**Town of Natick (MA) Contributory Retirement System**

**Request for Proposals**

**Private Debt Investment Manager Services**

**Notice to Prospective Respondents**

The Natick (MA) Retirement Board is seeking proposals from qualified **Private Debt** investment managers. The Board is seeking to commit to a manager(s) that offers a dedicated Direct Lending strategy. The Board may select more than one manager. The Board may make its decision based on the type of fund structure offered. The Natick Retirement System is a municipal defined benefit plan with approximately $239 million in total assets.  The Retirement Board expects to make commitments of up to $20 Million to the selected mandate(s) and may allocate commitments to more than one manager and/or fund.

All investments made by the Natick Retirement Board are subject to the provisions of the Massachusetts General Laws, Chapter 32, as amended by Chapter 176 of the Acts of 2011, and the rules and regulations of the Public Employees Retirement Administration Commission (PERAC), 840 CMR. The selected investment manager(s) must have familiarity and agree to comply with all applicable laws and PERAC regulations. Additional information on applicable laws and investment regulations may be found on PERAC’s website at [www.mass.gov/perac](http://www.mass.gov/perac).

The Board reserves the right to cancel or reject in whole or part any or all proposals in the best interest of the Retirement System.

The RFP is available up to the proposal deadline by visiting <https://www.fiducientadvisors.com/client-rfps>

Proposal deadline is Friday May 24th, 2024 at 4:00 PM EDT. Late proposals will not be accepted.

Please direct any questions pertaining to this RFP via e-mail to:

**Lucas Hannegan**

Fiducient Advisors

100 Northfield Drive

Windsor, CT 06095

E-Mail: [lhannegan@fiducient.com](mailto:lhannegan@fiducient.com)

(860) 697-6512

**GENERAL INFORMATION AND INSTRUCTIONS**

Please carefully review the terms and conditions outlined in the following sections of the RFP prior to submitting a proposal.

* General Information and Instructions
* Mandatory Terms and Conditions per MGL Ch. 32, s.23B, as amended by Ch. 176 of the Acts of 2011.
* Required PERAC Disclosures – Vendor Certification, Compensation Paid, Compensation Received and Conflict of Interest, Placement Agent Statement
* Evaluation Criteria
* Minimum Criteria Certification
* Executive Summary and Investment Manager Questionnaire

**Availability of RFP:**

The RFP is available up to the deadline by visiting <https://www.fiducientadvisors.com/client-rfps>.

**Proposal deadline:** Friday May 24th, 2024 at 4:00 PM EDT Late proposals will not be accepted.

**Opening of Proposals:** Monday May 27th, 2024 at 9:00 am EDT

A register of proposals will be maintained for public inspection.

**Expected Timing of Award**

Vendor selection is expected to take place within 180 days of the RFP’s submission deadline. The timing of the award of the contract may be extended at the Board’s discretion upon mutual agreement between the Board and bidder(s).

The Board reserves the right to make an award without interviews of the bidders. A bidder should submit a proposal on its most favorable terms considering both services and price. The Board shall have sole discretion in deciding which bidders, if any, will be considered following the initial evaluations and/or interviews.

**Rejection of Proposals**

The Retirement Board may, at its discretion, cancel a request for proposals or may reject in whole or in part any or all proposals in the best interest of the Retirement System.

**Modification of Proposals**

A bidder may correct, modify or withdraw a proposal by written notice to the Retirement Board and Fiducient Advisors, the Board’s Investment Consultant, prior to the time and date set for the opening of proposals.

The Retirement Board reserves the right to waive minor informalities and/or allow the bidder to correct them.

