

Process for Periodic Review of Trust Fund Investment Management Firm

In response to the auditor's (Jim Benn) recommendation, the Trustees agreed on a process to review regularly the investment management support for the First Parish Trust Funds. This periodic review, recommended every 7 years, supports the fiduciary responsibility the Trustees have to the congregation.

We followed this rigorous practice in our review:

- Created a request for proposals (RFP) and issued to five bidders. The slate of potential bidders was selected by the Trustees.
- Four organizations submitted proposals: Axial Financial (incumbent), the UUA Common Endowment Fund, Pathstone Federal Street, and Trillium Asset Management.
- Reviewed the proposals according to several key criteria:
 - Investment process, experience and capabilities
 - Investment performance
 - Experience and expertise with socially responsible (SRI) and environmental/social/governance (ESG) investing
 - Service model, including experience working with volunteer committees in faith communities
 - Fees

We are documenting this process to facilitate subsequent reviews by the Trustees. The RFP is attached.

Work Plan

What	Who	When	Status	Comments
Decision to review investment management relationship	All Trustees	spring 2015	complete	
Develop RFP	Gerry, Louise on point	October	complete	
Develop list of bidders	All Trustees		complete	
Confirm which firms will respond	Gerry, Louise		complete	one declined to bid
Draft criteria for review of bids	Gerry, Louise		complete	
Send RFP	Louise	2-Nov	complete	
Contacts for questions from bidders	Gerry, Louise		complete	
Update to Trustees	Gerry, Louise	16-Nov	complete	
Receive responses	Louise	23-Nov	complete	
Review responses & refine review criteria	Gerry, Louise	late Nov	complete	
Send responses to Trustees with review criteria	Louise	late Nov	complete	
Select finalists to interview	All Trustees	14-Dec	complete	
Invite finalists	Louise	asap	complete	
In person meetings with finalists	All Trustees	mid Jan		Jan 25 and Feb 1
Followup questions if needed	Gerry, Louise	mid Jan	complete	sent Jan 4
Check references	Gerry, Louise	late Jan	complete	focused on UUA
Final selection	All Trustees	22-Feb	complete	
Inform Parish Committee of final selection	Steve	23-Feb	complete	
Notify bidders	Gerry, Louise	late Feb	complete	
Inform Treasurer and FinCom chair	Louise	26-Feb	complete	
Handoff (if needed)	Gerry, Louise + trustees	March/April	complete	
Initial meeting with all Trustees (if new manager)	All Trustees	28-Mar	complete	
Provide documentation of process to Auditor	Gerry, Louise	April	complete	

Draft Review and Scoring Approach

Overall Rating - each Trustee to complete	Firm A	B	C	D	See especially	Overall rating
People/Firm fit (Who are the people, how will account be handled, do they work with others like us?)					Experience with similar organizations, client service approach, assets under management Q3	3 = meets FP needs well 2 = meets some of FP needs 1=does not meet FP needs
Investment Process (what do they do & how do they do it?)					Investment policy & process, portfolio risk, ability to handle SRI	
Investment Performance					Performance	
SUM	0	0	0	0		
Fees (lower is better)					Fees & account minimums	

Summary notes for comparison purposes - for your notes	Firm A	B	C	D
Capabilities				
Experience with similar organizations (volunteer, non profit, faith)				
How they can handle & report on stock/mutual fund contributions				
Options for SRI				
Ability to invest & track separate accounts				
How would they handle transition to a new investment manager?				
Ability to provide quarterly performance & cost reporting, including subfunds				
Ability to provide real time access to account information				
Ideas for Damon Wellington fund - ministerial housing contribution				
Firm Information				
Organizational information				
Firm Personnel				
Client Service				
Scope of services				
Reporting frequency				
Reporting approach/methods				
Compliance				
Proxy Voting				
Governance				
Trading				
Brokerage/soft dollars				
Firm risk				
Portfolio information				
Personnel				
Assets under management				
Investment philosophy & process				
Portfolio risk				
Questions for fixed income				
Research				
Performance				
Performance				
Fees & account minimums				

