

InR Response to the Upper
Providence Township Request for
Proposal Financial Advisory
Services Police and Non-Uniform
Pension Plans

April 29, 2016



HISTORY AND OWNERSHIP

1. List your firm's complete name, address, telephone and fax numbers. Briefly describe the organization, the year it was founded, location of its headquarters and other offices, its ownership structure and affiliations with other companies.

InR Advisory Services was founded in 1992. The Firm maintains one office located in Media, PA. InR's business structure is organized as a Limited Liability Company (LLC).

InR Advisory Services, LLC.
115 West State Street Suite 300
Media, PA 19063
610-891-1677 phone
610-891-1679 fax

Primary Contact: Jeffrey Hugo AIF®, CLU, ChFC, CEBS Vice President
Email Address for InR Contact: Jeff Hugo jhugo@inradvisors.com

InR Advisory Services LLC is owned by:

Michael Glackin, AIF®, CFP®, President
Jeffrey Hugo AIF®, CLU, ChFC, CEBS Vice President
Thomas Babcock CEO

Our business focus is primarily to serve the needs of municipalities, as you will see by our responses to the Questions in the Request for Proposal.

2. Provide a brief history of your firm and your parent organization.
 - a. How long has the firm been acting as a financial advisor/performance monitor for municipal pension funds?

We have been consulting with municipalities for 23 years.

- b. What is the total asset base of the pension funds on which you consult?

InR Advises on over \$800,000,000 in assets, of which over \$600,000,000 is with our municipal clients.

- c. Provide a listing of all governmental or municipal pension funds, including amount of assets, for which the firm currently acts as an advisor.

Please see Section 3 – List of Clients



- d. Describe your level of experience with Pennsylvania Act 205, which dictates reporting and funding requirements for all PA municipal pension plans.

Michael Glackin and Jeffrey Hugo have been providing investment advisory services to municipalities in the Commonwealth of Pennsylvania for over 20 years. Our firm, InR Advisory Services, has specialized in this line of business and as you will see from our answers to the RFP Questions, we have been successful in working with municipal clients. To provide the required level of service to our clients, we have developed processes and hired dedicated individuals to service our clients. We have developed wonderful working relationships with the State Auditor General's Office and with the various administrative firms in the Commonwealth of Pennsylvania. We have firsthand knowledge of the firms currently working with Upper Providence Township (Mockenhaupt, Thomas J. Anderson, and Duda Consulting).

- e. Describe your level of experience in advising clients on 401, 457 and related IRS-recognized defined contribution programs.

InR has developed processes and intellectual capital to meet the needs of our municipal clients. We have been able to carry the knowledge we built in managing defined benefit plans over to our defined contribution accounts, so that non-uniform 401(a) and 457 participants can also access low cost passive investments from Vanguard®. We build risk based models that are used by our defined contribution plan participants. We have dedicated staff to meet with employees in these participant directed accounts. We are proud to share that we work with Chester, Bucks, Berks and Delaware Counties, as well as many boroughs, townships, cities, and authorities in the Delaware Valley including Upper Providence Township. Please refer to Section 6 of our Response to this RFP to review our capabilities.

- f. Do you formally provide seminars or other educational opportunities for your clients?

InR treats its quarterly meetings as the ideal educational opportunity. Our meetings focus on the asset allocation strategy, which accounts for greater than 90% of the expected return. Our competition spends a majority of their time discussing their security selection or the merits/shortfalls of the current active money manager.

We discuss macro-economic trends and happenings in the investment markets. We share the latest happenings in the pension arena and the



current undertones in Harrisburg that could affect our clients. We also share our experiences with our many other municipal clients so as to improve processes and increase efficiencies.

3. Describe your firm's ownership structure, including specific details regarding your parent organization and any affiliated companies.

InR Advisory Services was founded in 1992. The Firm maintains one office located Media, PA. InR's business structure is organized as a Limited Liability Company (LLC).

InR Advisory Services LLC is owned by:

- Michael Glackin, President
- Jeffrey Hugo Vice President and Chief Marketing Officer
- Thomas Babcock CEO

ORGANIZATION

1. Describe the lines(s) of business in your firm, your parent organization and any affiliated companies.

InR Advisory Services LLC concentrates on providing investment advice to qualified plan sponsors, plan trustees, and individual investors who have retired from the organizations we have consulted with. We provide customized consulting services to meet the specific needs of each of our clients individually without limitation. We specialize in educating our pension board members in the importance of asset allocation, diversification, low and transparent costs, and in discharging their fiduciary duties in the most prudent manner.

2. Is your firm, its parent or affiliate a registered investment advisory with the SEC under the Investment Advisors Act of 1940?