**Submission of RFP: due on Friday May 24th, 2024 at 4:00 PM EDT. Late proposals will not be accepted.**

**Submit one complete electronic zip file via email to:**

Lucas Hannegan

[lhannegan@fiducient.com](mailto:lhannegan@fiducient.com)

Consulting Analyst

**Please also cc Beth Matson, Natick’s Retirement Board Director at** [bmatson@natickretirement.org](mailto:bmatson@natickretirement.org)

**Please note in the subject line: Natick Retirement – (“Manager Name”) RFP Response**

All respondents **must include** the following with its proposal:

* Signed Cover Page - On the Cover Page, please note your firm name, the RFP for which you are responding to, and the proposed product. The proposal must be signed by an official authorized to bind the firm, and it shall contain a statement to the effect that the proposal is firm offer for acceptance by the Retirement Board for 180 days from the date of submission.
* Required PERAC Vendor Certification, Disclosures and Placement Agent Statement – see below
* Certification of Good Faith
* Certified Minimum Criteria Response
* Investment Manager Questionnaire
* Form ADV
* Sample pitchbook on strategy
* Other attachments as may be specified in the manager questionnaire

**Required Vendor and Certification Forms**

**(as required by amended M.G.L. Ch. 32 s.23B)**

**Please note: Submit one set of completed and signed** required PERAC forms below with your submission to the Board's Investment Consultant. The forms have been included with the RFP documents for your convenience. They may also be found on PERAC's website at <http://www.mass.gov/perac/compliance-investments/compliance-forms/>.

Vendor Contact Form

Vendor Certification Form

Vendor Disclosures Form

Placement Agent Statement (See Placement Agent Policy under mandatory contract terms and conditions)

**Failure to complete and submit all required disclosures will result in rejection of bidder's proposal.**

**EVALUATION CRITERIA**

**Evaluation Criteria**

Each proposal that satisfies the minimum criteria will be evaluated initially through due diligence in the following areas. Each evaluation criteria will be assigned a rating of Highly Advantageous, Advantageous, Not Advantageous, or Unacceptable. Each proposal will receive a composite rating taking into consideration the collective ratings of the individual criteria.

* Organization, including Financial Strength and Stability
* Assets Under Management
* Experience of Service Team
* Experience with Municipal and/or Public Pension Plans
* Reporting Capabilities
* Fees and Transaction Costs

The Retirement Board reserves the right to waive certain minimum requirements or other provisions if deemed by the Board to be in the best interest of the Retirement System to do so.

Proposals will be evaluated based on the respondent’s qualifications including but not limited to the stability of the organization and its institutional services team, assets under custody/safekeeping, risk management, experience with public pension plans, reporting capabilities and fees. Submissions should be clear and concise. Any amendments to proposals must be submitted in writing to the Board’s investment consultant by the proposal deadline.

**MANDATORY CONTRACTUAL TERMS AND CONDITIONS**

Chapter 176 of the Acts of 2011, through the addition of Section 23B to Chapter 32 of M.G. L., expanded the mandatory contract provisions for the procurement of investment related services for Massachusetts Public Retirement Systems. The legislation may be found through the accessing the following link: <http://www.malegislature.gov/Laws/SessionLaws/Acts/2011/Chapter176>

The following mandatory contractual terms and conditions must be incorporated into the final written contract with the selected contractor (“Manager”). If terms and conditions cannot be met within a prospective fund’s offering and subscription documents, then the selected manager(s) will be expected to agree to the terms via side letter/agreement. Exceptions for closed-end investment vehicles are noted.