Bidder List**Sent RFP to:****UUA**

Tim Brennan, Treasurer & CFO UUA
Susan Helbert, Assistant to the Treasurer
Unitarian Universalist Association
24 Farnsworth St.
Boston, MA 02210-1409 Telephone No.: (617) 948-4306
Facsimile: (617) 367-3237
Email: shelbert@uua.org
Tbrennan@uua.org

Axial Financial Group

Adam Scott
Adam.Scott@Axialfg.com
781 273 1400
5 Burlington Woods, Suite 102
Burlington, MA 01803

Sensible Financial Planning

Rick Miller - Founder
203 Crescent Street, Suite 404
Waltham, MA 02453
Phone: (781) 642-0890
Fax: (617) 812-6138
<http://www.sensiblefinancial.com>

Declined to bid: not a fit with their
services & policies

Trillium Asset Management LLC

funds)
Sleighton@trilliuminvest.com
Sada M. Geuss, Investment Manager
Two Financial Center
60 South Street, Suite 1100
Boston, MA 02111
(617) 532-6668
<http://www.trilliuminvest.com>

**Federal Street Advisors -- merged with Pathstone
Jan 1, 2016**

<http://www.federalstreet.com/>
attention: Jeff Scheer – Gerry has been in touch
jscheer@federalstreet.com
24 Federal Street, Boston, MA 02110
617-350-8999
John LaPann will participate in the process as well

Comparisons, Preliminary - Dec 11, 2015

	Axial	Pathstone	Trillium	UUA
Experience with other faith organizations	FP is a client, are there others?	Has UU congregations as customers; owner is UU.	FP Alliance is a customer; faith communities are a key market	Works w/ 300 congregations.
ESG/SRI investing	Capable	Expertise	In their DNA	In their DNA
Proxy voting to influence	No	No	Yes	Yes
Wellington fund ideas	60/40	65/35	10/90	pooled fund only - one approach
Ability to handle FP reporting needs	Yes	Yes	Yes	No
Investment performance	TBD	TBD	TBD	TBD
Fees				
Underlying investment expense	0.53%	0.90%	1.00%	0.56%
Advisory fee	0.83%	1%*	NA	NA
Custodial/Proxy/Advisory/Admin Fee	NA	NA	NA	0.0043
TOTAL ALL IN FEE	1.36%	1.90%	1%*	0.99%

*on first \$2mm,
0.85% on next
\$3mm

*on first \$2mm,
0.75% on next
\$3mm

Registered rep of
Commonwealth
Investment
Advisors;
Commonwealth is
the custodial

Investment
advisor only; no
broker dealer

Asset manager.
Also provide
some advice. SRI/
ERG stock pickers
primarily; some
bonds

One pooled fund.
\$178M in total

Follow-Up Questions

UUA

Questions prior to the meeting: We have a few questions we think can be clarified prior to the meeting either by email or a phone conversation. Which approach is better for you?

1. Please describe specifically how your team would work with FPUUA? Who does what when?
2. Please provide a few examples of how the UUA uses proxy voting.
3. Please describe the specific mechanics for how money would move into our account from a donation to FP trust funds? And how would funds be disbursed when needed by FP? Who would work with us and how?
4. When a donation is made to our annual stewardship campaign (i.e. not a contribution to the trust funds) how would that donation be handled? The donation is not for our trust funds; the stock/fund donation needs to be sold and proceeds returned to the FP treasurer's account for annual operating costs.
5. The Investment Information Memorandum says that restricted vs unrestricted funds can be segregated (pg2). Specifically how is that done in light of having one pooled fund? How would restricted funds for FPUUA be tracked and reported?
6. Specifically what information will FP will have online and thus available at any time?
7. References: We would like to talk with 2 or 3 congregations with restricted and unrestricted funds.

Agenda for our meeting

We have an hour and want to cover the following topics. We suggest ~ 30 minutes for your presentation and another 20-25 minutes for questions and discussion.

