



Brazos River Authority  
Mr. Jose G. (Lupe) Diaz  
Manager Administrative Services  
4600 Cobbs Drive  
Waco, TX 76710

**Portfolio Evaluations, Inc.**  
3525 Piedmont Rd, 7 Piedmont Center  
Suite 300  
Atlanta, GA 30305

Institutional Investment Consulting  
**Frederick Stewart**  
Tel. +404 942-3653 direct  
Fax. +973 538-0935  
[www.FStewart@porteval.com](mailto:www.FStewart@porteval.com)  
[www.porteval.com](http://www.porteval.com)

Date: August 20, 2010

Re: **Brazos River Authority Retirement Plan Advisory Services**  
**RFP #: 10-08-514**

Dear Mr. Diaz:

Please allow this letter to serve as our response to the RFP for investment advisory services to the Brazos River Authority's qualified retirement plans.

PEI has developed a unique approach to reporting the details of investment portfolio performance, risk and fee structure analysis and I am confident that Advance will be pleased with the quality and convenience of using our services. My staff and I are enthusiastic about the opportunity to work with the Brazos River Authority.

Per the RFP I am making the following certifications: All statements in this letter, RFP and attachments are true and accurate, and I have not made any knowingly false statements in the proposal; I agree to all of the terms and conditions stated in the RFP; All of the services and proposal terms, including price, will remain in effect for a minimum of 180 days following the deadline for submitting proposals.

If there is anything else you need from me please feel free to call me directly at (404) 504-6256. Thank you for your consideration and we look forward to speaking with you soon.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'F. Stewart'.

Frederick A. Stewart  
Senior Consultant

**Brazos River Authority  
RFP Response**

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**BRAZOS RIVER AUTHORITY**  
**Retirement Plan Advisory Services RFP**  
**PEI Executive Summary**

Mr. Jose G. (Lupe) Diaz  
Manager, Administrative Services

## WHAT DO PLAN SPONSORS LOOK FOR IN THEIR CONSULTANTS?\*

### PLAN SPONSOR NEEDS

Skills/Expertise not available in-house

Independent & Objective oversight

Fiduciary Oversight & Support

Specialized Expertise: Plan design,  
Compliance, & Investments

Demonstrated track record

Ability to negotiate competitive pricing &  
services with Providers

### PEI DELIVERS



\* 2009 Ann Schleck & Company DC Consulting Practice Management Database

## PEI RECOGNIZED AS INDUSTRY EXPERTS

The following organizations have asked PEI to share our expertise:

# Pensions&Investments

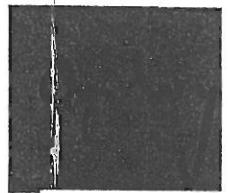


### ERISA Advisory Council

- Mike Sasso, a PEI Principal was recently appointed to the **ERISA Advisory Council**
- Attila Toth, a PEI Principal was recently nominated by **Plan Advisor** for **Advisor of the Year**