* The Retirement Board (“Board”) has advised the Manager that the Retirement System is subject to Investment Regulations (hereinafter the “Regulations”) promulgated by the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (“PERAC”), as set forth in 840 CMR, pursuant to Chapter 7, section 50 and is subject to Chapter 32, sections 21 and 23, and Chapter 176 of the Acts of 2011, of the Massachusetts General Laws.
  + The selected Manager(s) will be expected to acknowledge their ability and willingness to comply with all applicable laws and PERAC regulations.
* The contract shall not exceed a term of seven years, including any renewal, extension or option;
* The contract must contain a termination clause by which the contract may be terminated by 30 days written notice of either party to the other;
* Statement that the Manager is a fiduciary with respect to the funds which the Manager invests on behalf of the Retirement Board;
* Statement that the Manager will not delegate its fiduciary responsibility to the Board under the contract;
* Statement that the Manager shall not be indemnified by the Retirement Board;
* Acknowledgment that the Manager is required to annually inform the Retirement Board and PERAC of any arrangements in oral or in writing, for compensation or other benefit received or expected to be received by the contractor or a related person from others in connection with the manager’s services to the Retirement Board or any other client;
* Acknowledgement that the Manager is required to annually disclose to the Retirement Board and PERAC compensation, in whatever form, paid or expected to be paid, directly or indirectly, by the Manager or a related person to others in relation to the Manager’s services to the Retirement Board or any other client;
* Acknowledgement that the Manager is required to annually disclose to the Retirement Board and PERAC in writing any conflict of interest the contractor may have that could reasonably be expected to impair the Manager’s ability to render unbiased and objective services to the Retirement Board;
* Placement Agent Policy – Each contract and amendment to an existing contract as of January 1, 2024 shall secure the agreement of the Manager in the final written agreement between the Retirement Board and the Manager to provide the board with the following remedies in the event the Manager knew or should have known of any material inaccuracy or omission in the placement agent information disclosure or any other violation of this policy:
  + The reimbursement of any management or advisory fees paid by the Board for the prior two years or an amount equal to the amounts paid or promised to be paid to the placement agent as a result of the Board investment, whichever is greater.
  + The authority to immediately terminate the investment management contract or other agreement with the Manager without penalty, to withdraw without penalty from a limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions (an paying any fees on these recalled commitments) to the limited partnership, limited liability company or other investment vehicle without penalty.
  + Each contract and amendment to an existing contract as of January 1, 2024 shall secure the agreement of the Manager in the final written agreement between the board and the manager that the manager shall be solely responsible for, and the board shall not pay (directly or indirectly), any fees, compensation or expenses for any placement agent used by the manager.

*\*Please note that the term limit of 7-year contracts does not apply to closed end vehicles. \**

**MINIMUM CRITERIA RESPONSE**

Firms must meet all of the following minimum criteria. If your firm does not meet the minimum criteria, please do not submit a proposal. Failure to meet minimum qualifications will disqualify the bidder.

|  |  |
| --- | --- |
|  | **Yes/No** |
| 1. The firm is a registered investment advisor with the SEC or, if exempt, is registered with the Massachusetts Office of the Secretary of State. | |  |
| 1. The firm has been in operation as an investment management organization for at least five years and has at least five years of experience in managing dedicated Private Debt Funds in the strategy being proposed. | |  |
| 1. The firm has completed and submitted a signed set of the required Vendor Certification and Disclosures and Placement Agent Statement as required by PERAC. Failure to submit these forms will result in disqualification. | |  |
| 1. If selected, the bidder acknowledges that the firm is willing to represent that it will act as a fiduciary as set forth in Section 23(3) of M.G.L Ch. 32, will not require indemnification from the Retirement Board and that it will comply with additional mandatory contractual terms and conditions set forth in M.G.L. Ch. 32, Section 23(B) as amended by Chapter 176 of the Acts of 2011. **Important Notice:** If your firm is proposing a commingled fund or a mutual fund vehicle, as is with the case of a separate account, your firm will be required to address areas of non-compliance through representations via side letter agreement, regardless of the investment vehicle being proposed. Please email the Board’s consultant if you require a sample side letter. | |  |

Certified by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name Date

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

Authorized Signature/Title

**EXECUTIVE SUMMARY**

**(Maximum of three pages)**

**Provide all information as of December 31st, 2023**

1. Full Name of Firm and Main Location – also note the location of the proposed product’s Investment Team and where these investment management services are carried out
2. Primary Contact Information for this search with complete contact information.
3. Provide a brief description of your firm and history in private debt management.
4. Name of the Private Debt Fund being proposed.
5. State the Investment Objectives of your proposed fund and include the following:

|  |  |
| --- | --- |
|  | Objectives |
| Strategy Focus |  |
| Geographical/Regional Focus |  |
| Target Portfolio Leverage |  |
| Lead/Sole vs Syndication |  |
| Investment Types |  |