- Introductions
- We have gotten very good service with our current investment manager. How will the UUA service FP needs over time given that our Trustees are a volunteer committee with turnover.
- We would like to hear about your recommendation for how to handle our Wellington Fund situation as described in the RFP.

- Given the possibility that FP would want to draw down funds on a regular basis please share your philosophy about draw down risk given good markets and bad.
- Why is the UUA the best choice for First Parish Arlington's investment management needs?

Federal Street

Questions prior to the meeting: We have a few questions we think can be clarified prior to the meeting either by email or a phone conversation. Which approach is better for you?

1. Please describe specifically how your team would work with FPUUA? Who does what when?
2. Please describe the specific mechanics for how money would move into our account from a donation to FP trust funds? And how would funds be disbursed when needed by FP? Who would work with us and how?
3. When a donation is made to our annual stewardship campaign (i.e. not a contribution to the trust funds) how would that donation be handled? The donation is not for our trust funds; the stock/fund donation needs to be sold and proceeds returned to the FP treasurer's account for annual operating costs.
4. Specifically what information will FP will have online and thus available at any time?
5. References: We would like to talk with 2 or 3 faith communities as references.

Agenda for our meeting

We have an hour and want to cover the following topics. We suggest ~ 30 minutes for your presentation and another 20-25 minutes for questions and discussion.

- Introductions
- We have gotten very good service with our current investment manager. How will your firm service FP needs over time given that our Trustees are a volunteer committee with turnover.
- Please explain how your team would work with the FPUUA Trustees to determine the best asset allocation for our trust funds. Would that asset allocation be revisited from time to time? Given a typical asset allocation for a faith community like ours, what might we use as a target return (gross and net) for our planning purposes?

- We would like to hear about your recommendation for how to handle our Wellington Fund situation as described in the RFP.
- Given the possibility that FP would want to draw down funds on a regular basis please share your philosophy about draw down risk given good markets and bad.
- Why is Federal Street the best choice for First Parish Arlington's investment management needs?

Trillium

Questions prior to the meeting: We have a few questions we think can be clarified prior to the meeting either by email or a phone conversation. Which approach is better for you?

1. Given the firm's focus on asset management how does Trillium customize service and meet the needs of individual clients?
2. Please describe specifically how your team would work with FPUUA? Who does what when?
3. Please elaborate on how the firm handles proxy voting costs and why Trillium would rather not provide the amount paid?
4. Please provide a few examples of how Trillium uses proxy voting.
5. Please elaborate on the firm's use of soft dollars; what are the potential conflicts of interest and how are they managed? (pg 12)
6. Please describe the specific mechanics for how money would move into our account from a donation to FP trust funds? And how would funds be disbursed when needed by FP? Who would work with us and how?
7. When a donation is made to our annual stewardship campaign (i.e. not a contribution to the trust funds) how would that donation be handled? The donation is not for our trust funds; the stock/fund donation needs to be sold and proceeds returned to the FP treasurer's account for annual operating costs.
8. Specifically what information will FP will have online and thus available at any time?

9. References: We would like to talk with 2 or 3 faith communities as references. We are aware that Trillium works with the Alliance at First Parish Arlington and would like to talk with others.

Agenda for our meeting

We have an hour and want to cover the following topics. We suggest ~ 30 minutes for your presentation and another 20-25 minutes for questions and discussion.

- Introductions
- We have gotten very good service with our current investment manager. How will your firm service FP needs over time given that our Trustees are a volunteer committee with turnover.
- Please explain how your team would work with the FPUUA Trustees to determine the best asset allocation for our trust funds. Would that asset allocation be revisited from time to time? Given a typical asset allocation for a faith community like ours, what might we use as a target return (gross and net) for our planning purposes?
- We would like to hear about your recommendation for how to handle our Wellington Fund situation as described in the RFP.
- Given the possibility that FP would want to draw down funds on a regular basis please share your philosophy about draw down risk given good markets and bad.
- Why is Trillium the best choice for First Parish Arlington's investment management

Axial

Questions prior to the meeting: We have a few questions we think can be clarified prior to the meeting either by email or a phone conversation. Which approach is better for you?