ETHAN ALLEN



Wawa

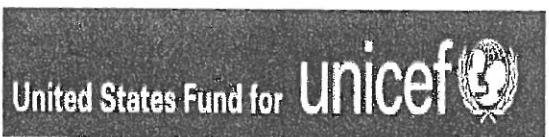
CASIO



Aer Lingus



PEUGEOT



People's United  
Bank



TOSHIBA

BARNES & NOBLE  
COLLEGE BOOKSELLERS



HEERY

PC Connection

THE MOHEGAN TRIBE

Weichert,  
Realtors®



THE CHILDREN'S  
PLACE

Gartner

SAS Scandinavian Airlines

Duane reade  
New York's #1 Drug Store

Bovis  
Land Lease

sanofi pasteur

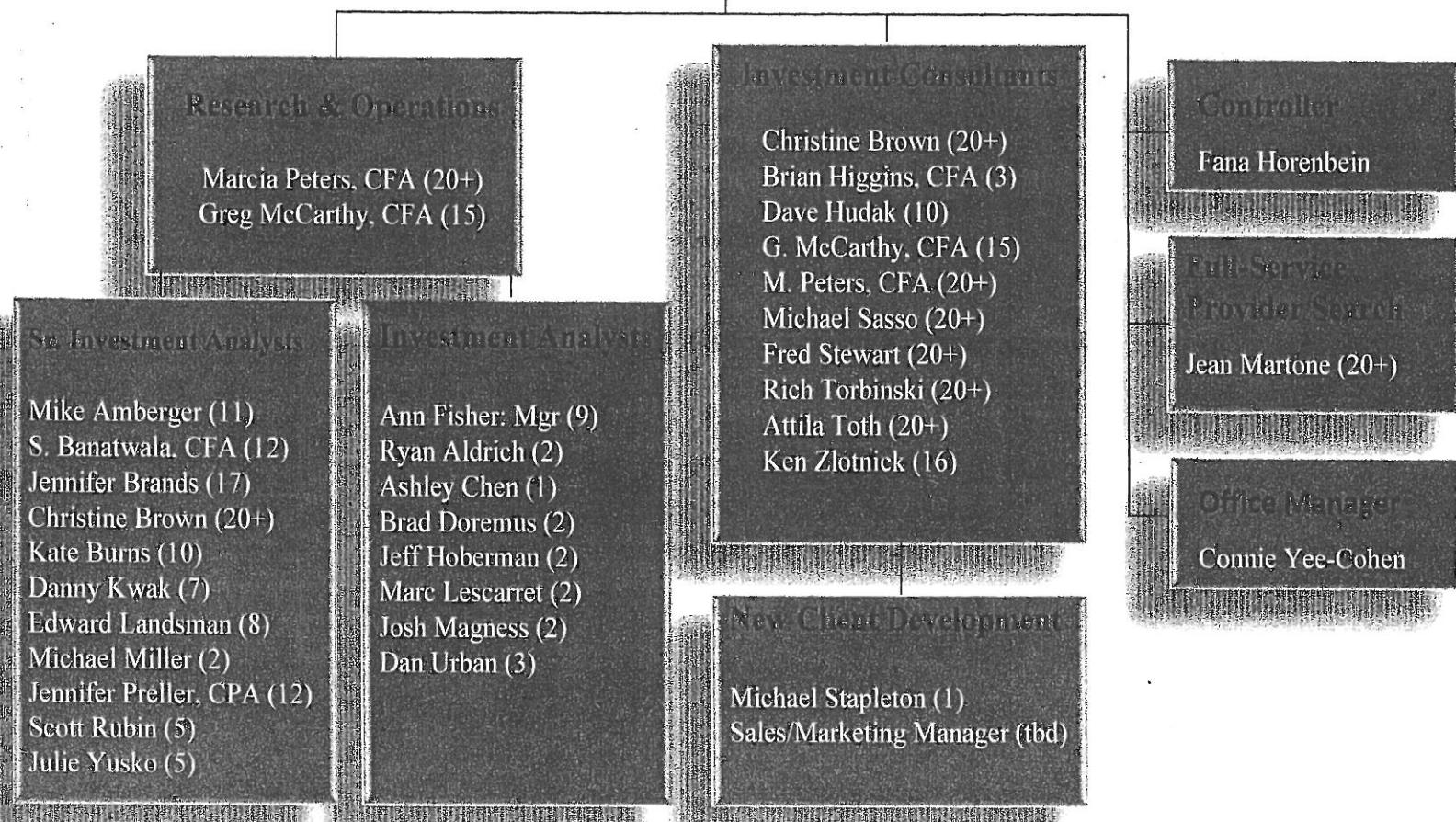
The vaccines business of sanofi-aventis Group

PEI Portfolio  
Evaluations, Inc.

THE BENCHMARK IN INVESTMENT CONSULTING

# PEI TEAM STRUCTURE

Principals Michael Sasso, Richard Torbinski, & Attila Toth



\*Numbers in parentheses represent years of Investment Experience

\*Additional advanced degrees & Professional designations: 9 MBA's, 5 CFA's Levels I-III, CIMA, QKA, QPFC, CPA

## REFERENCES

### City of Garland

Mr. Rick French  
Director of HR Services  
200 N. Fifth Street  
Garland , TX 75040  
972-205-3838  
[rfranch@ci.garland.tx.us](mailto:rfranch@ci.garland.tx.us)



