

**NEW BEDFORD RETIREMENT BOARD  
REQUEST FOR PROPOSAL – PRIVATE EQUITY FUND OF FUNDS PRIMARILY FOCUSING  
ON SMALL/MID MARKET BUYOUT**

**I. INTRODUCTION**

The City of New Bedford Retirement Board (“Board”) is considering an allocation to private equity fund of funds with a primary focus on small/mid market buyouts ("Proposed Product"). The mandate size for the search will be approximately \$10 million. Individual contracts will be awarded and stated in accordance with M.G.L. Ch. 32 and all applicable investment guidelines administered by the Public Employee Retirement Administration Commission (“PERAC”). The Board reserves the right to reject any and all proposals at its discretion. Please direct questions pertaining to the Request for Proposal via email only to [bostonrpf@segalmarco.com](mailto:bostonrpf@segalmarco.com).

**II. SCOPE OF SERVICES**

The successful respondent will be expected to invest the assets under his or her care in accordance with the dictates of M.G.L. Ch. 32 and the rules and regulations set forth by the PERAC as well as the professional standards of a fiduciary.

The investment manager's primary responsibility, however, will be to serve the Board in its fiduciary capacity regarding these funds. The investment manager will be expected to meet with the Board at regular intervals and to report to the Board at least quarterly on the portfolio. The investment manager will be expected to invest in accordance with the goals and objectives of the Board and within the tolerance for risk established therein.

Should the respondent ultimately be selected to manage the assets on behalf of the Board, under the requirements of M.G.L. Ch. 32, Section 23B , the contract must state that the manager is a fiduciary with respect to the Board’s funds and that the manager shall not be indemnified by the Board.

**III. SUBMISSION OF PROPOSALS**

1. Please mail one original bound copy of the Service and Price Proposal (without attachments and sealed separately) to the New Bedford Retirement Board. In the package also include a flash drive with the service proposal (with all attachments) and price proposals and mailed to the following.

Eric Cohen  
New Bedford Retirement Board  
651 Orchard Street, #203A  
New Bedford, MA 02744

2. Please mail one original bound copy of the Service and Price Proposal (without attachments and sealed separately) to our consultant. Please also submit an email copy of the Service and Price Proposal with all of the attachments (not to exceed 10MB) with the email subject “Respondent Firm Name - New Bedford Private Equity –” to the following:

Rafik Ghazarian  
Segal Rogerscasey  
116 Huntington Avenue, 8th Floor  
Boston, MA 02116  
Email: bostonrfp@segalmarco.com

4. Proposals shall be signed by an official with power to bind the proposers, and it shall contain a statement that the proposal is firm through September 30, 2020.
5. Both the electronic and hard copy of the proposal must be received prior to 3:00 p.m. EST on February 10, 2020. Proposals will not be accepted after the closing date and time.

#### **IV. MODIFICATIONS OR WITHDRAWALS**

Proposers may correct, modify or withdraw their proposals prior to the submission deadline only. Correction or modification must be in writing and must be submitted and received in the same manner as the original proposal. Requests to withdraw proposals must be in writing.

#### **V. ACCEPTANCE AND AWARD**

The Board may elect to schedule an interview process with respondents based upon the proposals' relative merits and relative prices. The Board reserves the right to reject any or all proposals at its sole discretion whether prior to or after the interview. The Board shall also have sole discretion in deciding which respondents will be considered/interviewed.

The respondents are hereby advised that any proposal selected shall be subject to (a) approval of the Board, (b) a written contract, and (c) approval by PERAC. Failure of the parties to agree on mutually acceptable contract language will void the award of the proposed engagement to the selected candidate. The Board shall have sole discretion in determining whether the parties are unable to reach agreement on the language of the written contract. The Board may require that the contract contain mandatory contractual terms and language.

#### **VI. SEARCH EVALUATION CRITERIA**

The successful respondent will be expected to meet the standards necessary in order to satisfy the demands placed on the Board under Section II – Scope of Services. In addition, respondents are expected to fill out the Request for Proposal. This questionnaire and any other promotional materials, reports, or documents which the respondent may wish to submit will be used by the Board in determining their qualifications.

The managers will be evaluated based on the following:

- The capability to manage the portfolio in accordance with requirements and restrictions mandated by M.G.L. c. 32 and PERAC.
- The ability to analyze and monitor financial markets.
- Proven track record of success in managing the proposed strategy.
- The financial strength of the organization.

