or any other documents that would change the intent of this RFP are prohibited. Any modifications other than where the bidder is prompted for a response will disqualify the response.

SELECTION PROCEDURE AND EVALUATION CRITERIA

All proposals will be reviewed by the Evaluation Team based on information contained in the Firm's proposal. Proposals will be read and ranked by the Evaluation Team based upon the applicability of the Firm's experience, ability to meet the minimum requirements; the suitability of their services, and cost for their services, as evidenced by the responses provided by the Firm to the RFP. The Evaluation Team may choose to invite selected firms to make oral presentations. Qualitative assessments of firms may be made during oral presentations.

Although cost is a factor in the award decision, final selection will not necessarily be made to the firm offering their product and services for the lowest cost.

The Department of Higher Education will make its final selection on or about **Tuesday August 23, 2011.**

The effective date of the contracts will be a date agreed upon by the successful firms and the Department, as soon as practicable following selection, but not later than **Wednesday August 31, 2011.**

Contract: After reviewing the responses to this RFP, the Department of Higher Education will select the firm that it considers most qualified. The Department of Higher Education will negotiate and award a contract to that firm. The contract document will incorporate by reference all the requirements, terms and conditions of this solicitation and the firms' responses as negotiated.

In the event the Department of Higher Education fails to negotiate a contract with the firm initially selected for this award, the Commonwealth reserves the right to either offer the contract to another firm that has submitted a proposal, or close the solicitation and publish a new Request for Proposals.

With the agreement of the selected firm, the Department of Higher Education reserves the right to amend the contract if it is deemed to be in the best interest of the Plan, its participants and beneficiaries, and it advances the goals and objectives set forth in the contract.

The Department of Higher Education may cancel this Request for Proposals (RFP) or reject RFP responses at any time prior to an award, and is not required to furnish a statement of explanation for why a particular response was not deemed to be the most advantageous. The Department of Higher Education may accept RFP responses in whole or in part.

The Department of Higher Education reserves the right to use any and all ideas included in any response without incurring any obligations to the responding firm or committing to procurement of the proposed services. Responses become the property of the Department of Higher Education.

THE DEPARTMENT OF HIGHER EDUCATION RESERVES THE RIGHT TO REJECT ANY AND ALL RESPONSES AND THE RIGHT TO CANCEL THIS REQUEST FOR QUALIFIED PROPOSALS AT ANY TIME PRIOR TO AWARDING ANY CONTRACTS.

7. Services to be Provided

The Vendor will provide the following services at the end of each calendar year quarter.

Individual Fund Assessments

After the close of each quarter, the Vendor will provide a report to the DHE for each fund that includes these assessments for each fund:

- the continued appropriateness of each fund's investment objective and investment methodology for use under a participant-directed defined contribution retirement plan;
- the reasonableness of each fund's **mid and long term**, investment performance and risk characteristics relative to:
 - Morningstar peer groups;
 - risk characteristics of other funds in its asset class;
 - appropriate benchmarks;
- the reasonableness of the fund's expense and fee structures relative to other funds in its asset class and/or peer group;
- the potential impact on a fund's viability of fund management firm and/or personnel changes, industry trends and federal or state regulatory changes;
- identify any funds that merit either placement on or removal from a Watch List, reflecting the Vendor's judgment of cumulative information reported above;
- identifying any funds whose characteristics fail to such a degree that the Vendor would recommend immediate action by the Commonwealth to remove such funds from the Plan;
- identify funds that exhibit particular strength in the criteria noted above; meriting special recognition.

Annual Reviews

After the close of each Plan Year (Dec. 31), the Vendor will provide an annual review of the Plan's funds. The annual review will entail the following aspects:

- completion of the fourth quarter's individual fund reviews;
- preparation for in-depth discussions with each of the four Providers concerning:
 - characteristics of individual funds that have either improved or deteriorated during the year;
 - appropriateness of the addition and/or replacement of funds in each Provider's respective line-up under the Plan; and
 - appropriateness of re-negotiating individual fund expenses and fees.

On-site Meetings

The Vendor will present each of its quarterly reports to the DHE; providing a review of the quarter's results and any special issues that the Vendor identifies as pertinent to the Plan.

The Vendor will present its annual reviews to the DHE and attend the annual review with each of the four Providers.

The Vendor must be available to attend meetings of the Plan's oversight committee and Board of Higher Education meetings throughout the year as warranted by either the results of their reviews or request by the DHE.

Ad hoc Access

The Vendor should be willing to address issues raised by the DHE, *ad hoc*, during the course of the contract.

Data Source

Generally, the data required for these exercises will be provided by the DHE. To the extent the Vendor solicits data directly from the Providers, such data will be considered property of the Department and must be delivered to the DHE prior to the end of the contract term.

Confirmation

1. The firm will complete the required quarterly reviews: ☒ Yes ☐ No
2. The firm will complete the required annual reviews: ☒ Yes ☐ No
3. The firm will make the required visits to the DHE: ☒ Yes ☐ No

Comments

Please provide any comments on the firm's ability and/or willingness to provide the services required under this section:

8. About the Firm Submitting the Proposal

A. What is the name of the firm?

RESPONSE

Fiduciary Investment Advisors, LLC ("FIA")

B. How is this firm organized (e.g. corporation; LLP; etc)?

RESPONSE

FIA is a limited liability corporation that is 100% employee-owned.

Below is our firm's organizational chart.

Mark Wetzel, President* <i>Investment Experience: 21 years</i>	Mike Goss, PRP* Executive Vice President, Senior Consultant <i>Investment Experience: 17 years</i>	Chris Kachmar, CFA* Principal, Chief Investment Officer, Senior Consultant <i>Investment Experience: 20 years</i>	Tony Tranghese, CFA* Principal, Senior Consultant <i>Investment Experience: 15 years</i>	Karen Paulson, CIMA, PRP* Principal, Senior Consultant <i>Investment Experience: 16 years</i>	Ryan Gardner, AIF* Principal, Senior Consultant <i>Investment Experience: 10 years</i>
Jeff Capone* Consultant <i>Investment Experience: 15 years</i>	Chris Rowlin, AIF* Consultant <i>Investment Experience: 21 years</i>	Vincent Smith, AIF Consultant <i>Investment Experience: 13 years</i>	Kevin O'Brien, CFA Consultant, Research Associate <i>Investment Experience: 13 years</i>	Tyler Polk Consultant, Research Associate <i>Investment Experience: 7 years</i>	Mike Chase Consultant, Research Associate <i>Investment Experience: 5 years</i>
Chris Ledwith Research Associate <i>Experience: 14 years</i>	Maura Goulart, CFA Research Associate <i>Experience: 17 years</i>	Devon Francis Research Associate <i>Experience: 7 years</i>	Jeanne Doerr Research Associate <i>Experience: 27 years</i>	Katherine Marino, AIF Research Associate <i>Experience: 5 years</i>	Brian Boland Research Associate <i>Experience: 8 years</i>
Matthew Kaminski Research Associate <i>Experience: 5 years</i>	Kelly McGuinness Research Associate <i>Experience: 3 years</i>	Valerie Jasinski Research Associate <i>Experience: 7 years</i>	Susan Woytowicz Research Associate <i>Experience: 12 years</i>	Jennifer Boyle, AIF Research Associate <i>Experience: 5 years</i>	Brittany Groome Research Associate <i>Experience: 2 years</i>
William Roehr, CFA Research Associate <i>Experience: 8 years</i>	Maggie Percival Accounting Associate <i>Experience: 5 years</i>	Teresa Trice Client Service Associate <i>Experience: 19 years</i>	Tracey Flynn Client Service Associate <i>Experience: 9 years</i>	Janet Ramos Client Service Associate <i>Experience: 25 years</i>	Sarah Wolfe Marketing Manager <i>Experience: 5 years</i>
Maureen Cooper* Chief Operating Officer <i>Investment Experience: 30 years</i>	Marc Ursin Sr. Performance Analyst <i>Experience: 17 years</i>	Brian Berry Performance Analyst <i>Experience: 27 years</i>	David Fontaine Performance Analyst <i>Experience: 10 years</i>	Christian Coleman Director of Sales and Marketing <i>Investment Experience: 16 years</i>	

*Denotes member of FIA Investment Committee

Red border denotes post graduate degree

C. Is the firm privately owned? If not, describe its ownership. If the firm is a subsidiary of another company, then name the parent company and its ownership structure.

RESPONSE

FIA is a limited liability corporation that is 100% employee-owned. We are purely an institutional consulting firm and derive all (100%) revenue from the provision of consulting

services. We have no affiliations with any money managers, custodians, broker/dealers or any other entity so as to explicitly avoid even the appearance of a conflict of interest.

D. Provide the location of the firm's main office.

RESPONSE

FIA has one office located at the address below.

Fiduciary Investment Advisors, LLC
100 Northfield Drive
Windsor, CT 06095

E. How long has your firm been engaged in the institutional investment consulting business?

RESPONSE

FIA was established in April 2006. The team in place at FIA has been providing investment consulting services to institutional clients since its original formation at a prior firm in the early 1990's and has had zero turnover at the senior consultant level in its history. We currently have 35 employees and advise over \$18 billion of fiduciary assets for over 150 clients. Our clients include corporate and non-profit retirement plans, endowments & foundations, healthcare organizations and public funds.

F. Document their experience in conducting investment fund reviews for defined contribution retirement plans by reporting the number of such projects completed by the Vendor below:

RESPONSE

FIA added 20 full retainer defined contribution clients in 2010. For each we provide a full investment review as part of their initial *Plan Diagnostic Review*. Moreover, investment fund reviews are a regular and ongoing facet of the services we provide our defined contribution clients. FIA added 48 defined contribution clients in the last 3 years (ending 12/31/2010) and 98 in the last five years.

_____ 20 _____ fund reviews completed in 2010;

_____ 48 _____ fund reviews completed over the past three years;

_____ 98 _____ fund reviews completed over the past five years.

G. What professional liability insurance coverage or bonds are maintained by your firm for errors, omissions, or any other acts committed by your firm or its employees?

RESPONSE

We have Professional Liability Insurance (investment advisor “errors & omissions”) through the Professional Indemnity Agency, Inc, a subsidiary of Houston Casualty Co (HCC). Both Standard & Poor's and Fitch Ratings give HCC ratings of AA (Very Strong). In addition, the Company's major domestic insurance companies are rated A+ (Superior) by A.M. Best Company. The policy provides \$3 million of coverage, subject to a \$150,000 retention. The policy is effective as of May 5, 2009. The basis for the limits selected and their adequacy is the result of a marketplace surveillance effort that was undertaken with the assistance of a New York-based insurance brokerage firm with significant experience in the placement of coverage for the investment advisory industry.

We also have Fidelity Bond Insurance through The Hartford. Our limits are \$5 million each for employee theft, depositor's forgery or alteration, and computer and funds transfer fraud. The policy is effective as of January 1, 2007.

Additionally, we have Employee Practices Liability Insurance (EPL) through AIG Chartis. This \$1 million policy covers employment practices violations including wrongful termination, harassment, discrimination, retaliation, employment-related libel or slander, wrongful failure to employ and failure to grant tenure.

H. What percentage of the business' activities is attributable to reviewing defined contribution retirement plans? 61%

I. Is there pending litigation against your firm, other than routine claims matters? If so, provide details of each case.

RESPONSE

There is no pending litigation against our firm.

9. Company Personnel

A. Identify the primary contact at the firm responsible for responding to inquiries about the firm's proposal:

Contact Name: Chris Rowllins, AIF

Contact Title: Consultant

Contact Telephone No.: (860) 697-7446

Contact Email Address: crollins@fiallc.com

Contact Mailing Address:
Fiduciary Investment Advisors, LLC

100 Northfield Drive
Windsor, CT 06095

B. Provide a brief professional biography of the individuals at the firm who would be in primary contact with the Plan Administrator should the firm be awarded this contract. At a minimum, provide the following information about each person:

RESPONSE

The FIA client service model is designed to provide you with adequate personnel familiar with the details of your account and available in real time--when you need them. Over the years, we have honed our servicing model to its present form. We assign two consultants, a research associate, a performance analyst and a client service associate to meet your needs. The consultants proposed for your plan are Chris Rowllins, AIF and Vincent Smith, AIF. Their biographies are provided below. The research associate, performance analyst and client service associate will be assigned at inception.

Christopher J. Rowllins, AIF

Chris is a Consultant at Fiduciary Investment Advisors, LLC and provides strategic investment consulting services to corporate, not-for-profit and governmental retirement plans. Prior to FIA, he was President, CCO, and Senior Investment Strategist for USI Advisors, Inc, a Goldman Sachs Capital Partners Company. He was responsible for strategic planning and provided investment consulting services to a broad range of clients including corporations, municipalities and foundations. He also served as Senior Investment Consultant with MassMutual where he consulted to defined contribution and defined benefit plans and as an Investment Analyst with the City of Hartford, Connecticut Treasury Office where he was responsible for investment manager due diligence for the City's \$900 million pension plan, 457 plan and related trust portfolios. He was recognized as one of the *Most Successful Retirement Plan Advisers* by PLANSPONSOR in 2007. In 2010 he was named to 401kWire's list of the *300 Most Influential Advisors in Defined Contribution*. Chris is an active member of the Government Finance Officers Association (GFOA). Chris received a Bachelor of Arts degree from Boston University and has earned the Accredited Investment Fiduciary (AIF) professional designation, awarded by the Center for Fiduciary Studies.

Name: Chris Rowllins, AIF

Title: Consultant

Location (city and state): Windsor, CT

Education: Chris received a Bachelor of Arts degree from Boston University and has earned the Accredited Investment Fiduciary (AIF) professional designation, awarded by the Center for Fiduciary Studies.

Length of experience in the retirement plan consulting industry: 21 years

Length of time with the firm: 2 years

Brief statement of their responsibilities: Chris spends 100% of his time providing consulting services to his clients. He will allocate his time as necessary to the DHE to meet its needs.