### Petro-Hunt, LLC

Mr. Walter P. Roach  
Vice President  
1601 Elm Street, Suite 3400  
Dallas, TX 75201-7201  
214-880-8463  
[wroach@petro-hunt.com](mailto:wroach@petro-hunt.com)



### Interstate Batteries

Mr. Patrick Fletcher  
Senior Manager – RiVER  
12770 Merit Drive, Suite 400  
Dallas, TX 75251  
972-715-6790  
[pat.fletcher@ibsa.com](mailto:pat.fletcher@ibsa.com)



### Gettysburg Seminary Endowment Foundation

Mr. Em Cole  
VP of Seminary Advancement  
61 Seminary Ridge  
Gettysburg, PA 17325  
717-335-3015  
[ecole@ltsg.edu](mailto:ecole@ltsg.edu)



Lutheran Theological Seminary  
at Gettysburg

**Professional Services Questionnaire**  
**To be Completed by All Firms**

All questions must be answered and the data given must be clear and comprehensive. This statement must be notarized. If necessary, questions may be answered on separate attached sheets. The Firm may submit any additional information it desires.

1. Name of Individual/Firm: Portfolio Evaluations, Inc. (PEI)  
Mr. Fred Stewart, Senior Consultant  
(404) 504-6256 direct  
(404) 317-8754 cell  
[FStewart@porteval.com](mailto:FStewart@porteval.com)

2. Permanent main office address: PEI Headquarters  
15 Independence Boulevard  
4<sup>th</sup> Floor  
Warren, NJ 07059

PEI also maintains four separate satellite locations throughout the United States:

Atlanta  
3523 Piedmont Center  
Suite 300  
7 Piedmont Center  
Atlanta, GA 30305  
(404) 942-3653

Chicago  
200 South Wacker Drive  
31<sup>st</sup> Floor  
Chicago, IL 60606  
(312) 242-3383

Dallas  
13455 Noel Road  
Suite 1000  
Dallas, TX 75240  
(972) 774-4588

Los Angeles  
515 South Flower Street  
36<sup>th</sup> Floor  
Los Angeles, CA 90071  
(213) 236-3553

3. Date Organized: PEI was incorporated in 1992 as a Subchapter S Corporation in the State of New Jersey.
4. If a Corporation, where and when incorporated? Please see response to question #3.
5. Do you operate under an assumed name(s)? No.
6. How many years engaged in professional services under present firm or trade name? Give former names of firm or trade names, with dates of operation under each.

PEI has always operated under the present firm name, and has done so for over 18 years, since the company's inception.

7. General character of work performed by your company.

PEI has been providing investment consulting services to defined contribution, defined benefit, endowments and trusts since the company's inception.

The firm focuses on providing plan sponsors and fiduciaries with an objective, third party performance evaluation of their investment portfolios. It has grown to be one of the largest independent investment consulting firms serving clients throughout the United States.

PEI offers a complete suite of investment consulting services, such as:

- Investment Fiduciary
- Investment Policy Statement (IPS)
- Investment Performance / Risk / Return Analysis & Monitoring
- Investment Manager Search & Replacement
- Plan Design & Compliance Oversight
- Fee Benchmarking: total plan costs and provider revenue
- Vendor & Service Provider Searches, Fee, & Service Reviews
- Executive Summary/Comments on best practices and market trends
- Asset Allocation Study & Modeling
- Employee Education

PEI currently has 176 clients. 142 of these clients have at least one defined contribution plan on which we provide investment consulting services, while 50 of these clients have at least one defined benefit plan on which we provide investment consulting services. PEI's total assets under management is over \$21.6 billion, with represented clients' assets ranging from \$1 million to well over \$1 billion.

PEI currently employs 35 professionals, consisting of 12 dedicated investment consultants, over 20 analysts, and an in-house research team. PEI also has 5 team members with CFA designation.

8. Have you ever defaulted or failed to complete any work/contract awarded to you within the past five years under your current company name or any other company name?

No, PEI has never defaulted or failed to complete any work/contract awarded to us under our current company name or any other company name.

9. Has your firm filed or been named in any litigation involving your firm and a Client(s) on a professional services project within the last five years under your current company name or any other company name?