1. Who specifically makes the investment decisions for First Parish?

Who is Axial vs the Axial partnerships or Commonwealth?

Who specifically will work on our account? We understand that Axial has ~25 employees and it is confusing as to who actually does what in the organization and how that relates to First Parish.

2. How does Axial manage the potential conflict of interest created by Commonwealth's revenue sharing agreements? How might these agreements impact First Parish?

Agenda for our meeting

We have an hour and want to cover the following topics. We suggest ~ 30 minutes for your presentation and another 20-25 minutes for questions and discussion.

- Introductions
- Please explain how your team will work with the FPUUA Trustees to determine the best asset allocation for our trust funds. Would that asset allocation be revisited from time to time? Given a typical asset allocation for a faith community like ours, what might we use as a target return (gross and net) for our planning purposes?
- We would like to hear about your recommendation for how to handle our Wellington Fund situation as described in the RFP.
- Given the possibility that FP would want to draw down funds on a regular basis please share your philosophy about draw down risk given good markets and bad.
- Why is Axial the best choice for First Parish Arlington's investment management

**Request for Proposal:
Trust Fund Investment Management
First Parish Unitarian Universalist of Arlington, MA**

Introduction to First Parish Unitarian Universalist of Arlington, MA (First gathered in 1739)

A bit of background about First Parish may be helpful for responding to this RFP. The following is from our website: www.firstparish.info

First Parish is a buoyant, vibrant community of more than 400 members and a youth group of more than 80 youth. We are straight and LBTGQ. We are single. We are coupled. We are parents and little ones. Whoever you are, you are welcome!

We love music and have a 40-member choir and many musicians to show for it. We care about living green and responsibly and reaching across race and class.

In the center of Arlington, we have been around since the founding of the town. We have worshipped in five buildings on this site, today's built after a fire in 1975. Through the generations we have stood for progressive reform.

We are a religious people who grapple with what it is to live and die, and make wise and good choices in our days. We know that living spiritually and intentionally makes for a fuller life and a better world.

Overview of the Role of Trustees of First Parish UU Arlington

The Trustees of FPUUA are member volunteers elected by the congregation for 3 (overlapping) year terms. They are fiduciaries charged with managing our trust funds to ensure the long term survival of FPUUA. The Trust Funds of FPUUA come from member contributions and are a treasured asset of the congregation.

The funds under management combine unrestricted and restricted amounts, with total funds under management of approximately \$2M. There is the need to invest and track some sub funds differently from other assets.

The Trustees report to the congregation annually as part of the FPUUA annual meeting. Trustees meet regularly during the program year (Sept – June) and review investment performance as part of those meetings. Meetings typically are in the evening. The investment manager needs to support these reporting needs and be available to meet with the Trustees at least 3 times a year in the evening.

The Trustees, via the investment manager, also handle all stock and mutual fund contributions made to the church, whether they are for the trust funds, annual stewardship pledges or other special purposes.

Some specific capabilities we seek in an investment manager

- Ability to work with a volunteer committee in a faith community with members serving staggered terms.
- Ability to handle and report on stock and mutual fund contributions
- Ability to respond to environmentally and socially responsible investing
- Ability to invest and track some assets separately.

- Ability to handle and minimize disruption in the case of transition to a new investment manager
- Ability to provide quarterly performance and cost reporting, including subfunds
- Real time access to account information

Purpose of this RFP, timing and contacts

The fiduciary responsibility of the Trustees includes ensuring that our investment management approach and relationships are reviewed on a regular basis. This document lays out information that we seek in that review process.

We seek to work with an investment manager who can meet the needs of this trust fund and the volunteers who serve as Trustees.

Our anticipated calendar for review and selection of an investment manager is as follows:

RFP sent: November 2

Written responses requested by: November 23

In person meetings with finalists: mid January

Decision made by: February 1

Contact person for questions: XXX

A. Firm Information

Organizational Information

Please provide the following information:

1. Firm name.
2. Firm headquarters mailing address.
3. Firm headquarters telephone number.
4. Name of individual(s) completing questionnaire.
5. Individual(s) telephone number(s).
6. Individual(s) fax number(s).
7. Individual(s) e-mail address(es).
8. Date questionnaire completed (Day/Month/Year).
9. Firm classification:

☐ Bank

☐ Insurance Company

☐ SEC-Registered Investment Adviser

☐ Other

If other, please explain _____.

10. Brief history of firm, including ownership, with an emphasis on any material developments in the past three years. Please include prior names and the length of time your organization has been in business under its present name and ownership.
11. Organizational chart of firm.
12. Firm's current succession plans.
13. Name of parent firm (if any) and the name of affiliations or subsidiaries (if any).
14. Date of firm inception.
15. Name of regulatory body overseeing the firm, this portfolio, and the dates of registration, as appropriate.
16. Firm's fidelity bond and fiduciary liability insurance policies, including coverage amounts.

Firm Personnel

Please fill out the following table, listing the number of individuals in each job function:

Job Function	Number of Employees	Avg Yrs Experience	Avg. Yrs Tenure
Compliance personnel			
Portfolio managers			
Research analysts			
Traders			
Economists			
Client service			
Marketing			
Other staff			
Total firm employees			

Client Service

1. Please indicate the scope of services that will be provided for this account. Please include a description of how client servicing/communication responsibilities are divided between portfolio managers and client service/marketing personnel and how often portfolio managers meet with clients to review the portfolio.

2. Please describe the client-reporting process. How frequently are reports made available?

Compliance

1. Please describe the compliance assessment process, including the time period covered, testing methods, and frequency.
2. When was the last compliance assessment? Please attach a summary of the report, if possible.
3. To whom does the chief compliance officer report?
4. Please provide a copy of the registration forms you have provided to your local regulator. (If you are an SEC-registered adviser, please provide your firm's Form ADV, Part 1 and 2.)
5. When was your firm's last regulatory inspection? Please provide a summary of the inspection results.
6. Has any regulatory body or market authority issued any orders or other sanctions against your firm in the last five years? If yes, please describe.
7. Is your firm or any affiliate the focus of any pending or ongoing litigation, formal investigation, or administrative proceedings related to money management activities? If yes, please describe.
8. Have the principals of your firm been under investigation related to money management activities in the last five years? If yes, please explain.

Proxy Voting

1. Please provide the identity of any third-party proxy voting services used by your firm.
2. If your firm uses proxy voting services, how are these firms selected?
3. Please list the amount paid to any proxy voting services used by your firm over the last three years.
4. If your firm uses proxy voting services, are these services paid for directly or through soft dollars?

Governance

1. Please provide a summary of your firm's internal control structure.
2. Please describe any potential conflicts of interest your firm may have in the management of this account. If there are conflicts, please describe how they are addressed. When answering this question, you may refer to Schedule F of Form ADV Part 2 or another disclosure document, if appropriate.

Trading

1. Please describe any restrictions you may have on client-directed transactions.

2. Please describe your policies and procedures concerning trading and execution, including those relating to (i) how your firm seeks to achieve best execution; (ii) how your firm ensures equitable trading for all clients (i.e., the account of one client is not favored above the account of another) and exceptions to this policy. When answering this question, you may refer to Schedule F of Form ADV Part 2, if appropriate.

Brokerage/Soft Dollars

What is your firm's approach to the use of soft dollar arrangements?

Firm Risk

Please provide a short biography or resume of the person(s) who is (are) responsible for the overall risk management of your firm.

B. Portfolio Information

Personnel

1. Please provide a list of all key personnel involved in the management of this portfolio (i.e., dedicated to the portfolio), including the lead portfolio manager, marketing personnel, and research analysts. For the lead portfolio manager, please include the size and quantity of portfolios he or she currently manages within this portfolio and any other strategies he or she works on. For each individual, please answer in the format below and attach biographies.

Name	Title	Education	Role at Firm	Total Inv Exp (years)	Tenure with Firm (years)

Assets under Management

1. Please fill out the following tables for the assets the firm has under management:

Account Type	Asset Amounts	Number of Accounts	Avg. Yrs Tenure
Corporate			
Public Fund			
Union			
Foundation / Endowment			
Insurance			
HNW Individuals			
Wrap accounts			
Sub-advised assets			

Vehicle Type	Asset by Vehicle	Accounts by Vehicle
Separate account		
Commingled fund		

2. Please provide at least three representative client references. For each reference, please include the client's name and the length of the relationship as well as the client's e-mail address and phone number.
3. What is the distribution of your portfolios under management?

RANGE	
\$0 - 1mm	
\$1mm - 5mm	
\$5mm - 10mm	
\$10mm - 25mm	
\$25mm - 50mm	
\$50mm +	

Investment Philosophy and Process

1. Please briefly describe your firm's investment philosophy. How has it changed over time?
2. Please discuss your firm's investment strategy, screening processes, and portfolio construction methodology.

3. How do you decide to buy or sell a security?
4. Are portfolios managed by individual managers or teams?
5. To what extent does this portfolio use leverage and derivatives? Please explain.
6. Do managers follow a “model” portfolio, and if so, to what extent is management permitted to deviate from such a model portfolio?

How frequently are investment policy or strategy meetings held?

Portfolio Risk

1. Please describe how your firm controls portfolio investment risk.
2. How does your firm currently measure/track risk for this portfolio (e.g., standard deviation, beta, other)?
3. Do you stress test your portfolios? If so, how do you stress test your portfolios?

Specific Questions for Fixed Income

1. Please provide details regarding your investment process around fixed income.
2. How would you manage a bond portfolio in the current interest rate environment?
3. Do you have the ability to manage individual fixed income securities?

Research

1. Please provide an overview of your research, including the use of fundamental, technical, and quantitative analyses.
2. Please provide any additional comments that are unique to your firm.

C. Performance

Performance

1. If your firm is GIPS® compliant, please attach a GIPS-compliant presentation for your model portfolios.
2. If your firm is NOT GIPS compliant, please either attach a chart detailing your firm’s performance for this proposed portfolio for at least the past 10 years including as much detail as possible beyond merely performance data, OR fill out the following table:

Year	Gross of Fees Return %	Net of Fees Return %	Benchmark Return %	Number of Accounts	Total Composite Assets	Total Firm Assets
2014						
2013						
2012						
2011						
2010						
2009						
2008						
2007						
2006						
2005						
2004						

GIPS Compliance

Please respond to Questions 1–2 if your firm is GIPS compliant:

1. How many years has your firm been GIPS compliant?
2. Has your firm been verified? Please specify the name of your verifier and provide a verification letter. Please provide the number of years your firm has been verified.

Please respond to Questions 3–9 if your firm is NOT GIPS compliant:

3. Please name and define the composite for the strategy that is the subject of this RFP.
4. When presenting gross of fees returns, please disclose if any other fees are deducted in addition to trading expenses.
5. When presenting net of fees returns, please disclose exactly what other fees are deducted in addition to the investment management fees and trading expenses.
6. If your firm uses a custom benchmark, please describe the benchmark and the process and rationale behind the creation of this benchmark.
7. Please disclose your firm's treatment of withholding tax on dividends, interest income, and capital gains.
8. Please disclose the use of any subadviser(s) and the periods used.
9. Is additional information regarding policies for calculating and reporting returns available upon request?

Fees and Account Minimums

1. Please list your fee schedule for this proposed portfolio. Please include performance-based fees, the basis for those fees, and any other fees that may be applicable to the running of this account.
2. What is the minimum account your firm will accept?
3. Does your firm charge a minimum annual fee? If so, what is this fee? Will it stay the same or change in the future based on some set formula?
4. Under what circumstances are fees negotiable?
5. What is your billing frequency?