- The ability to give the Board the best return on its investment for the duration of the engagement.
- The ability to provide these services at competitive rates.

## **VII. DOCUMENTS TO BE SUBMITTED**

The respondent must submit the following documents, which are available through the PERAC website <https://www.mass.gov/lists/perac-compliance-investments-forms>:

- Vendor Contact Information
- Vendor Certification
- Vendor Disclosures Form
- Placement Agent Statement

Additionally, please include the following:

- Please provide a sample due diligence report
- Please provide a sample internal performance/monitoring report or an annual/quarterly LP report
- Please provide a copy of the Offering Memorandum for each fund, if applicable
- Provide a copy of the Limited Partnership Agreement for each current fund, if applicable
- Copy of your firm's Form ADV Part II
- Copy of the Firm's Code of Ethics Policy

## **PROPOSAL FOR PRICING**

"Proposal for pricing" must be submitted separately from "proposal for services" as stated previously. Fee proposals should be based on initial assets of approximately \$10 million.

1. Please supply the fee schedule that you apply to this account, stated as a percentage of assets under management and showing all breakpoints.
2. State the General Partners carried interest and describe how it is calculated.
3. Briefly describe the profit and loss allocation between the General Partner and the investors/limited partners in the managed fund.
4. Identify which expenses of the fund currently managed the General Partner is responsible for and which are be paid by the fund (e.g. organizational, administrative, overhead, etc.) and the estimated amounts of these expenses.

**PROPOSAL FOR SERVICES**

**MINIMUM CRITERIA RESPONSE SHEET**

Bidders must meet all of the following minimum criteria. Failure to satisfy any of the minimum criteria will result in the disqualification of the bidder. Please acknowledge that the following criteria are satisfied by initialing the “Yes” response to certify that you meet the minimum criteria.

- 1. The firm is a registered investment advisor pursuant to the Investment Advisors Act of 1940 or is exempt from registration. If exempt please explain.

Yes \_\_\_\_\_ No \_\_\_\_\_

- 2. The proposed private equity portfolio will comply with and adhere to M.G.L. Ch. 32 and those regulations established by the Public Employee Retirement Administration Commission (PERAC), to the extent necessary, if selected:

Yes \_\_\_\_\_ No \_\_\_\_\_

- 3. The proposed private equity portfolio will be diversified. (Please include your definition of diversified)

Yes \_\_\_\_\_ No \_\_\_\_\_

- 4. The proposed private equity portfolio will be primarily comprised of investments in private companies.

Yes \_\_\_\_\_ No \_\_\_\_\_

- 5. The current fund offering will be open to new investors through Q3 2020.

Yes \_\_\_\_\_ No \_\_\_\_\_

- 6. The General Partners will be making a commitment to the current fund offering.

Yes \_\_\_\_\_ No \_\_\_\_\_

- 7. The firm has completed the required PERAC forms:

Yes \_\_\_\_\_ No \_\_\_\_\_

## PROPOSAL FOR SERVICES

### Due Diligence: Investment Advisor Questionnaire

The following questionnaire requests information about your organization, employees, investment philosophy, investment process and performance. Please provide responses with current information and all data/performance as of September 30, 2019, unless otherwise requested.

#### FIRM INFORMATION

1. Firm Identification
  - a. Name of Firm:
  - b. Headquarters Address:
  - c. Address of Servicing Office:
  
2. Contact Identification:
  - a. Name:
  - b. Title:
  - c. Telephone Number:
  - d. Email Address:
  
3. History and Structure:
  - a. Year founded
  
  - b. Please describe your organizational structure
  
  - c. Number of owners and distribution of ownership
  
  - d. Relationship of owners to firm
  
  - e. Please describe the history of your firm (including any prior working experiences the founders and/or key investment personnel may have had together).
  
  - f. Please explain any previous changes to your organizational structure and/or distribution of ownership.
  
  - g. Please describe any anticipated changes to your organizational structure and the reason(s) for those changes.
  
  - h. Describe your future business plans with regard to private equity management, specifically addressing the firm's plans with respect to new lines of business and/or investment advisory services. Discuss the total number of accounts and assets that will be accepted. Identify any plans for additions to professional staff in relation to growth of accounts or assets.
  
  - i. If your organization has multiple office locations, please describe the general role and functionality of those offices.

- j. Please describe any major business affiliations and/or joint ventures that your organization participates in.
- k. Is the firm registered as an investment advisor with the SEC?
- l. Has the firm, its parent organization, subsidiaries, affiliates or any key personnel been subject to any litigation or legal proceedings related to investment operations during the past five years? If so, please explain.
- m. Please indicate the face amount of insurance that the firm carries with respect to each of the following:
  - i) Errors and omissions:
  - ii) Fiduciary liability:
  - iii) Fidelity bonding:
- n. Is your firm related by ownership or formal business agreement to any provider of brokerage services or other related services? If so, please explain.
- o. How does your firm address potential conflicts-of-interest between your firm's various businesses? Please identify any real or perceived conflicts between existing discretionary, non-discretionary, fund-of-funds, and personal investment activities.
- p. Briefly describe the firm's private equity investment advisory services. Describe how the private equity investment group fits within the context of the firm. What conflicts of interests could exist between the private equity investment group and other parts of the firm? Please detail any existing or potential conflicts between your consulting activities, services performed for other clients, personal investment activity, and other current or potential relationships. How are these potential conflicts, if any, managed?
- q. Are any arrangements maintained whereby your firm or any individual within the firm pays referral fees, finders fees, soft dollars or other similar consideration or benefits to consultants, brokers or any other third party? If so, please explain.
- r. Is the firm minority or women owned? If yes, please state the percentage of women and/or minority owned.

**I. CLIENTS / ASSETS**

- 1. Provide the following information as of December 31, 2019:

ASSET CLASS	ASSETS MANAGED (\$M)	NUMBER OF ACCOUNTS
Total Assets:		
- Tax-exempt		
Total Private Equity Assets:		
- Tax-exempt		
Fund-of-funds Assets		
Direct Private Equity Assets		
Other (please specify)		

2. Provide the following information about clients for which your firm currently consults on an advisory basis or has discretionary management authority (excluding commingled co-investment or secondary investment clients and fund of funds) for private equity investment management services.

Name of Client	Client Type	Private Equity Investment Mandate (\$ MM)	Projected Annual Investment Activity (\$ MM/Yr.)	Advisory/Discretionary	Private Equity Investment Focus	Partnerships/Directs

3. Provide the following information about firm's history of fund-of-funds investing.

Name of Fund	Focus of Fund	Year Raised	# of Clients	Size of Fund	Invested to Date	# of Private Equity Fund Investments	Co-Investment Allocation (Y/N)	Secondaries Investment Allocation (Y/N)

4. Provide the following information about firm's history of co-investment funds or fund of funds with a co-investment allocation.

Name of Co-Investment Fund (or Fund-of-Funds with a Co-Investment Allocation)	Focus of Fund	Year Raised	# of Clients	Size of Fund (\$ MM)	Co-Investment Capital Invested to Date (\$ MM)	# of Co-Investments

5. Provide the following information about firm's history of secondaries investment funds or fund of funds with a secondaries allocation.

Name of Secondaries Fund (or Fund-of-Funds with a Secondaries Investment Allocation)	Focus of Fund	Year Raised	# of Clients	Size of Fund (\$ MM)	Secondaries Investment Capital Invested to Date (\$ MM)	# of Secondary Investments

6. Allocation policy: How does your firm allocate private equity investment opportunities between your separate account private equity investment clients and the fund of funds managed? Describe how private equity investment opportunities are allocated among clients and whether any clients or funds have preference or priority. Do prior relationships factor into your allocation policy? If so, how do they impact allocation policy and investment prioritization?



7. Fund Access: How would you manage the potential conflict of pursuing a co-investment or secondary investment in order to gain access to a manager’s next fund? Would all existing and future clients benefit from the access gained? How would this investment opportunity be allocated?
8. Please list all private equity limited partnerships in which the firm currently holds an advisory board seat and the name of the private equity investment professional that holds such seat.

Sponsor	Sponsor’s Fund	Private Equity Investment Professional	Percentage (%) of Advisory Board Meetings Attended

## II. PRIVATE MARKETS INVESTMENT PROFESSIONALS

1. Please describe the history of your private equity group including when your firm first began managing private markets investments.
2. Provide the following information on the number of your employees:

PERSONNEL	FIRM OVERALL	PRIVATE EQUITY GROUP
Total Employees:		
Portfolio Managers:		
Due Diligence/Research Analysts:		
Monitoring & Reporting		
Other Research/Analytics		
Relationship Managers, Client Service, and/or Marketing:		
Administration:		
Other (specify):		

Note: If some individuals divide their time between several of the above functions and/or you have employees grouped into another category, please explain.

3. Private Equity Investment Committee / Key Decision Makers: Provide the following information for your firm’s current private equity investment committee members. Please add additional rows as necessary.

Name	Title	Role	Years with firm	Years of PE experience	Number of PE investments executed	Dollar value of PE investments executed	Percentage of time dedicated to PE investments

4. Current Private Equity Investment Team: For those private equity investment professionals not on the investment committee identified in question 3 above, please provide the following information. Please add additional rows as necessary.

Name	Title	Role	Years with firm	Years of PE experience	Number of PE investments executed	Dollar value of PE investments executed	Percentage of time dedicated to PE investments

5. Provide a brief biography for your firm's key personnel with respect to private equity. In doing so, please describe their experience working in private equity, the number of years they've worked together or known each other, and the nature of the relationship.
6. What policies are in effect to control the workload as it relates to the number of clients serviced by each private equity investment professional or account manager? Is there a limit on the number of accounts that a private equity investment professional or account manager may handle?
7. Provide a description of your firm's compensation arrangements for private equity investment professionals. Do they participate in equity ownership? If ownership is not available, is there a specific arrangement for sharing in the profits earned by the enterprise (e.g., salary, bonus, group/individual performance incentives, profit sharing, etc.)? What other incentives are provided to attract and retain employees?
8. Within the private equity group, please list any turnover during the past five years (above the analyst level) and describe the reason for each departure.

### III. PRIOR FUNDS AND INVESTMENT PERFORMANCE

1. For each previously offered funds, please provide the following information in the format shown below. Please note that "fund type" refers whether the fund was predominately venture capital (VC), buyout/corporate finance (B), mezzanine/subordinated debt (M), restructuring/distressed debt (R), international (I), or diversified (D).

Fund Name	Fund Type	Inception Date	Close Date	Number of Underlying Funds / Companies	Capital Committed (\$M)	Capital Invested (\$M)	Capital Distributed (\$M)	Net IRR	Gross IRR	Total Multiple Return of Cap (Gross/Net)

Note: If the fund is "diversified", please state the target allocations for each sub-category.

2. For each of your previous funds, please provide the following information:

a)

Vintage Year	Capital Committed	Paid-in Capital	%	Distributed Capital	%	Reported MV (\$M)	Net IRR	Gross IRR	Total Multiple Return of Cap (Gross/Net)
2009									
2010									
2011									
2012									
2013									
2014									
2015									
2016									
2017									
2018									
2019 YTD									
<b>TOTAL</b>									

b)

Investment Strategy	Capital Committed	Paid-in Capital	%	Distributed Capital	%	Reported MV (\$M)	Net IRR	Gross IRR	Total Multiple Return of Cap (Gross/Net)
Corporate Finance/Buyout									
Mezzanine									
Real Estate									
Special Situation									
Venture Capital									
Restructuring/Distressed debt									
International									
<b>Total</b>									

3. Please provide explanations for any periods/funds reflecting significant relative out-performance or significant under-performance.
4. If available, please submit a letter from an independent certified auditor or third-party vendor attesting to the accuracy of the information provided and that returns were calculated according to CFA Institute standards.
5. **Please complete the attached Excel performance data.**

**V. FUNDS-OF-FUNDS NOW BEING OFFERED/PROPOSED**

1. Describe the fund’s overall investment objective and how this may differ from previous offerings.
2. Describe the expectations as to the fund's underlying investment types as follows:

Fund Name	% Partnerships	% Secondary	% Direct	% Public Securities

3. Please list the expected target allocations for the proposed fund:

a)

<b>Investment Category</b>	<b>Allocation%</b>
Venture Capital Total:	
Seed Stage:	
Early Stage:	
Late Stage:	
Buyout:	
Mezzanine/Subordinated Debt:	
Restructuring/Distressed Debt:	
International:	
Other (please specify):	
Total:	

b)

<b>Industry</b>	<b>Allocation %</b>
Technology:	
Finance:	
Healthcare:	
Real estate:	
Industrials:	
Telecom:	
Consumer Discretionary:	
Consumer Staples:	
Energy & Utilities:	
<b>Total:</b>	

c)

<b>Geographic Region</b>	<b>Allocation %</b>
North America:	
North	
East:	
West:	
South:	
Midwest:	
International:	
Western Europe:	
Eastern Europe:	
Japan:	

Asia ex-Japan:	
Other (Please specify):	
<b>Total:</b>	

4. Has the fund-of-funds already identified specific funds/partnerships or other investments at this time? If so, please list the likely candidates below.
5. What is the fund's target investment size for each fund/partnership or other investments? Is there a maximum percentage that can be represented by a single investment? Please describe.
6. Provide the following general terms anticipated for the proposed fund-of-funds:
  - a. Target Committed Capital:
  - b. Minimum Investment:
  - c. Initial Offering Date:
  - d. Closing Date Schedule:
  - e. Commitment Period:
  - f. Term of the Fund:
  - g. Preferred Return:
  - h. Target IRR:
  - i. Management Fee:
  - j. Carried Interest:
  - k. GP commitment:

7. If the fund has already had a closing, please provide the following information:

Fund Name	Target Commitment (\$M)	Drawdowns to date (\$M)	Commitments invested to date (\$M)

8. If your firm offers customized separate account funds-of-funds, please describe how this works and how you define this, including your minimum account size and the typical fees associated with such an arrangement.
9. Please describe how you would structure a customized fund for a mid-size, institutional client and how you would avoid conflicts of interest between funds competing for what may be a limited allocation from a partnership or a secondary.
10. How many separate accounts do you currently manage? What are the total assets and ranges of account sizes?

## VI. INVESTMENT PHILOSOPHY AND PROCESS

1. Briefly describe your firm's views as to the current state of the private equity market and the opportunities and challenges facing investors. Include any long-term risk, return, and correlation forecasts for private equity and describe how these forecasts are developed and used.
2. Describe your private equity investment universe (i.e., deal flow), including how your firm gains access to funds/partnerships that might otherwise be unavailable to new investors. Please provide examples.

3. Describe how you perform initial screening among the universe of funds/partnerships available at any given time. Include a description of any databases used to evaluate and select private equity investments and whether they were developed internally or purchased externally.
4. Describe your due diligence procedures when evaluating funds/partnerships and/or other investment opportunities, including your financial, accounting, legal, and personnel reviews and reference checking processes.
5. Comment on whether and how the due diligence process differs for fund sponsors you have invested with before versus those you have not and whether the process differs depending on investment stage and business cycle. Your response should include the following:
  - a. Screening Criteria
  - b. Targeted Fund Sponsors
  - c. Due Diligence
  - d. Approval
  - e. Negotiation of Terms and Conditions
  - f. Follow-up and on-going monitoring
  - g. Use of Outside Advisors, Consultants, Advisory Boards, etc.
6. What process or procedures do you utilize to ensure that you have ongoing access to the “top-tier” funds?
7. Please describe the due diligence process for evaluating non-U.S. private equity and how it differs from U.S. private equity.
8. Please describe the nature of communications between the general partner and the limited partners throughout the duration of the fund.
9. Describe the firm’s process for monitoring private equity investment portfolio companies. Describe the firm’s existing accounting and reporting capabilities for private equity investments. What is the basis for portfolio valuations? Sponsor’s valuation or independent valuation by your firm? Or, does your firm provide both? Briefly describe how you utilize advisory board seats to monitor private equity fund investments and the related portfolio companies on behalf of clients.
10. What unique educational or client service capabilities can you offer clients?
11. Do you invest directly in portfolio companies? If so, please describe your philosophy and investment approach towards investing directly. Also, please explain how you decide on which deals to invest in.
12. Do you have absolute and/or relative return objectives for your fund-of-funds products? If so, please describe them.
13. What does the firm consider the most appropriate benchmark? Please describe.
14. Is the investment staff compensated in accordance with this benchmark? Please explain.

## **VII. REFERENCES**

Please supply the following information for each individual named in response to the questions in this section:

Name  
Title  
Organization  
Telephone Number

1. Please provide five client references other than the current client.
2. Please provide information for all clients lost during the last five years.