PEI, any of its employees, nor any other officers or principals have ever been involved in any litigation or other legal proceeding or government investigation involving fraud, negligence, criminal activity or breach of fiduciary duty relating to service provided to any clients.

None of PEI's staff, officers, or principals have ever been the focus of a non-routine SEC inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization.

10. A list and description of projects completed within the last five years under your current company name or any other company name provided services similar in cost and schedule to this project. This should include the name of each project, the location of the project, the size of the project, a brief description of scope of services, the contract price, and a contact name and telephone number, including area code, of a client reference for each project. Specifically list the firm's roles and responsibilities as the owner's representative for the projects.

Sample project and on-going Consulting: City of Garland, TX

- Fee Benchmarking,
- Investment Policy design, review, implementation,
- Successive RFP's for vendor consolidation, and
- On-going Investment Consulting

Scope of RFP: benchmark review of incumbent Service Providers/Investment Managers to determine if Plan was competitive. Investment review against asset class benchmarks to determine most efficient Investment alternatives. Initial design and implementation of Investment Policy Statement, including process for on-going analysis of investment options. This also included assistance with 2 RFP's over a 5 year period to, assist the Investment Committee in analysis of fees, returns, etc. in an effort to consolidate vendors and streamline the Plan Administration/Operation. The efforts have provided a better Plan for Participants (i.e.- lower investment expenses, fewer/historically stronger investment options) in addition to enhancing the City's operational efficiency.

The fees for our services have remained constant at \$49,500 for the last 3 years.

Mr. Rick French is provided as a Reference in the attached Executive Summary, page 10 (References.)

11. On related projects listed in response to question #10 above, **a)** what were the final project change order/amendment amount(s), **(b)** were there any cost over runs and amounts, **(c)** were the projects completed within the specified timeframe (this includes both substantial completion and interim milestone dates)? If not, why not, and were any damages or liquidated damages paid to the Client(s) as a result of the late completion?

Generally, our fees are charged on a retainer basis and are all-inclusive. We typically guarantee the fees for at least 2 years, which is negotiable depending on the project scope. We are willing to put our fees at risk if we are unable to deliver on the project/services agreed upon. As such, we are incented to complete all work on a timely, efficient basis.

## **PROPOSAL**

FOR:

INDEPENDENT INVESTMENT CONSULTANT

TO:

**Brazos River Authority**

Mr. Jose G. (Lupe) Diaz  
Manager Administrative Services

PREPARED BY:



Portfolio Evaluations, Inc.  
3525 Piedmont Center  
7 Piedmont Center, Suite 300  
Atlanta, GA 30305

August 19th, 2010

Portfolio Evaluations, Inc.  
Corporate Headquarters  
15 Independence Boulevard  
Warren, NJ 07059  
(973) 538-4347

\Atlanta

Chicago

Dallas

Los Angeles

The format of our performance review is clear and concise. Each section relates performance and investment decisions to your retirement plan's investment policy. Included in our report is an "Executive Summary". Here we highlight critical issues we uncovered in our analysis that should be properly addressed, such as underperformance, deviation from investment policies, and excessive fees.

Our performance evaluation report and analysis on the above mentioned issues will help keep Brazos River Authority's investment programs on track toward achieving their long term investment goals, and assist in fulfilling your fiduciary responsibilities by providing the necessary documentation required by the Employee Retirement Income Security Act (ERISA).

### **BENEFITS:**

How Brazos River Authority will benefit from using PEI's performance evaluation services:

- **Reducing fiduciary liability by creating a prudent process and paper trail.** In order to reduce the liability of a plan fiduciary, there needs to be a fiduciary oversight paper trail. Proper oversight procedures by fiduciaries need to be documented via an established system. PEI's performance review establishes such a system.
- **Reducing plan costs.** PEI examines the two costs that comprise the largest expenditure for retirement plans:
  - 1) **Real Costs** - comprised of management fees, custodial fees and transaction costs.
  - 2) **Opportunity Costs** - incurred from underperforming comparative market indices. Not having a systematic method for evaluating performance results can diminish returns.

### **Increased performance.**

Maximizing the performance of Brazos River Authority's retirement plans and investment accounts requires a systematic review process. It has been proven that portfolios which are monitored professionally perform better than those which are not.