Vincent M. Smith, AIF

Vincent M. Smith is a Consultant at Fiduciary Investment Advisors, LLC (FIA). His focus is on providing services to defined contribution retirement plan clients in both the corporate and tax-exempt markets. Vincent entered the retirement plan services industry in 1998. Prior to joining FIA, he was a senior member of the consulting teams at Longfellow Advisors and Cammack LaRhette Consulting. In his previous roles Vincent was responsible for managing clients' retirement plans as well as a team of junior consultants. He has a wealth of experience in providing consulting services on the investment due diligence process and completing comprehensive market review and benchmarking projects. In addition, Vincent has experience providing clients with plan design solutions, implementing plan conversions, and executing and communicating plan level changes to participants. He also has experience working directly with participants providing group and one-on-one education meetings in an effort to further engage and advise employees to help them better understand their plans, investment options, and to create customized retirement savings strategies. Vincent earned his Bachelor of Arts degree from Stonehill College. He also earned the Accredited Investment Fiduciary® (AIF®) professional designation awarded by the Center for Fiduciary Studies.

Name: Vincent Smith, AIF

Title: Consultant

Location (city and state): Windsor, CT

Education: Vincent earned his Bachelor of Arts degree from Stonehill College. He also earned the Accredited Investment Fiduciary® (AIF®) professional designation awarded by the Center for Fiduciary Studies.

Length of experience in the retirement plan consulting industry: 13 years

Length of time with the firm: Vincent just recently joined the firm, but comes to FIA with a wealth of industry experience from his previous roles at Longfellow Advisors and Cammack LaRhette Consulting.

Brief statement of their responsibilities: Vincent spends 100% of his time providing consulting services to his clients. He will allocate his time as necessary to the DHE to meet its needs.

10. Client References

Provide at least two current client references for the firm's institutional investment consulting business. The first reference should be for the client most recently engaged by the firm; the second for the client with which the Vendor has maintained its longest relationship.

Reference 1

Name: [Barbara Sheehan](#)

Title: [Executive Director](#)

Organization: [Town of Watertown, MA](#)

Mailing Address: [149 Main St, Watertown, MA 02471](#)

Email Address: bsheehan@watertownretirement.com

Telephone No.: [\(617\) 972-6456](#)

Date the firm was engaged by this client: [First Quarter 2010](#)

Is this an ongoing relationship or a one-time project: [Ongoing](#)

Brief Description of the work completed for this client: [Like the DHE, the Town of Watertown is subject to Chapter 32 and with FIA's assistance they approach their fiduciary obligations accordingly.](#)

Reference 2

Name: [Rob Huestis](#)

Title: [Chairman](#)

Organization: [Town of Manchester, CT](#)

Mailing Address: [31 Birch Trail, Glastonbury, CT 06033](#)

Email Address: rhuestis@ci.manchester.ct.us

Telephone No.: [\(860\) 647-3128](#)

Date the firm was engaged by this client: [2nd Quarter 2006 at FIA and before that at a previous firm.](#)

Is this an ongoing relationship or a one-time project: [Ongoing](#)

Brief Description of the work completed for this client: The Town of Manchester is a client for which FIA provides both defined benefit, as well as defined contribution consulting services.

Reference 3

Name: Rob DiFabio

Title: North America Benefits Manager

Organization: Waters Corporation

Mailing Address: 34 Maple Street, Milford, MA, 01757

Email Address: robert_difabio@waters.com

Telephone No.; (508) 482-4065

Date the firm was engaged by this client: 2nd Quarter 2006 at FIA and before that at a previous firm.

Is this an ongoing relationship or a one-time project: Ongoing

Brief Description of the work completed for this client: Waters Corporation is a client for which FIA provides both defined benefit, as well as defined contribution consulting services.

11. Methodology & Resources

A. Describe the methodology your firm would utilize to conduct these fund assessments and provide the annual reviews.

RESPONSE

FIA considers its performance monitoring and investment manager due diligence process to be a significant strength of our firm and a true differentiator relative to many of our defined contribution consulting competitors. Many of our competitors, particularly those who maintain multiple business lines (e.g., health & welfare, actuarial, etc.), have very limited investment manager due diligence staff and rely almost exclusively on quantitative software screens. Conversely, FIA maintains a robust due diligence staff, allowing for significant qualitative research to support our quantitative research. We strongly believe our considerable depth translates to better advice delivered to DHE and welcome the opportunity to discuss this facet of our practice in greater detail.

FIA conducts all performance monitoring in-house with its dedicated staff of performance analysts. We employ the Founding Minds performance reporting software package to assist us in producing quarterly reports. This system combines the ability to customize reporting for each specific client's needs, with a broad set of comprehensive universes for relative comparison

purposes. In addition, we have access to a wide range of benchmarks from varied sources. Client reporting is generally prepared on a quarterly basis.

Reports are typically available four to six weeks after the end of each quarter. Our performance reports include: a market summary, FIA's Fiduciary Governance Calendar, an executive summary of fund performance and fees compared to appropriate indexes and peer groups, a detailed Watch List matrix, specific commentary on each fund, a Watch List summary, specific recommendations (if applicable), as well as additional quantitative detail on each fund.

B. What would you use as a source of information about the funds (*e.g.* the DHE; directly from the Provider; independent source)?

RESPONSE

Members of our team of research associates dedicated to manager research meet with investment managers on an on-going basis as part of our due diligence effort. Typically managers actively serving clients will meet with us in Windsor once or twice a year and will meet with consultants at client locations as needed. In addition, analysts and consultants will arrange for visits at the locations of managers of interest periodically. We also conduct conference calls with managers on a quarterly basis, or more frequently when questions or concerns arise.

As mentioned earlier, FIA considers our investment manager due diligence process to be a significant strength of our firm and a true differentiator relative to many of our defined contribution consulting competitors. Many of our competitors, particularly those who maintain multiple business lines (*e.g.*, health & welfare, actuarial, etc.), have very limited investment manager due diligence staff and rely almost exclusively on quantitative software screens. Conversely, FIA maintains a robust due diligence staff, allowing for significant qualitative research to support our quantitative research. We strongly believe our considerable depth translates to better advice delivered to your Fiduciary Committee and welcome the opportunity to discuss this facet of our practice in greater detail.

Fiduciary Investment Advisors Mutual Fund Selection / Performance Monitoring Process for Defined Contribution Plans:

General Overview:

The Fiduciary Investment Advisors mutual fund research effort is conducted internally through our dedicated manager research group. The effort is co-led by FIA's Chief Investment Officer, Chris Kachmar, CFA and Senior Consultant, Tony Tranghese, CFA. The fourteen-member research team is well credentialed, with eight members holding MBAs, CFAs and AIF designations. Each research associate is assigned to research and monitor managers/funds in the specific asset class assigned to them. Our Investment Committee, comprised of the majority of FIA's consultants and Chief Operating Officer, is responsible for final approval of each manager on the FIA recommended list and for overseeing ongoing due diligence and performance monitoring.

The first step of our manager evaluation process is to employ a quantitative screening process to pare the total universe of managers/funds down to a manageable size. We use eVestment Alliance and Morningstar universes, which include well over 10,000 separate account strategies and mutual funds across a broad spectrum of asset classes. Managers/funds are assigned to asset classes based on their characteristics. We perform an initial set of screens to eliminate investment management firms that lack enough of a historical record to be properly evaluated, have minimal assets invested in the strategy, have a degree of style impurity, or have shown unacceptable performance.

Managers/funds that pass the initial screen are subjected to a more rigorous due diligence process. We evaluate their portfolios based on a wide range of risk statistics and portfolio data. Performance is analyzed with an emphasis on the portfolio construction process. We want to know whether a manager is adding value through superior stock selection or favorable sector stances, or merely “cheating” by straying from its asset class and mandate to realize short term gains. Does the product have a strong team running it? Is research generated internally? Is asset growth an issue that may impact future performance?

Managers/funds that meet our initial criteria move into our formal due diligence process. We send the manager or fund company a comprehensive questionnaire and arrange a visit with the manager to review the product along a number of fronts including: process, people, performance, compliance, legal/regulatory issues, research capabilities, trading procedures, and the stability of management and succession planning (if applicable). We combine the questionnaire with a full quantitative analysis of the product using the MPI Stylus software package, and the assigned analyst prepares a recommendation to include the manager on our approved list.

FIA maintains an internal database of all due diligence data, including updated ongoing due diligence calls with managers, quarterly manager write-ups, and organizational changes.

Analytical Software Tools Employed:

- eVestment Alliance Manager Database
- FIA proprietary database
- MPI Stylus – analytical software
- Morningstar Principia Pro – analytical software

Process for identifying mutual funds for the FIA Recommended List:

Utilizing Morningstar Principia’s comprehensive mutual fund database, we begin by screening funds which fit the particular style under consideration.

Step 1: Initial Screening:

We begin with the Morningstar fund universe of approximately 6,500 distinct funds. We then apply an initial set of screening criteria for each category that includes:

Funds classified in specific category with:

- expense ratio below category average
- performance ranked in top 50th percentile over past three years
- performance ranked in top 50th percentile over past five years
- manager tenure of at least three years
- total fund assets of at least \$250 million
- availability to new investors
- not on FIA watch list

Step 2: Detailed Analysis:

The screening process results in a manageable list of funds that we then subject to further quantitative and qualitative analysis. Elements we consider include:

- Organization and investment professionals
- Investment philosophy and process
- Portfolio construction
- Style consistency
- Performance vs. indexes and peer groups
- Volatility and other risk statistics
- Risk-adjusted performance

Passing funds will now be asked to send us their most current presentation materials and ADV parts I & II for our review.

A comprehensive search questionnaire is filled out by the fund company. The questionnaire covers topics such as:

- Firm background and structure
- Corporate structure
- Assets and accounts breakdown
- Investment process and resources, methodology, philosophy and research capabilities
- Performance results
- Compliance

Questionnaires are returned to the research group and the funds are then evaluated.

As the search nears completion and the list becomes manageable, the research team may send an analyst out to visit the firm. The analyst is there to validate the manager's process, philosophy and capabilities. During the visit, the analyst will meet with portfolio managers, analysts, operations/traders, compliance officers, and marketing/client service staff. In lieu of a site visit, we may have a candidate manager in our office to participate in a detailed discussion of the product being evaluated.

Step 3: Recommendation and Approval:

Following the visit, a detailed report on the manager is prepared incorporating all research findings. The analyst responsible for the research will then present the report to the CIO for a first level of approval.

Analysts present managers to the FIA Investment Committee for final approval.

What We Look For In an Investment Management Firm:

Organization – The firm must be financially and structurally sound and have the financial, operational, and personnel resources to carry out its strategy. There should be no legal or regulatory proceedings surrounding the firm. The firm must have an appropriate compensation structure and demonstrate a passion for investing.

Philosophy – The manager must have a clearly defined and disciplined investment philosophy that is based on sound investment theory, which is followed consistently and with conviction.

Investment Process – The methods and procedures a manager uses to apply his philosophy constitutes the investment process. It is important that the manager's techniques for selecting and selling securities be sound, consistent, and research intensive.

Style Consistency – The manager is expected to adhere to his particular investment style, despite prevailing market sentiment.

Personnel – The firm's professionals need to be skilled, experienced, properly credentialed and knowledgeable.

Quality of Research – The firm's research team must have the capacity and resources to evaluate and track the full universe of investment opportunities defined by its investment philosophy. The staff must possess extensive knowledge of the companies and particular securities being researched.

Performance – The manager must successfully demonstrate an ability to identify investment opportunities (their "edge"). The manager should demonstrate competitive long term performance as compared to a relevant benchmark and peer group.

Risk Controls - Strong consideration is given to risk-adjusted performance. The manager must implement appropriate risk controls, commensurate with their philosophy and process.

Operations – A system of operational policies, procedures, and risk controls must be in place. The firm should have contingency plans to control organizational risks, such as a physical disaster recovery plan.

Establishing the fund menu

Fund menu selection is a core service we provide to defined contribution plans. We begin with an assessment of your Fiduciary Committee's philosophy, goals, and objectives for the fund menu, while also taking into account the demographics of the employee population. Our general fund menu development process is described below.

The first step in our process is to establish the investment categories and number of funds that will constitute the core fund menu. The categories selected will represent a broad line-up of diversified funds to cover the risk/return spectrum and provide participants the opportunity to be appropriately well-diversified within the core menu. To that end, we will recommend funds that invest in U.S. stocks (typically covering the market cap and style spectrum of the "Morningstar style-boxes"), U.S. bonds, stable value, and international stocks. In addition to asset class and style specific funds, we will recommend a menu of target retirement date funds for less sophisticated or less involved investors who want a one-stop approach.

We will typically not recommend non-diversified funds or niche funds in a core menu. We will typically not recommend more than one actively-managed fund with the same investment style, as this can lead to unnecessary participant confusion. We do often recommend index funds in the most efficient categories, such as large cap blend (S&P 500 index) or in categories where good funds have proven difficult to come by, e.g., many good small cap funds are closed.

We will generally present to the client our top two or three fund recommendations in each category where a new fund or fund replacement is being considered. We will then make a final recommendation based on how the funds best complement each other in the menu. In making our final recommendation, we will generally consider funds we have current experience with for other FIA clients to be preferred.

Default Fund Selection

Following the passage of the Pension Protection Act in 2006, plan sponsors have been increasingly vigilant about the selection of an appropriate default fund for their plans. In addition, further guidance from the DOL in late 2007 provides for ERISA 404(c) protection if the plan's default fund meets the Qualified Default Investment Alternative (QDIA) criteria. As such, we regularly assist plan sponsors with their default fund selection efforts by reviewing the different types of default funds (i.e., balanced, lifecycle/lifestyle, model portfolios), analyzing various potential investment vehicles and advising the plan committees accordingly on the best choice for their circumstances. We also work closely with plan vendors to make sure they are providing the required participant notifications that go hand in hand with QDIA selection.

Fund Performance Monitoring

FIA prepares detailed quarterly investment monitoring reports for each defined contribution plan. These reports include the following information:

- a general economic/market update
- an executive summary of each fund's performance against relevant index benchmarks and peer groups, fund expenses compared to peers and a "Watch List status"

- a detailed Watch List matrix specifying quantitative and qualitative criteria against which all funds are measured
- a summary of conclusions, recommendations and action steps
- two-page detailed analytics on each fund in the plan

FIA performs quarterly monitoring on several hundred managers and mutual funds where clients have exposure. With respect to mutual funds, each fund is run through FIA's proprietary "Watch List" screens each quarter. These screens consist of both quantitative and qualitative criteria. Any fund currently on "Watch" or being considered for "Watch" is presented to the FIA Investment Committee by the assigned research analyst at the quarterly Watch List Review Meeting.

Determination of Watch List status is considered by us to be as much art as it is science. We will not place a fund on "Watch" or "Terminate" status without a thorough discussion as to the rationale behind the decision. *We firmly believe the depth of our investment manager research staff and our qualitative research process significantly distinguish FIA from its competitors in this regard.* Examples of common performance and structural issues that would trigger a closer review include:

Comparison to an index benchmark: If a fund's results lie outside FIA's allowable band of tracking error over an extended period of time, and the results do not reconcile with the prevailing market environment or nuances of the fund's known investment strategy, this will prompt further scrutiny. We typically consider a minimum of three-year returns for this purpose.

Comparison to a fund peer group: Fund returns are ranked against a universe of similarly managed funds, as determined by the Morningstar peer group rankings. Poor relative performance, such as a persistent fourth quartile ranking, would warrant closer evaluation.

Change in investment style: If a fund is seen to be drifting from the investment style it was originally selected for (for example, a mid cap fund begins investing heavily in large cap stocks), we may determine that a fund change is warranted even if performance continues to be acceptable.

Organizational change: Structural change in the firm warrants an immediate fund evaluation. Examples include departure of key personnel, sale of the firm, or significant firm restructuring. The final status of each fund - "Maintain," "Watch," or "Terminate" - is approved by the FIA Investment Committee each quarter. It is important to note that the status of each fund applies across all FIA clients utilizing the fund.

C. Would you contact the Provider directly with questions about a fund, data, fee structure etc? Would you contact the DHE? The fund management company?

RESPONSE

As mentioned earlier, FIA meets with investment managers on a regular basis.

We have been very successful negotiating on behalf of clients to reduce billable fees, increase participant services, enhance employee communication efforts, make available less expensive share classes of funds, or a combination of these features.

As part of FIA's *Plan Diagnostic Review*, we perform a full fee disclosure analysis when starting a client relationship. We will identify all fees and commissions paid to your recordkeeper(s) and other plan vendors that are receiving compensation for services provided. This analysis includes the disclosure of investment management fees, Rule 12b-1 fees, sub transfer agent fees, plan sponsor and/or participant billables and other fees or commissions paid from plan assets. This information is used to determine whether fees are reasonable based on the services being provided to the plan. Fees are evaluated relative to industry research and benchmarks in addition to FIA's industry knowledge.

Plan fiduciaries have an obligation to prudently select and monitor investment options and the organizations providing services to their plan. Understanding and evaluating plan fees and expenses associated with investments and services is an integral part of a fiduciary's responsibilities at the time of initial selection. On an ongoing basis, fiduciaries are also obligated to monitor fees and expenses to determine whether they continue to be reasonable in light of the services provided.

Clarifying the "true" cost and value of defined contribution plan services can be one of the most daunting tasks faced by plan sponsors. The types of fees and expenses include not just the direct charges being made to plans, but also indirect payments, such as mutual fund finder's fees, 12b-1 fees, and sub-transfer agency fees. The recipients of these fees will likely include some combination of bundled plan service providers, plan recordkeepers, third party administrators, broker/dealers, and financial advisors. An understanding and evaluation of who receives those fees in light of services provided to the plan is equally as important as understanding the fees themselves. A fiduciary who does not understand these concepts is putting themselves at real risk.

FIA possesses the in-depth industry knowledge and experience to provide clients with a thorough and accurate analysis of plan fees. We have had great success working with retirement plan providers to implement meaningful solutions for controlling overall costs and/or improving the level of services received. Once we have thoroughly analyzed the particulars of a client's plan, we will compare it to others with similar characteristics. This comparison will help us determine and implement any and all cost control solutions and, equally importantly, provide plan fiduciaries with written evidence that they have followed a prudent process.

Following are two examples of FIA negotiating with a provider to lower plan costs.

Example A: \$30,000,000 defined contribution retirement plan with approximately 350 plan participants. At the conclusion of the *Plan Diagnostic Review*, FIA recommended 1 investment change and 3 share class changes. As a result of the share class changes (to lower fee share classes) and FIA's ability to negotiate reasonable plan fees on behalf of the plan, the average cost

to participants was reduced by more than \$20,000 annually. Additionally, FIA negotiated with the plan provider to eliminate an annual billable fee.

Example B: \$625,000,000 defined contribution retirement plan with approximately 12,600 plan participants. At the conclusion of the *Plan Diagnostic Review*, FIA recommended a total of 9 investment changes and 5 share class changes (to lower fee share classes). The investment changes consisted of; consolidation of multiple funds within a single asset class, new investment offerings within the core menu to satisfy gaps, and replacing poorly performing investments. As a result of the investment changes and FIA's full fee disclosure analysis and negotiations with the plan's provider, FIA was successful in lowering the total plan fees by more than \$300,000 annually.

In each of the above examples, FIA provides administrative and implementation support to the client in order to ensure all participant communications are clear and the plan's provider implements changes in a timely manner.

D. Please provide a sample of your quarterly report to the DHE and a sample of the information you would prepare for each Provider's annual review.

RESPONSE

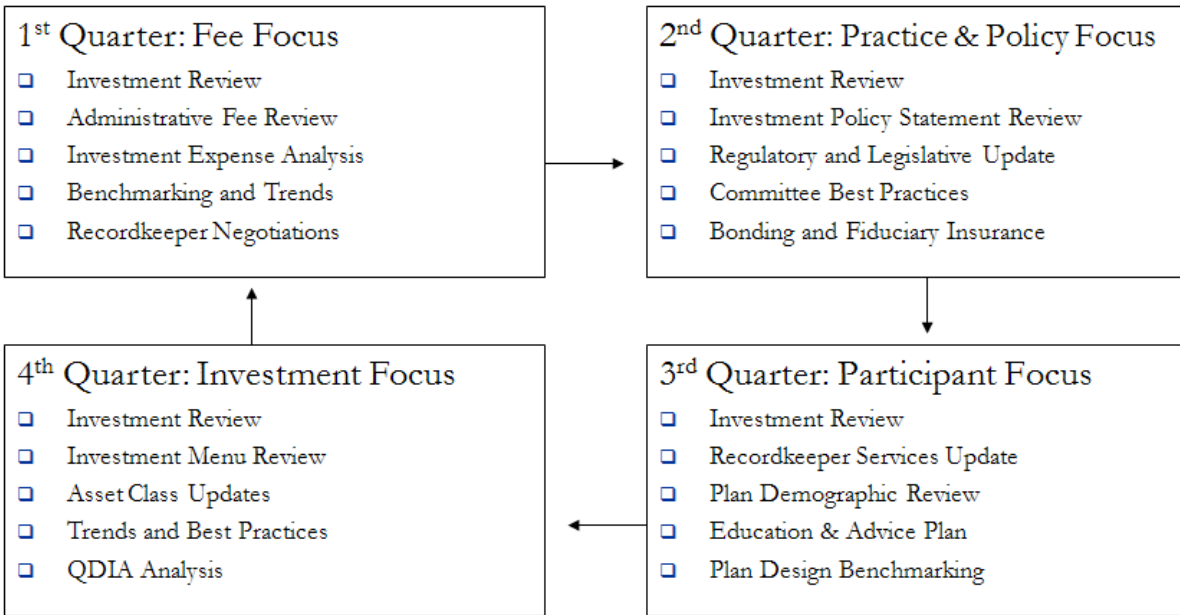
A sample quarterly executive summary is included in the appendices to this response. As mentioned earlier, FIA's custom process for defined contribution clients is to monitor fund menus on an ongoing basis each quarter. This includes all the annual review requirements listed above.

E. Provide other comments about your firm's methodology and analytical resources that are pertinent to this solicitation.

RESPONSE

In addition to our quarterly investment reporting, we will also keep you informed and updated on such topics as fee disclosure, pending regulatory and legislative activity and fiduciary governance. Our *Fiduciary Governance Calendar* is designed keep our clients informed on a variety of important topics and helps guide clients in addressing a variety of responsibilities during the year. We are also pro-active in keeping our clients informed through our quarterly newsletter and our annual client conference.

Below is our *Fiduciary Governance Calendar* and attached in the appendices of this response is this year's Client Conference agenda.



* A Fiduciary Checklist is completed and documented annually

12. Special Requirements

Describe any special requirements your firm would need to fulfill this contract (*e.g.* third party authorizations to access data).

RESPONSE

The Massachusetts Department of Higher Education would need to communicate to their four vendors that Fiduciary Investment Advisors has been engaged as an Investment Consultant and should be granted access to your plan information.

13. Proposed Cost

Provide your firm's best estimate of the cost and time required to fulfill the contract as described in this Request for Proposals. While the Department of Higher Education would prefer a flat fee for this contract, firms may propose hourly rates. If you propose an hourly rate, you must also provide an estimate of the hours required to complete each component of the project (*e.g.* each quarterly report; annual reviews).

Proposal Format: Your firm must provide its proposal of cost for this contract as a separate document, in a sealed envelope. Please also include your proposed cost as a separate Word file on the CD.

RESPONSE

Please see our separate fee proposal.

14. Inconsistencies

Please identify and describe any aspects of the Request for Proposals with which the firm's proposal does not conform.

RESPONSE

We have requested our SDP Partner's SDO certification letter, and have not yet received it back.