1. Briefly describe the legal structure of the proposed fund.
2. Please summarize the principal terms for the proposed Fund, including:

|  |  |
| --- | --- |
|  | Principal Characteristics/Terms |
| Target fund size |  |
| Minimum commitment |  |
| Fund Term |  |
| Investment period |  |
| Capital calls |  |
| Management fee1 |  |
| Credit fees if applicable |  |
| Carried interest |  |
| Hurdle/Preferred ROR |  |
| GP commitment |  |
| Key person clause |  |
| Additional fund expenses |  |
| Fundraising status |  |
| Expected initial close |  |
| Expected final close |  |

1 Include tier-based details and graduating schedules, if applicable

1. Month and Year firm began managing Funds in Private Debt. Please provide a list of Funds closed over the past five years. Include a brief description of the fund’s strategy including target allocations (distressed debt, senior secured, asset backed, etc.) Please note the size focus and international exposure within each fund.
2. Please provide a list along with a brief description of those funds for which you are currently raising capital and planned funds to be raised in the near future.
3. Firm-wide Assets Under Management (total).
4. Total Assets Under Management in dedicated Private Debt Funds.
5. Please explain how you differentiate your firm and investment strategy from your competitors. Note any unique attributes and/or competitive advantages of your team, research and investment process.
6. Please describe List the Key Members of the investment team and describe the team/committee structure currently in place. For each key member, please provide the years of investment experience, years in current role and years at the firm. Note the lead decision maker(s) or team leader(s). Are team members responsible for other non-private debt investment strategies at the firm?

**INVESTMENT MANAGER QUESTIONNAIRE**

**I. GENERAL BACKGROUND INFORMATION**

1. Name and Full Address of Firm
2. Please check appropriate fiduciary classification for your firm:

\_\_\_\_\_Bank

\_\_\_\_\_Insurance Company

\_\_\_\_\_Registered Investment Advisor (Investment Advisors Act of 1940)

\_\_\_\_\_Registered with Massachusetts Office of Secretary of State

\_\_\_\_\_Affiliate of Fiduciary (Name Classification)

\_\_\_\_\_Other (explain)

1. Company Contacts

Primary Client Service/Relationship Manager: Title:

Phone:

E-Mail:

Portfolio Management:

Title:

Phone:

RFP/Data Contact:

Title:

Phone:

E-Mail:

1. Ownership & Affiliates
2. Briefly describe the organizational structure of the firm.
3. Please list all owners of firm include breakdown of internal and external ownership.
4. List all companies affiliated with the firm.
5. Please provide a brief history of your firm. Provide a timeline of key dates and events.
6. Offices and their Functions:

Please list primary locations and functions where the firm has offices and provide number of personnel at each location. Highlight the location of where the investment, operations, and service capabilities for the proposed product are carried out.

Location Function # Personnel

1. Please indicate month and year any external assets were first managed by the firm.
2. Insurance/Legal/Compliance
3. Please indicate the name of carrier, dollar amount of coverage and note any deductible.

|  |  |  |  |
| --- | --- | --- | --- |
| Type | Carrier | Aggregate Coverage | Deductible |
| Errors & Omissions |  |  |  |
| Fiduciary Liability |  |  |  |
| Fidelity Bonding |  |  |  |
| Other (please explain) |  |  |  |

1. Is there current or pending business litigation or legal proceedings against your firm? If yes, please describe.
2. Has there been any business litigation, legal proceedings or regulatory action against the firm during the previous ten years? If yes, please describe.
3. Indicate the date of your most recent SEC examination. Were there any major deficiencies? If yes, please explain the findings and the firm’s resolution to such deficiencies.
4. Is there a dedicated compliance officer? Who is primarily responsible for developing policies and procedures to ensure firmwide compliance with applicable state and federal law?
5. Has your firm adopted the CFA Institute’s Asset Manager Code of Professional Conduct? If not please attach a copy of the firm’s code of ethics and/or professional conduct.
6. Do you have a written Anti-Money Lending (“AML”) or Know-Your-Client (“KYC”) policies and procedures? If yes, please provide. If no, please explain how you guard against money laundering and, if applicable, how do you comply with the Patriot Act?
7. Please describe your policies and procedures as they relate to personal trading for your employees.
8. Describe your policies and procedures on eliminating potential conflicts of interest.
9. Are there any circumstances under which your firm and, if applicable, your parent company, or any individual in your firm receives compensation, finder’s fees, or any other benefit from investment managers or third parties? If so, describe in detail. Please specify fee offsets if there are any.
10. What systems are in place for ensuring that portfolio managers are in compliance with client guidelines?
11. Please describe the firm’s disaster recovery plan. Indicate if it has ever been implemented and provide the date of the most recent test.

H. Personnel:

1. Please indicate the number of people that have the following titles or perform the following roles as their primary responsibility (Please do not double count).

|  |  |  |
| --- | --- | --- |
|  | Firm-wide | Private Debt |
| Chief Investment Officer |  |  |
| Portfolio Managers |  |  |
| Research Analysts |  |  |
| Economist |  |  |
| Traders |  |  |
| Portfolio Administration |  |  |
| Marketing |  |  |
| Client Service |  |  |
| Compliance |  |  |
| Administrative |  |  |
| Executive |  |  |
| Other (specify) |  |  |
| Total Employees |  |  |

1. Please provide an organizational chart of the key investment professionals in your private debt group responsible for managing the proposed fund. Please note the roles of all individuals directly involved in the investment process, their experience at the firm and in the specific fund product.
2. Are the investment professionals involved in your private debt group responsible for research for other investment strategies at the firm? If so, please describe the additional research responsibilities of these individuals.
3. How much of the General Partner’s investment in the partnership represented by individuals working on the strategy?
4. What measures are taken to promote retention of the firm’s key investment professionals?
5. Describe the compensation structure for your firm’s key professionals (portfolio managers and research analysts) including incentives, bonuses, performance-based compensation, and equity ownership.
6. Please describe the resources and staff dedicated to operations, including Fund accounting and administration. Please note if any of these functions are outsourced.
7. Describe the firm’s succession plan relative to the departure or retirement of key personnel.
8. Please list any personnel changes over the past five years as of the most recent quarter for key executives and key investment professionals dedicated to research and management of the firm’s strategies.

*Key Executives of the Firm*

*Departures*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name | Position | Start  Date | Departure Date | Reason for Leaving |
|  |  |  |  |  |
|  |  |  |  |  |

*Additions*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name | Position | Start  Date | Departure Date | Comments |
|  |  |  |  |  |
|  |  |  |  |  |

*Key Investment Personnel for Proposed Product*

*Departures*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name | Position | Start  Date | Departure Date | Reason for Leaving |
|  |  |  |  |  |
|  |  |  |  |  |

*Additions*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name | Position | Start  Date | Departure Date | Comments |
|  |  |  |  |  |
|  |  |  |  |  |

1. Please state whether the firm employs any external consultants. If it does, please describe their functions.

**II. ASSETS UNDER MANAGEMENT**

1. Please list the size and commitments raised for your various Funds over the past ten years.
2. Please list the number of Massachusetts Public Fund Clients on a firm wide basis and also for the proposed product as of the most recent quarter end.

|  |  |  |
| --- | --- | --- |
| **Massachusetts Public Fund Clients** | Commitments ($Mil) | Number of Clients |
| Firm wide |  |  |
| Funds |  |  |

1. Please note any Massachusetts Public Fund Clients gained over the past five years as of the most recent quarter end, firm wide and for the proposed product.

**III. CLIENT SERVICE**

1. Indicate the key personnel involved in client service and their years of experience. Please highlight the client service professional/relationship manager that would be assigned to this account.
2. Indicate the frequency for various forms of communications:

Portfolio Review:\_\_\_\_ Market Letter:\_\_\_\_

Conference Calls:\_\_\_\_ Whitepapers:\_\_\_\_

1. What size account is required to merit participation by the senior portfolio managers in finals presentations to potential clients? For accounts that are below this cutoff, who would attend the finals presentations?
2. Are portfolio managers otherwise accessible to clients?
3. Do you copy the consultant on all correspondence to clients?
4. Please provide a description of the reports you typically provide to clients. Is your firm able and willing to comply with special reporting requirements of PERAC including furnishing a copy of client reports?

**IV. INVESTMENT PHILOSOPHY and PROCESS**

1. Briefly describe your investment philosophy. Discuss why you believe this investment philosophy will be successful in the future, including supporting evidence.
2. Briefly describe this strategy’s return objectives.
3. Briefly describe the fund structure(closed-end, , evergreen, etc.) as well as any liquidity provisions
4. Describe in detail the type of Private Debt Fund strategy you are proposing. Include information on the Fund’s expected exposure to non-U.S. markets, asset backed securities, sponsor vs non-sponsor backed investments, sectors, etc..
5. Please describe your investment discipline and process, both the quantitative and qualitative aspects. Describe how you perform initial screenings among the universe of potential investments at any given time. Include a description of any databases used to evaluate and select private debt investments and whether they were developed internally or purchased externally.
6. Please describe your due diligence and portfolio construction process, highlighting key drivers in:
   1. Sourcing deals
   2. Evaluation
   3. Structuring
   4. Approval Process including final decisions
   5. Monitoring Investments
   6. Other (please describe)

Please include both quantitative and qualitative aspects of your discipline. Include a description of any databases both internal and external to identify, evaluate and select underlying investments.

Please include a description of roles and interactions of key professionals, analysts, teams and/or committees involved in the decision-making process from identifying and vetting deals to final selection. If a dedicated investment committee exists, describe the structure and role of key decision makers and describe the process of arriving at investment decisions, noting who has ultimate responsibility.

What types of investments will the Fund target as it executes its strategy? What is the anticipated size of the Fund’s investments and portfolio construction?

1. Please state any type of investment strategy, sector, structure, region or industry that the firm typically avoids, noting the reason.
2. Please detail the portfolio monitoring process at the Firm
3. What is the firm’s process for investments that are in default?
4. Describe the controls and rights the Firm expects to seek when executing investments.
5. **RISK CONTROL PROCEDURES**
6. Please define the risks for the Private Debt strategy that you are proposing.
7. How does your firm monitor and manage such risks? Describe any risk measurement models or tools used in the investment and portfolio management process.
8. Describe your firm’s operational capabilities including resources both internal and external, internal controls and procedures for validating and tracking funding commitments, capital activity, partnership management fees, expenses and extensions.
9. Who has primary responsibility for the product's risk management?

**VI. PERFORMANCE**

1. Please provide a summary of historical returns (net IRR and Total Value to Cost Multiple) for your fund strategies managed by the firm over the past ten years. Please note any key differences from the strategy being proposed.

**VII. INVESTMENT MANAGEMENT FEES and TERMS**

Investment manager fee proposals should reflect the respondent’s most advantageous terms.

1. Please state the Terms and Conditions of your proposed strategy, including management fee and all applicable tiers, underlying fees, and expenses.

|  |  |
| --- | --- |
|  | Principal Terms, Fees and Expenses |
| Minimum $ Commitment |  |
| Term |  |
| Initial close |  |
| Expected final close |  |
| Commitment period |  |
| Management fee1 |  |
| Credit fees if applicable |  |
| Early close discount |  |
| Carried Interest |  |
| Hurdle/Preferred ROR |  |
| Clawback provision |  |
| Additional fund expenses |  |

1 Include tier-based details and graduating schedules, if applicable

1. Please disclose and describe any additional expenses in addition to those outlined above.
2. Please describe the process for distributing Carried Interest across the firm.
3. Describe the legal structure of the fund (L.P., LLC, etc.)
4. Please describe the extent to which the fees and terms are negotiable.

VII. ATTACHMENTS

1. Organizational Chart.
2. Firm’s Form ADV.
3. Sample marketing presentation typically provided to a prospective client.
4. Copy of the most recent SEC letter covering the findings and your response (if applicable).
5. Code of Ethics.
6. Disaster Recovery Plan.
7. Any other information that you deem appropriate that will assist us in the evaluation of this product.