As a management tool, PEI's clients have found our services invaluable in providing them with the information needed to deal effectively with their plan professionals, as well as their participants.

PEI proposes to initiate our services upon receipt of the custodial statements for the manager(s) under review and anticipates that the entire scope of work identified in this proposal can be completed as described in the following **Proposed Schedule of Fees & Services**.

- *Brazos River Authority Defined Contribution Plan – approximately \$2.4 million in assets.*
- *Brazos River Authority 457 Plan – assets tbd, Plan with ICMA, not included within scope of RFP.*

Services included in our Full Service Retainer Agreement are as follows:

- *Investment Fiduciary*
- *Investment Policy Statement (IPS)*
- *Investment Performance / Risk / Return Analysis & Monitoring*
- *Fund Menu Design*
- *Organizational structure of the Investment Managers*
- *Fund Search & Replacement*
- *Evaluation of the structure of Investment offerings*
- *Comparisons to Relevant Investment Manager Universes and Indicies*
- *Fee Analysis of each Investment option*
- *Plan Design & Compliance Oversight*
- *Fee Benchmarking on total plan costs and total provider revenue*
- *Provider Fee & Service Reviews*
- *Executive Summary/Comments on best practices and market trends*
- *Asset Allocation Modeling*

### ACKNOWLEDGE RECEIPT OF ADDENDUM

ADDENDA\*: The undersigned acknowledges receipt of Addenda No. 1 thru 2 issued during the time of solicitation of RFP and proposal includes the changes.

FIRMS MUST ACKNOWLEDGE RECEIPT OF ADDENDUM (S) BY SIGNING BELOW AND SUBMITTING THIS EXECUTED DOCUMENT WITH PROPOSAL RESPONSE. FAILURE TO SUBMIT THE ABOVE INFORMATION MAY BE SUFFICIENT GROUNDS FOR REJECTION OF PROPOSAL OR DELAY ISSUANCE OF CONTRACT

This Addendum shall become part of your firms' response and the subsequent contract documents if applicable.

Name of Firm: Portfolio Evaluations Inc.

Address: 15 Independence Blvd., Warren NJ 07059

Telephone No. (973) 538-4347

Email Address: ESTEWART@PORTEVAL.COM

Signature/Printed Name: Eli Stewart

**W-9 form to be completed and returned with Proposal**

**W-9**  
 Form  
 (Rev. October 2007)  
 Department of the Treasury  
 Internal Revenue Service

**Request for Taxpayer  
Identification Number and Certification**

Give form to the  
requester. Do not  
send to the IRS.

<small>Print or type See Specific Instructions on page 3</small>	Name (as shown on your income tax return) <i>PROFESSIONAL VALUATIONS, INC.</i>
<small>Business name, if different from above</small>	
<small>Check appropriate box: <input type="checkbox"/> Individual/Sole proprietor    <input type="checkbox"/> Corporation    <input type="checkbox"/> Partnership  <input type="checkbox"/> Limited liability company. Enter the tax classification (D=disregarded entity, C=corporation, P=partnership) ► _____  <input checked="" type="checkbox"/> Other (see instructions) ► <i>Sole</i> S         </small>	<small><input type="checkbox"/> Exempt payee</small>
<small>Address (number, street, and apt. or suite no.)  <i>15 Independence Blvd., 4th Fl.</i> </small>	<small>Requester's name and address (optional)</small>
<small>City, state, and ZIP code  <i>WANDELL NJ 07058</i> </small>	
<small>List account number(s) here (optional)</small>	

**Part I Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I Instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see How to get a TIN on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number  
 : : : : :

or

Employer identification number  
 321 3187 064

**Part II Certification**

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

Certification instructions. You must cross out item 2 above if you have been withheld because you have failed to report all interest and dividends on For mortgage interest paid, acquisition or abandonment of secured property arrangement (IRA), and generally, payments other than interest and dividends provide your correct TIN. See the instructions on page 4.

If a Limited Liability Company and the Classification is C=Corporation, TAX FORM 8832 Approved by the IRS must be submitted with W-9 Form

Sign Here      Signature of U.S. person ► *T. S.*

Date ► *8/20/10*

**General Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

**Purpose of Form**

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity.