

**REQUEST FOR PROPOSALS
Investment Consulting Services
Solicitation No.: R-17-012-GC
Addendum 1 | August 28, 2017**

CHANGES TO THE RFP

1. Section V. **Other Required Documents to Submit, A.1 Exhibit “A” – Insurance Requirements and Proof of Insurability** remove and replace the first sentence with the sentence below:

*Respondent shall submit a copy of a Certificate(s) of Insurance giving evidence of the various lines of Respondent’s commercial insurance coverage currently in force **OR** submit a letter from insurance provider stating provider’s commitment to insure the Respondent for the types of coverage listed and at the levels specified in Exhibit “A” if awarded a contract under this RFQ.*

2. Page 12, Submittal Response Checklist - Remove and replace in its entirety with the version attached to this addendum. This version should be used by Respondent’s when submitting a proposal.

END CHANGES TO THE RFP

QUESTIONS AND ANSWERS

1. **What is the reason for the RFP being issued?**

SAWS desires to engage a consultant without any direct involvement in the investment of the assets or the provision of plan administrative services to assist SAWS in regularly reviewing and evaluating the performance of its various retirement plan investment portfolios. It is envisioned that this consultant would act in an overarching advisory role with respect to the administrative services and investments in each of SAWS retirement plans.

2. **Which firm currently provides these services and is the firm eligible to rebid?**

Refer to responses for questions number eight and number twelve below.

3. Could you please provide the previous two quarters investment performance reports?

SAWS currently receives formal investment performance reports from Principal Financial Group and Wells Fargo approximately twice a year when we physically meet with these entities. The latest performance reports received to date encompassed first quarter 2017 for Principal and fourth quarter 2016 for Wells Fargo. The latest performance report received from the Standard pertained to the period ended September 30, 2016. It would be SAWS intention to share these performance reports with all short-listed firms resulting from this process, subject to obtaining any required approvals.

4. Could you please provide the Investment Policy Statements?

Please see the attached Amended and Restated Statement of Investment Policy for the San Antonio Water System Retiree Health Trust. SAWS pension plans do not currently possess formal Investment Policy Statements. The review and formulation of formal Investment Policy Statements is one of SAWS anticipated deliverables resulting from the award of this contract.

5. Could you please provide the Plans Experience Study?

SAWS has not conducted a recent Experience Study.

6. Could you please provide the Plans actuarial reports?

SAWS receives annual actuarial valuations on each of its defined benefit plans as well as its OPEB plan. While SAWS will be happy to provide copies of the most recent of these valuations to all short-listed providers, summary information from each of these valuations is included in Footnotes K and L to SAWS Comprehensive Annual Financial Report (CAFR) for the Years Ended December 31, 2016 and 2015. Additional information pertaining to SAWS retirement and post-employment plans is included in the Required Supplemental Information section of the CAFR pages 80-86. The SAWS CAFR can be found on the SAWS website at http://www.saws.org/who_we_are/Financial_Reports/CAFR/.

7. Please provide all of the plans documents.

SAWS will provide the requested information to the selected consultant upon approval of a contract by the SAWS Board of Trustees, subject to obtaining any required approvals.

8. Please provide all of the plans Service providers information (firm, contracts, fees, plan reports).

As disclosed in SAWS CAFR (see response to question 6 above) SAWS has delegated the authority to manage plan assets and administer the payment of benefits under the San Antonio Water System Retirement Plan (Defined Benefit and Defined Contribution Components) to the Principal Financial Group while having delegated the authority to manage plan assets and administer the payment of benefits under the District Special Project Retirement Income Plan to Standard Insurance Company. Both of these providers have been in place for more than ten years.

Wells Fargo has served in the capacity of fiduciary asset manager with respect to the San Antonio Water System Retiree Health Trust since 2012.

SAWS offers three Deferred Compensation Plans through ICMA-RC, Nationwide, and Standard with each of these providers having been in place for more than ten (10) years.

Additional requested information will be provided to the selected consultant upon approval of a contract by the SAWS Board of Trustees, subject to obtaining any required approvals.

9. Will any proposed changes to the contract by Gavion result in the removal of our response for consideration by SAWS?

No. However please refer to number thirteen of the Respondent Questionnaire for more information regarding contract exceptions.

10. If the investment advisor is not holding custody of the assets, would a smaller E&O policy be acceptable?

At this time the limit will not be changed.

11. Can you please provide your current consultant's name, fee, and the length of time they have been retained?

Refer to response for question number eight.

12. Are they being invited to rebid?

Current providers of services to SAWS retirement plans are eligible to submit responses to the RFP, however, as indicated in the response to question one, "SAWS is seeking to engage a consultant without any direct involvement in the investment of the assets or the provision of plan administrative services".

13. Is the scope outlined in the RFP consistent with the current consultant's contract? If not, what items are different?

SAWS has not previously engaged a consultant to fulfill the scope of service requested in the RFP and as discussed further in the response to question one.

14. Can you please provide the reason for the issuance of this RFP?

Refer to response for question number one.

15. Can you please provide your current manager roster and asset allocation?

As discussed in the response to question three, it would be SAWS intention to share this information with all short-listed firms resulting from this process.

16. Can you please provide your Deferred Compensation Plan Document?

As discussed in the response to question three, it would be SAWS intention to share this information with all short-listed firms resulting from this process, subject to obtaining any required approvals.

17. How many manager searches have been conducted each year, over the last 3 years?

None.

18. Exhibit "A", I currently have no certificates of Insurance. If I am selected, may I purchase this insurance upon award, or will this preclude me from being considered?

Refer to Changes to the RFP number one.

19. Additional Requirements: Respondent must demonstrate services to three public pension plans and five years experience in investment consulting...May I demonstrate my competency in the Scope of Work and still be considered as an applicant if I do not meet these requirements, or with this preclude me from being considered?

SAWS requires the consultant has provided the Scope of Service to at least three (3) public pension plans and have at least five (5) years' experience in investment consulting.

END OF QUESTIONS AND ANSWERS

No other items, dates, or deadlines for this RFP are changed.

END ADDENDUM 1

SUBMITTAL RESPONSE CHECKLIST

Project Name: Investment Consulting Services RFP

Firm Name: _____

Use the checklist to ensure that the proposal is complete by checking off each item included with your response. Sign and date this form and include this page with each proposal.

- Respondent Questionnaire
- Completed & signed W-9 Form, to include email address or fax number
- Qualifications
- Experience
- Organizational Chart
- Availability
- Resumes
- References
- Proposed Scope of Work
- Project Approach
- Attachment "A" Compensation Proposal (As a separate attachment.)
- Copy of Current Certificate of Liability Insurance **or** Letter from Insurance Provider
- Exhibit "B" – Conflict of Interest Questionnaire

I certify that the proposal submitted includes the items as indicated above.

Signature

Date

Printed Name

Title

San Antonio Water System Retiree Health Trust

**AMENDED AND RESTATED STATEMENT OF INVESTMENT
POLICY**

Dated January 6, 2015

STATEMENT OF INVESTMENT POLICY

San Antonio Water System Retiree Health Trust

I. INTRODUCTION

This Statement of Investment Policy (this “Policy”) is adopted by the Investment Committee. All capitalized terms used herein and not otherwise defined shall have the meaning specified by the San Antonio Water System Retiree Health Trust (the “Trust”). In the event of any conflict between the terms of this Policy and terms of the Trust Agreement, the terms of the Trust Agreement shall be controlling.

II. PURPOSE

The Investment Committee has established this Policy for the purpose of identifying the risk and return objectives for the Trust and providing guidelines, limitations, and directions for the investment of the assets within the Trust. This Policy provides such objectives, guidelines, limitations, and directions for the assets contributed to the Trust.

This document represents the conclusions and decisions made after a deliberate and focused review of the Trust’s investment objectives, risk tolerance levels, time horizons, income needs, taxation, and other investment concerns, taking into account the requirements of applicable law

III. RESPONSIBILITIES OF THE RISK POOL TRUSTEES

The responsibilities of the Investment Committee under this Policy include:

- Establishing reasonable and consistent investment objectives, policies, and guidelines which are incorporated in this Policy;
- Evaluating the Investment Manager and, to the extent deemed necessary by the Investment Committee, recommending additional and/or replacement Investment Managers;
- Regularly evaluating the performance of the Investment Manager to assure compliance with the guidelines set forth in this Policy and achievement of the investment objectives set forth in this Policy;
- Establishing and applying proper control procedures for monitoring the investment of the Trust assets in accordance with this Policy; and

- Regularly reviewing this Policy and making any recommendations to the Board of Trustees with respect to any necessary or appropriate revisions.

The Investment Committee shall not make or control specific investment decisions. The Investment Manager (or if none, the Section 115 Trustee) shall be solely responsible for the investment of the portion of the Trust assets with respect to which the Investment Manager has been retained.

The Investment Committee shall avoid any conflict of interest or self-dealing in the selection of the Investment Manager. No Investment Committee member may be affiliated with, or receive any compensation or other economic benefit, directly or indirectly, from the Investment Manager or any investment selected by the Investment Manager. An Investment Committee member shall not be considered to have such a conflict solely because the Investment Committee member has funds invested in the same investment vehicles as the Trust or has an account at or receives services from the same bank or other institution as the Trustee or the Investment Manager.

IV. INVESTMENT OBJECTIVE

The investment objective for the Trust is to achieve an average annual rate of return equal to or above the targeted annual rate of return (including interest, dividends, and capital gains and after deducting management, administrative, and transaction costs) of seven percent (7%) for the aggregate investments over an evaluation period of three to five years or a full market cycle.

V. INVESTMENT PHILOSOPHY

The assets of the Trust shall be invested in a manner that is consistent with the Trust Agreement, generally accepted standards of fiduciary responsibility, and the requirements of applicable law. The Investment Manager shall observe the safeguards that would guide a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All transactions undertaken on behalf of the Trust shall be for the exclusive benefit of the Participants and their beneficiaries.

The Trust is generally exempt from Federal income taxes under Section 115 of the Internal Revenue Code of 1986, as amended. Therefore, income tax efficiencies are generally not a factor and should not affect investment decisions regarding the Trust assets. However, the Trust assets should be invested in a manner that does not generate unrelated business taxable income, excise taxes, or other taxable income under federal or state law.

The Trust assets shall be actively managed by the Investment Manager on a fully discretionary basis subject to the terms of this Policy and provided that the level of asset turnover and trading action is prudent taking into account expenses incurred. To the extent prudent, the Trust should be essentially fully invested at all times.

VI. INVESTMENT PERFORMANCE

Investment performance will be measured quarterly, but it is not expected that Trust performance will meet or exceed the Benchmark each quarter or year. However, it is expected that the performance will meet or exceed the Benchmark, over a Full Market Cycle (a “Cycle”). A Cycle, for this purpose, is considered to be a period of three to five years. The Market (the “Market”) for the Trust is set by the Benchmark as defined by the underlying target weightings of each index within the Benchmark, as stated in section VII. In addition, the performance of each investment fund utilized within the overall Trust should be competitive over a Cycle with its established benchmark based on investment objective, investment style, and market capitalization. The measurement of investment performance will take into consideration the following:

Return Objective

The minimum average annual return objective for the Trust, measured over a Cycle, shall be to generate a return that meets or exceeds that of the Benchmark. Accordingly, the Investment Manager is accountable for the returns of the Trust and each of the underlying investment funds.

Risk Parameters

The Trust should experience risk (volatility and variability of returns) comparable to that of the Benchmark, as measured over a Cycle. Accordingly, the Investment Manager is accountable for the risk of the Trust and each of the underlying investment funds.

VII. ASSET ALLOCATION

Asset Mix

The asset mix will include a blend of active and passive investments. The Investment Manager has the discretion to vary the ratio of stocks, bonds, or cash within the parameters set forth below to maximize total return commensurate with potential risk. If asset allocations fall outside the parameters expressed below, the Investment Manager will re-balance the portfolio to bring it within the allocation limits expressed below within one (1) calendar quarter. Allocations should not remain outside the stated maximums and minimums without written approval from the Investment Committee.

	Maximum %	Minimum %	Benchmark Targets
EQUITIES	70	50	60%
Domestic Large Cap	49	25	36% Russell 1000
Domestic Small Cap	18	2	9% Russell 2000
Foreign Equity	25	7	15% MSCI ACWI xUS
FIXED INCOME	50	25	38%
Fixed-Income	50	25	38% BC Aggregate Bond

CASH	5	0	2%
Cash	5	0	2% 90-Day US Treasury Bill

Asset Classes

Short-Term Investments

Short-term investments are primarily intended to provide conservative, highly marketable securities for the liquidity needs of the Trust, such as disbursements, and future long-term investment. Short-term investments include high quality debt securities that offer low risk, such as money market funds, U.S. government and agency obligations, commercial paper, certificates of deposit and repurchase agreements. The investment objective of the short-term investment segment is to seek to produce a return, net of fees, that exceeds, over rolling three and five-year periods, the Citigroup 3-Month T-Bill.

Fixed-Income Investments

Fixed-income investments are intended to provide a hedge against deflation, a stable component of return and to minimize the overall volatility of the Trust assets. Assets in this segment are comprised primarily of bonds (e.g., corporate, government, asset-backed, mortgage-backed) but may also include commercial paper and U.S. government/agency issues. The investment objective of the fixed-income segment is to seek to produce a return, net of fees, that exceeds, over rolling three and five-year periods, the Barclay's Capital Aggregate Bond Index and the median of an appropriate peer universe of managed funds.

Equity Investments

Equity investments are intended to provide long-term capital growth that exceeds inflation. It is recognized that equity investments carry greater market price variability and risk than other asset classes. To assure prudent diversification and to avoid excessive risk, the equity investments of the Trust will adhere to the asset allocation parameters set forth above. The investment objective of each equity segment is noted below:

- **Domestic Large Cap Value**

This asset class invests primarily in companies with market capitalizations in excess of \$5 billion. Securities in this asset class will normally have a below-average price-to-earnings ratio, price-to-book ratio and earnings growth ratio when compared to a diversified large cap index. The investment objective is to seek to produce a return, net of fees, that exceeds, over rolling three and five-year periods, the Russell 1000 Value Index and the median of an appropriate peer universe of managed funds.

- **Domestic Large Cap Growth**

This asset class invests primarily in companies with market capitalizations in excess of \$5 billion. Securities in this asset class will normally have above-average price-to-earnings ratio, price-to-book ratio and earnings growth ratio when compared to a diversified large cap index. The investment objective is to seek to produce a return, net of fees, that exceeds, over rolling three and

five-year periods, the Russell 1000 Growth Index and the median of an appropriate peer universe of managed funds.

- **Domestic Small Cap**

This asset class invests primarily in companies with market capitalizations of \$1.5 billion or less. Securities in this asset class will normally have an average price-to-earnings ratio, price-to-book ratio and earnings growth ratio when compared to a diversified small cap index. The investment objective of the small cap blend equity segment is to seek to produce a return, net of fees, that exceeds, over rolling three and five-year periods, the Russell 2000 Index and the median of an appropriate peer universe of managed funds.

- **International**

This asset class invests primarily in companies based outside the U.S. and will normally diversify assets among numerous developed markets, such as Australia, Japan, Great Britain, Italy, France and Germany. Limited emerging market exposure is acceptable. The investment objective of the international equity segment is to seek to produce a return, net of fees, that exceeds, over rolling three and five-year periods, the Morgan Stanley Capital International All Country World Index Exclude US and the median of an appropriate peer universe of managed funds.

Current Income

The Investment Committee will advise the Investment Manager when liquidity for benefit payments and expenses is necessary. The Investment Manager must provide sufficient liquidity to meet benefit payments and expenses of the Trust.

Other Characteristics of Rate of Return

In complying with the investment objectives of this Policy, the Investment Manager will employ a dynamic and flexible approach, as called for by changing economic and capital market environments. Fundamental industry, company, and credit analysis should be the primary basis for the investment decisions, coupled with sensitivity to both market factors and price.

Diversification and Investment Quality

The Investment Manager shall maintain a diversified portfolio consistent with the Trust and this Policy, at all times. Adequate diversification should include geographic and sector diversity, but also requires limiting concentration in groups of securities subject to a single significant economic, social, or political event.

VIII. INVESTMENT RESTRICTIONS

The Investment Committee may restrict specific investments from the Trust assets on grounds other than economic risk and reward. Should the Investment Committee restrict

security investments, a list of the prohibited investments will be given to the Investment Manager. This list may be periodically updated.

IX. INVESTMENT REVIEWS

Investment reviews with the Investment Committee and/or the Board of Trustees will be held at least annually, or as requested, and sufficiently after the close of the fiscal year of the Trust. The materials for this meeting should include, but not be limited to:

- Forward look at the economic and market environment, and the Trust's posture given potential scenarios.
- Investment environment and strategy employed for the most recent fiscal year, with particular attention to departures from prior outlook report.
- Performance of the Trust and underlying asset classes relative to stated benchmarks, including returns for 1, 3, and 12-months, and 3 and 5-year periods, when available.
- Administrative, procedural or other matters.
- Other items of importance which may occur, such as changes in our working relationship, if necessary, to comply with pertinent legislation: material changes in the Investment Manager's organization; investment philosophy or outlook; recommendations concerning any change in Policy which the Investment Manager believes should be considered by the Investment Committee.

In addition to a monthly statement, a written quarterly report is required and should include, but not be limited to, the following information:

- Statement of assets in the Investment Manager's current format.
- Statement of the current asset mix or allocation.
- Quarterly performance measures and benchmark comparisons.
- Statement of transactions in the Asset custodian's current format.

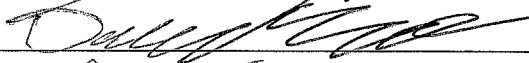
X. MISCELLANEOUS

For the calculation of percentages in a particular security, market value will be used as the basis, unless otherwise indicated.

The Investment Manager will use its own judgment in placing securities transactions with brokerage firms, unless otherwise directed by the Investment Committee. All transactions should be entered into on the basis of best execution. Notwithstanding the above, the Investment Manager is expected to deal with financially strong firms capable of giving the Trust a reasonable combination of price, commission, and service.

All changes or exceptions to this document will be in writing, signed by the representatives of the Investment Committee, and delivered to the Investment Manager.

AGREED: San Antonio Water System

By: 

Date: March 3, 2015

Name: Dolly Evanson

Title: Chief Financial Officer

Company: San Antonio Water System