

**DANVERS CONTRIBUTORY RETIREMENT SYSTEM
REQUEST FOR PROPOSAL
U.S. HIGH YIELD FIXED INCOME
INVESTMENT MANAGEMENT SERVICES**

I. INTRODUCTION

The Board of Trustees of the Danvers Contributory Retirement System (“Board”) is considering an allocation to a U.S. High Yield fixed income ("Proposed Product") portfolio. The mandate will be for approximately \$8 million. The Board will only consider commingled funds and institutional class mutual funds. 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 or to select more than one manager and to determine the amount of assets each will manage.

Please direct questions pertaining to the Request for Proposal via email only to bostonrpf@segalrc.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 performance of 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. Additionally, the contractual commitment cannot exceed seven years.

III. SUBMISSION OF PROPOSALS

1. Proposals for Services and Proposals for Pricing must be separately submitted and sealed. Each envelope must include the “Respondent Firm Name - Danvers Proposal for Services High Yield Fixed Income” and “Respondent Firm Name – Danvers Proposal for Pricing High Yield Fixed Income”. Please mail one original bound copy of the Service and Price Proposal (with all attachments) along with an email copy with all attachments (not to exceed 10MB) with the email subject “Danvers High Yield Fixed Income – Respondent Firm Name” to the following:

Susan Little
Danvers Contributory Retirement System
1 Sylvan Street
Danvers, MA, 01923
Email: SLittle@danversma.gov

2. Please email one copy of the Service and Price Proposal with all attachments (not to exceed 10MB) and the subject “Danvers High Yield Fixed Income – Respondent Firm Name” to the following:

Kevin Roundtree
Segal Marco Advisors
Email: bostonrfp@segalmarco.com

3. 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 June 30, 2023.
4. Proposal must be received prior to 3:00 p.m. EST on December 15, 2022. Proposals will not be accepted after the closing date and time.

Proposers may correct, modify or withdraw their proposals prior to the submission deadline only. Requests to withdraw proposals must be in writing.

The Board reserves the right to accept or reject any or all proposals or any parts thereof, and to waive any formalities in the submission of proposals if it is deemed in the best interests of the Board to do so.

IV. 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.

V. MINIMUM 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). This and a comprehensive and complete fee schedule will make up the minimum criteria the Board will use in order to establish eligibility. Respondents are also expected to fill out the Investment Advisor Questionnaire. 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. Additionally, all firm and strategy information must be up to date in eVestment (www.evestment.com).

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

- Vendor Disclosures
- Placement Agent Statement for Investment Management
- Vendor Contact Information
- Vendor Certification

Additionally, please include the following:

- Copy of your firm's Form ADV Part II
- Copy of the Firm's Code of Ethics Policy
- Documentation providing proof of insurance coverage levels
- Independent audit certification of submitted performance results, if available
- Offering Memorandum or Prospectus for any proposed vehicle

VI. SEARCH EVALUATION CRITERIA

- 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.
- Clear and demonstrable buy and sell disciplines, security selection processes, and execution procedures.
- The ability to keep the execution and transaction costs down to competitive levels.
- The financial strength and stability of the organization.
- The ability to provide these services at competitive rates.
- The ability to achieve superior investment returns for the portfolio.

VII. REPORTS

The manager will file monthly reports with the Board and its consultant detailing the performance of the portfolio. The manager will be expected to furnish other information on an as needed basis.

FEES

Proposing for Pricing must be submitted separately from Proposal for Services as stated previously. Fee proposals should be based on initial assets of approximately \$8 million. Please note that Massachusetts State Law requires payment in arrears.

1. Name of Firm.
2. Name of Proposed Product.
3. Please list ALL of the investment vehicle(s) that are available for the Proposed Product (e.g., mutual fund, commingled fund, or separately managed account). If there are any vehicles that are currently closed, soft-closed, or in the process of closing to new investors, please list and indicate those as well.
4. Which vehicle are you proposing for this account?
5. Please list the minimum account size and supply the "complete" fee schedule for the proposed product/vehicle, stated as a percentage of assets under management and showing all "fee breakpoints."
6. Does the fee stated above include all charges or miscellaneous expenses associated with the "Proposed Product" and all services required to be performed as described in this Request for Proposal?
7. Please list the minimum account size and supply the "complete" fee schedule for other vehicles available for this product, stated as a percentage of assets under management and showing all "fee breakpoints."

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 firm has experience managing investments for state, municipal, or other governmental defined benefit plans:

Yes _____ No _____

3. The firm has been in operation for at least five years as of September 30, 2022 as an investment management organization as determined by the firm's SEC 1940 registration:

Yes _____ No _____

4. The firm has at least \$10.0 billion of assets under management.

Yes _____ No _____

5. The firm has at least \$1.0 billion in assets under management in the fixed income mandate:

Yes _____ No _____

6. The firm has at least 5 years of GIPS compliant investment performance in the Proposed Product:

Yes _____ No _____

7. Majority of the portfolio managers for the "Proposed Product" have at least five years of experience in managing the proposed product:

Yes _____ No _____

8. The firm agrees to maintain an adequate errors and omissions insurance policy if selected:

Yes _____ No _____

9. The firm agrees to 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 _____

10. The firm has completed the required PERAC forms:

Yes _____ No _____

11. The firm has updated the eVestment Alliance database for the products that are being submitted as of September 30, 2022 (i.e. firm profile, product profile, investment strategy/philosophy and investment professionals).

Yes _____ No _____

SEGAL ADVISORS, INC
Due Diligence:
Investment Advisor Questionnaire (Fixed Income)

The following questionnaire requests information about your organization, employees, investment philosophy, investment process and performance. Please provide responses as of **December 15, 2022**, unless otherwise requested.

I. Organizational Background

1. Firm Identification
 - a. Name of Firm
 - b. Type of Firm
 - c. Headquarters Address
 - d. 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. If your organization has multiple office locations, please describe the general role and functionality of those offices.
 - i. Please describe any major business affiliations and/or joint ventures that your organization participates in.

4. Personnel

Firmwide:

- a. Number of Fixed Income PM's
- b. Number of Fixed Income Analysts not included as PM's
- c. Please list the number of marketing & sales employees and, if a separate group, the number of dedicated client service employees
- d. Number of traders

Product Specific:

- e. Number of PM's dedicated to this product
- f. Number of Analysts not included as PM's dedicated to this product

STAFFING									
	2022			2021			2020		
	Total	Gained	Lost	Total	Gained	Lost	Total	Gained	Lost
PM's – Fixed Income									
Analysts – Fixed Income									
Marketing/Sales									
Client Service									
<u>Proposed Product:</u>									
- PM's									
- Analysts									

STAFFING									
	2019			2018			2017		
	Total	Gained	Lost	Total	Gained	Lost	Total	Gained	Lost
PM's – Fixed Income									
Analysts – Fixed Income									
Marketing/Sales									
Client Service									
<u>Proposed Product:</u>									
- PM's									
- Analysts									

- 5. Please list any investment professionals who have joined or left the **firm** during the last 5 years (include name, title, role, and dates). For those who have left the firm, please include the circumstances for their departure (i.e., termination, resignation, retirement). What percentage of your entire staff does this represent?
- 6. Is the firm registered as an investment advisor with the SEC?
- 7. 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 yes, please explain.
- 8. Does your firm qualify as an investment manager under §3(38) of ERISA?
- 9. Will your firm accept fiduciary responsibility for the assets committed to its discretion?

10. Has the Firm or any senior member of the Firm been reported to or investigated by any regulatory authority within the past ten years? If yes, provide full, detailed explanation, including outcome, and a copy of regulatory body report.
11. Please indicate the face amount of insurance that the firm carries with respect to:
 - a. Errors and omissions
 - b. Fiduciary liability
 - c. Fidelity bonding
12. Is your firm related by ownership or formal business agreement to any provider of brokerage, consulting and/or research services? If yes, please explain.
13. Are there any potential conflicts of interest that may be created by awarding the investment management contract to your firm? If yes, please explain.
14. 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 yes, please explain. Is your firm in compliance with CFA Institute Soft Dollar Standards?
15. Please explain your firm's policy with regard to proxy voting. Do you always vote the full number of shares owned? What is your process for deciding how to vote shares? How and how often do you report on your proxy voting activities? (please provide a copy of your internal policies).

II. Breakdown of Assets and Accounts

1. Please provide the following information on the **TOTAL** assets under management (\$) for your organization:

Category	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)	2017 (\$)
Tax-Exempt						
Taxable						
Other						
Total						

2. Please provide the following information on the **TAXABLE** and **TAX-EXEMPT** assets under management (\$):

Table A

Asset Class	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)	2017 (\$)
Equity						
Fixed Income						
Other						
Total						

Table B

Sub-Asset Class	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)	2017 (\$)
Core Bond						
Core Bond Enhanced Index						
Core Plus						
Corporates						
Dedicated Strategies:						
Mortgages						
Municipalities						
High Yield						
Global Bond						
International Bond						
Emerging Market Debt						
Long Duration						
Intermediate Duration						
Short Duration						
Total:						

3. For **TAX-EXEMPT** assets **ONLY**, please provide the following information on the number of accounts (#) and assets under management (\$):

Table A

Asset Class	2022		2021		2020		2019		2018		2017	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Equity												
Fixed Income												
Other												
Total												

Table B

Sub-Asset Class	2022		2021		2020		2019		2018		2017	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Core Bond												
Core Bond Enhanced Index												
Core Plus												
Corporates												
Dedicated Strategies:												
Mortgages												
Municipalities												
High Yield												
Global Bond												
International Bond												
Emerging Market Debt												
Long Duration												
Intermediate Duration												
Short Duration												
Total:												

Table C

Firm-wide Tax-Exempt Assets	2022		2021		2020		2019		2018		2017	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Taft-Hartley												
Public												
Corporate												
Endowment/Foundation												
Other												
Total												

Table D

Tax-Exempt Proposed Product Assets	2022		2021		2020		2019		2018		2017	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Taft-Hartley												
Public												
Corporate												
Endowment/Foundation												
Other												
Total												

4. Please list the number of **TAX-EXEMPT** accounts (#) and assets (\$) gained/lost over the past 5 years for the **PROPOSED PRODUCT**:

	Gained		Lost	
	#	\$	#	\$
2011				
2012				
2013				
2014				
2015				
2016				

5. For the proposed product, please list the mean and median tax-exempt account size (\$ millions) as of December 15, 2022:

Mean: _____ Median: _____

6. For the **PROPOSED PRODUCT**, please provide the following breakdown:

Proposed Product	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)	2017 (\$)
Separately Managed						
Commingled						
Mutual Fund						
Other						
Total						

7. For the **MASSACHUSETTS PUBLIC FUND ASSETS ONLY**, please provide the following breakdown:

Proposed Product	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)	2017 (\$)
Proposed Product						
Other Products						
Total						

8. Please list and briefly describe the different fixed income products that your firm offers.

III. Investment Philosophy and Process

1. Please complete the table below for **all** investment professionals responsible for managing the proposed product:

Name	Title, Role (PM/Analyst)	Years in role	Years working on product	Years with firm	Works solely on product? (Y/N)	Other products worked on	Role in other products worked on

2. For the investment professionals listed above, please provide short biographies, including past work experience, years of total investment experience, and degrees and professional designations.
3. Who is responsible for generating new ideas? Who is responsible for monitoring current names in the portfolio? If an investment professional(s) does both, approximately what percentage of his/her time is spent on each?
4. Are responsibilities broken down by sector, industry, credit quality, fundamental/quantitative analysis, etc.? If so, list each investment professional's main area of responsibility.
5. Who is ultimately responsible for buy decisions? If team based, do certain members have "veto power"?
6. Who is ultimately responsible for sell decisions? If team based, do certain members have "veto power"?
7. Who is responsible for ensuring that the portfolio is in compliance with internal and client guidelines?
8. For the investment professionals listed above, please describe the nature of their employment contracts, including compensation structure. What incentives are in place to minimize turnover and ensure the stability of the team?
9. Other than those named above, who else would work on the proposed product, and in what capacity?
10. For the proposed product, please list any investment professionals who have joined or left the firm during the last 5 years. Please **describe** the circumstances for their departure and the individual who took over their responsibilities.
11. Please briefly (in one page or less) describe your investment philosophy, process, and procedures for portfolio construction and risk control.

12. Please describe in detail your firm’s investment philosophies and strategies as well as the decision-making process for the following:
- a. Economic Outlook/forecast
 - b. Decision making process
 - c. Duration Decision
 - d. Yield curve decision
 - e. Sector allocation decision
 - f. Security selections
 - g. Research process
 - h. Currency decision (Foreign)

13. To what extent is your product’s investment process top-down or bottom-up oriented? Please explain and provide the following:

Contribution to Process	Contribution %
Bottom up	%
Top Down	%
Total	100%

14. To what extent is your strategy based on current income vs. capital appreciation. Please describe and provide the following:

Strategy	Contribution %
Current Income	%
Capital Appreciation	%
Total	100%

15. For the proposed product, what is the expected alpha and tracking error (%) on an annualized basis relative to the benchmark?

16. For the proposed product, please provide the expected contribution (%) to total alpha from each of the following factors:

Sources of Alpha	Contribution %
Security Selection	%
Sector Selection	%
Yield Curve	%
Duration	%
Total	100%

17. Please describe how you define risk with respect to the proposed product.

18. Does your investment strategy include a “Plus” component? If yes, please describe.

19. How does your firm measure and control the following factors:
 - a. Credit/Default Risk
 - b. Event Risk
 - c. Tracking Error Risk
 - d. Yield Curve/Interest Rate Risk
 - e. Callability
 - f. Other (Please specify)
20. Please describe how your firm manages illiquidity risk within the proposed product and the strategy for managing the portfolio during a key illiquidity event or a prolonged period of illiquidity.
21. What universe are securities selected from? What pricing sources are used for these securities?
22. Please describe your portfolio construction process.
23. Please describe your purchase and sale criteria.
24. Please describe your firm's trading capabilities.
25. Please describe your research capabilities including function and location of internal research operations and sources of external research.
26. How is currency exposure managed?
27. What steps does your firm take to ensure that each core portfolio will be sufficiently diversified? Please list the allowable investment sectors and describe any limits on the value of holdings in an individual sector, country, issue and credit rating.
28. Please describe your approach to other types of securities that may be classified as "plus", i.e. high yield, distressed debt, emerging market debt, non-U.S., preferred stocks, busted convertibles, bank loans, etc. Please describe each security's role if used, as well as the normal percentage of these securities in the typical portfolio.
29. Do you use derivative financial instruments in the portfolio? If so, please indicate which ones and how they are used and percentages used.
30. Do you consider the proposed product's strategy as aggressive or conservative? Please explain.
31. Please describe what environment and market conditions would favor the product's strategy. Why do you believe that your strategy will be successful going forward? Please provide research or evidence to support your belief.
32. Which benchmark do you feel is most appropriate for the proposed product? What characteristics of this benchmark make it more appropriate than other benchmarks as it pertains to the proposed product?

33. Please provide the following for the proposed product:

Characteristics As of 9/30/2022	Proposed Product	Benchmark
# of Securities in universe		
# of securities closely followed		
# of securities in a typical portfolio		
Average Maturity	Years	Years
Average Effective Duration	Years	Years
Average Quality		
Minimum Quality		
Typical annual turnover rate		

Risk Controls As of 9/30/2022	Proposed Product
Initial Security Weighting	
Maximum Security Weighting	
Maximum Issuer Weighting	
Minimum and Maximum High Yield Weighting	
Minimum and Maximum Non-US Weighting	
Minimum and Maximum Sector Weighting	
Minimum and Maximum Industry Weighting	
Cash Allocation Ranges	

Sector Holdings	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	Benchmark 2022 (%)
Treasury							
Government Related							
Agency							
Local Authority							
Sovereign							
Supranational							
EMD							
Corporate							
Industrial							
Utility							
Financial Institutions							
Convertibles							
High Yield							
Securitized							
MBS							
-Mortgage Pass Through							
-CMO							
ABS							
CMBS							
Foreign							
Other (Specify)							
Cash & Equivalents							
Total							

Credit Rating	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	Benchmark 2022 (%)
AAA/Aaa							
AA/Aa							
A							
BBB/Baa							
BB/Ba							
B/							
CCC							
Below CCC							
Not Rated							
Cash & Equivalents							
Total							

IV. Investment Performance

1. Please provide **gross** of fees, time-weighted quarterly rates of return for the proposed fixed income product. Please specify your methodology for constructing the composite and include the number of accounts and total market value.

	Quarter ending				Annual
	3/31	6/30	9/30	12/31	
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					

2. Also provide annualized, time weighted returns for the 1, 3, 5, 7 and 10-year periods ended 9/30/2022. Please include the risk, as measured by standard deviation, measure for the respective time periods.
3. Please supply the following information with respect to the performance figures supplied above:
 - a. What percentage of the total assets in the product does the composite represent?
 - b. What was the performance of the best and worst performing accounts in the composite over 1, 3, 5 and 10 years?

	Best	Worst
1 year	%	%
3 years	%	%
5 years	%	%
10 years	%	%

V. Investment Vehicles

1. If the product is offered in a mutual fund vehicle (whether directly or subadvised), please list the name of the fund(s) and the ticker symbol(s). Please also briefly describe any differences in investment process, guidelines (i.e. sector, security constraints, cash reserves, etc.), or any other factors that are materially different from the separate account/commingled fund vehicle.
2. Does the commingled fund or mutual fund participate in securities lending? If yes, please complete the attached Securities Lending Questionnaire.



Securities Lending
Questionair...

3. At what level of assets do you plan on closing this product? Please explain any differences in expected closing levels between the various vehicles available for this product.

VI. References

1. Please provide three references which will include the following (Massachusetts Public Funds if available):
 - a. Name
 - b. Organization
 - c. Telephone Number