InR Advisory Services is an SEC Registered Investment Advisory Firm. Our broker/dealer is Cambridge Investment Research, Inc. Member FINRA/SIPC. Cambridge and InR are not affiliated.

3. Within the last five (5) years has your organization or an officer or principal been involved in any business litigation or other legal proceedings relating to your consulting activities? If so provide an explanation and indicate the current status or disposition.

No. InR Advisory Services and its officers or principals have NOT been involved in any such activity.

4. If your firm, its parent, or affiliate is a broker/dealer, do you trade for client accounts through



this broker/dealer?

InR Advisory Services is a Registered Investment Advisory firm. We are not a broker/dealer, we do trade accounts for our clients through their custodial relationship with TD Ameritrade Institutional. We do not trade our accounts thorough our broker/dealer.

5. Please describe your insurance coverage.

We have been advised that we carry more than adequate insurance coverage by our insurance broker and by our existing municipal clients.

EMPLOYEES

1. Identify the consultants and other key staff who would be involved in serving our account. Provide biographical data on these individuals.

Michael Glackin and Jeffrey Hugo co-manage all of the InR Municipal Accounts. Jennifer Coale is the account executive responsible for the day to day activities in our municipal accounts. Biographies are attached in Section 2 – Biographies.

2. Provide biographies of other key individuals in your firm.

Biographies on Michael Glackin, Jeffrey Hugo, and Jen Coale are included in Section 2 – Biographies.

3. Do any of your investment consultants have portfolio management or plan sponsor experience? Please give details.

Michael Glackin and Jeffrey Hugo have been providing investment advisory services to municipalities in the Commonwealth of Pennsylvania for over 20 years.

4. Describe your firm's compensation arrangement for professional staff.

InR pays it employees a salary and a year-end bonus, based upon the financial performance of the firm. The owners are paid a salary and they share in the profits of the firm.

5. Please list all additions and departures over the past 5 years. For departures please include all departments they worked in, years with the firm and reason for departure.

InR has added Jeannine O'Malley as an Account Executive in our defined contribution area. She replaced Sabrina Evanski who left the firm for a sales position at TIAA-CREF®. We have also added Bradley Warner and Richard Ritzer as Vice Presidents in charge of working with the participants in our defined contribution area. They replaced Dan Glackin who left the firm to pursue other interests. Our founding partner, Thomas Killion recently retired from InR, as he was elected to the



Pennsylvania Senate, taking the seat formerly held by Senator Dominic Pileggi.

RESEARCH

1. Describe your firm's approach to investment research. Please indicate relationship with researchers/academics outside your firm.

InR Advisory Services is an independent registered investment advisory firm. We have an arms-length relationship with all of our research firms.

We obtain our investment research from a variety of external sources, including firms like Morningstar[®], Standard & Poors[®], Vanguard[®], BlackRock[®], State Street Global Advisors[®], Guggenheim[®], and JP Morgan[®].

2. Give examples of how your research has been integrated into your products and services.

Please refer to Section 4 of our response. In this example, we are presenting our research to a client that has an actuary who is using a 7.5% expected return on the pension fund assets. In that section, you will see a Sample 70-30 Allocation Analysis. In this analysis, you will see that the expected return of the 70% equities and 30% fixed income allocation is 8.07%. This return is gross before expenses. In this instance, the expenses were .35% of assets, so that the net returns for this client are expected to be 7.72%. This exceeds the 7.50% assumed interest rate being used by the actuary for the plan.

To comply with the new GASB 67 & 68 requirements, the municipality needs to justify the asset allocation being employed with generate sufficient investment returns to meet the expected rate being used by the actuary. We generate an Annual Addendum (also in this section) that documents that the asset allocation being employed will meet or exceed the actuarial assumed interest rate net of expenses.

In this section, we also document the asset allocation decision with an Investment Policy Statement. This process gives our clients a documented process to comply with the new GASB rules and gives the trustees comfort that their choices will lead to expected outcomes.

3. What tools do you use to evaluate managers and the market? Did you develop these tools in-house or purchase them from vendors?

InR Advisory Services does not employ active managers in our process. We obtain Capital Markets Information from a variety of sources,



including Morningstar®, Vanguard®, Standard & Poors®, BlackRock®, State Street Global Advisors®, and JP Morgan®.

4. Describe the educational opportunities provided to your clients' trustees and staff. Describe the qualifications of presenters at recent workshops.

InR treats its quarterly meetings as the ideal educational opportunity. Our meetings focus on the asset allocation strategy, which accounts for greater than 90% of the expected return. Our competition spends a majority of their time discussing their security selection or the merits/shortfalls of the current active money manager.

We discuss macro-economic trends and happenings in the investment markets. We share the latest happenings in the pension arena and the current undertones in Harrisburg that could affect our clients. We also share our experiences with our many other municipal clients so as to improve processes and increase efficiencies.

ASSET ALLOCATION & INVESTMENT POLICY

1. Describe your firms' asset allocation process. Be sure to address the development of investment policies, portfolio structure, and guidelines for investment managers.

InR's asset allocation process is outlined as follows:

- Forecast return, risk and correlation for asset classes in equity, bond and international categories. This information is obtained from the various research sources we subscribe to and then integrated into the selection process.

The first step in InR's asset allocation process is to work with Plan Fiduciaries to develop the Plan's investment policy.

Once the investment policy is mutually agreed upon by Plan Fiduciaries and InR; then additional data is gathered to develop the asset allocation models. The key financial data includes:

- Investment return objective of the plan – (assumed interest rate used by plan actuary);
- Demographics of the plan;
- Funding ratio of the plan;
- Risk tolerance of the Plan Fiduciaries.

InR uses this information to develop a number of different asset allocation models. Once these are completed they are reviewed with Plan Fiduciaries. During the plan review with the Plan Fiduciaries the



differences in the risk/reward characteristics are discussed by comparing the proposed Portfolio Allocations. This is followed by fact based discussions and eventual agreement/consensus between InR and Plan Fiduciaries.

Once the final decision is reached it is documented in the investment policy statement.

As Passive Investment managers, InR does not set guidelines for investment managers.

Please note: InR's investment philosophy is based on a number of well documented studies that have concluded that asset allocation decisions have the greatest impact on the overall long-term performance of a portfolio.

Asset allocation is based on the principle that individual asset classes have different investment characteristics and that these asset classes can be combined to optimize the objectives of the investment policy statement. For any given expected rate of return, an optimal mix of asset classes can be designed that will yield an expected rate of return with the least amount of volatility or risk. Additionally, for any given level of assumed risk, a higher expected investment return may be obtained by mixing different asset classes as compared to investing in a single asset class.

2. How does your firm develop asset class assumptions?

InR uses the research we obtain from the sources noted above to develop these assumptions.

3. What is your firm's position on indexing?

InR Advisory Services does not employ active managers in our process. We are strong proponents of indexing.

We utilize passive Exchange Traded Funds from firms like Vanguard® and BlackRock®. These investment products track the appropriate investment benchmark, are fully invested with no cash drag, are totally transparent and are extremely low cost. They are extremely liquid, have no style drift and are ideal for populating the asset classes in the asset allocation portfolios we design to meet the funding needs of the plan we consult with. This process produces no bias and it totally objective.

4. What is the firm's process for establishing client objectives and developing the Investment Objective Statement?



Our process is such that we manage the program to comply with the Investment Policy Statement. Each quarter we rebalance our portfolios to reset back to our desired asset allocation. Each year we revisit our assumptions and suggest any changes that we feel are necessary.

INVESTMENT MANAGER SEARCH

1. Does your firm maintain an in-house database of investment managers? If not, how do you obtain manager data? How many managers are in the database? What asset classes are covered?

InR Advisory Services does not employ active managers in our process.

2. Describe how your firm or your vendor gathers, verifies, updates and maintains the data collected on managers for the database.

InR Advisory Services does not employ active managers in our process. We utilize passive Exchange Traded Funds from firms like Vanguard®, State Street Global Advisors® (SSgA), and BlackRock®. These investment products track the appropriate investment benchmark, are fully invested with no cash drag, are totally transparent and are extremely low cost. They are extremely liquid, have no style drift and are ideal for populating the asset classes in the asset allocation portfolios we design to meet the funding needs of the plan we consult with. This process produces no bias and it totally objective.

3. If you have an in-house database, do you sell it to third parties? How do you receive compensation?

InR Advisory Services does not employ active managers in our process. We do not have an in-house database.

4. Do you charge investment managers any direct or indirect fees to be included in your database or when they are successful in manager searches? What are the fees?

InR Advisory Services does not employ active managers in our process. Our only source of revenue is the Investment Advisory Fee we charge our clients.

5. Describe how you categorize equity managers by style.

We believe in indexed investments and therefore have no active manager database.

6. Describe the due diligence process utilized in the selection of a money manager. Include information about the database utilized to monitor and evaluate investment managers' performance for the purpose of manager selection.



- a. Is it proprietary or third-party?

We believe in indexed investments and therefore have no active manager database.

- b. If third-party, who is the vendor?

N/A

- c. Do you receive any direct or indirect compensation from investment manager to be included in your database?

No direct or indirect compensation is received from investment managers. We believe in indexed investments and therefore have no active manager database.

- d. How many investment managers are included in the database?

We believe in indexed investments and therefore have no active manager database.

- e. How frequently is the investment management information updated?

We believe in indexed investments and therefore have no active manager database.

- f. What are the sources of data?

We believe in indexed investments and therefore have no active manager database.

7. Comment on the firm's philosophy and any portfolio structure biases in the following areas:

- a. Active vs. passive management

InR's investment philosophy is based on a passive index approach. In Section 8, we have included research from Vanguard® and Standard & Poors® that highlight the rationality of this approach.

- b. Tactical asset allocation vs. strategic allocation

InR's investment philosophy is based on strategic asset allocation. Investment styles of "growth" and "value" in conjunction with the capitalization sizes of companies are factors in the strategic allocation process at InR.

InR continually reviews the U.S. Equity, Fixed Income and International markets including the research received from our sources. Inflation, Federal Policy including growth in the U.S. and



overseas markets are all considered in the strategic allocation process.

- c. Index and/or utilization of ETFs

InR strives to minimize the costs to the plans we advise. InR are strong proponents of exchange traded funds. The passively managed ETFs used in InR portfolios have low cost, full transparency, style discipline, lack of cash drag, lack of trading restrictions, and lack of short term redemption fees.

We typically use Vanguard®, PIMCO®, and BlackRock® ETFs because their low cost and wide coverage of the various asset classes.

- d. Capitalization (e.g., overweight to mid/small)

The Wilshire 5000 Index represents the total stock market. Approximately 70% of the total stock market is made up of large capitalized stocks, 20% Mid-Cap and 10% Small Cap.

Market cycles and research is used by InR to align client portfolios with different sized capitalization companies to meet client investment and risk objectives.

As an example, if the pension committee desired to increase their risk tolerance then InR would increase the weighing in Small Capitalization investments.

- e. Style (growth tilt, value tilt or neutral)

Based on current research and client objectives InR's investment style would be to equally weight Growth and Value Styles

- 8. Give an overview of your firm's approach and criteria for placing a manager on a watch list. Under what conditions would the manager be removed from the watch list?

We believe in passive, indexed investments and would not employ a strategy to manage managers

- 9. Does your firm provide benefit payments to retirees and IRS withholding/reporting?

We custody our clients' assets at TD Ameritrade and TD performs those functions for our many municipal clients.

PERFORMANCE REPORTING

- 1. Describe your firm's performance reporting and evaluation services.



InR Advisory Services does not employ active managers in our process so we do not evaluate money managers. We report portfolio results through our Albridge System, described in our answer to Question # 2 that follows.

2. What methods and sources of data do you use in calculating investment performance of a client's portfolio? Do you comply with AIMR standards for rate calculation? Do you reconcile your calculated performance with investment managers and custodians? Describe this process.

We use Albridge Solutions, Inc. web based accounting portfolio and performance software. Performance calculations are performed using the Modified Dietz Calculation method. The Modified Dietz formula is used as an approximation to the true, money-weighted-rate-of-return (MWRR) or internal rate of return (IRR).

The portfolio or asset is valued at the starting and ending points of the period. Cash flows are included in the calculation based on their timing (i.e., when they occurred during the period). The Modified Dietz will yield a result which approximates the IRR, which is the true, money-weighted rate-of-return. If the cash flows and returns are excessive, then the ability for the Modified Dietz to approximate the IRR is diminished. Otherwise, the Modified Dietz serves as an acceptable approximation to the IRR.

Performance returns for time periods longer than 365 days are annualized. Performance is also broken down by asset type over any period of time.

Data is also downloaded from Albridge Solutions to Morningstar® Advisor WorkstationSM to deliver the following:

- Portfolio Analysis
- Regional Exposure
- Sector Weightings
- Risk-Reward Characteristics
- Investment Style and Allocation Composition
- Fundamental Analysis

The predominant vehicle for ensuring the accuracy of the account balances and returns-especially when there is incomplete or bad data delivered to the system-is through a daily account reconciliation process where the cumulative number of units of an asset in a given account is compared with a custodian provided position file for that same asset. If there is an imbalance, the system automatically reconciles that account balance to the number of units by generating a reconciled positive or negative transaction.



3. How often are performances reports produced and delivered? Include a sample performance evaluation report in the appendix of your response.
 - a. How many business days after the end of a reporting period are the performance reports available?

We can generate performance reports the next business day. We prefer to schedule our quarterly client meetings a week or so after the end of the calendar quarter so that we can gather other information to share with our clients.

- b. Can the reports be customized?

Yes, our performance reporting system can provide many customized reports.

- c. Is there an online portal where clients can view their statements?

Yes, TD can provide online access to obtain the monthly custodian statements.

4. Discuss the performance attribution your firm is capable of providing.

As an all market indexed manager, the performance attribution is a function of the relative performance of the various asset classes employed in our asset allocation model.

5. Describe how benchmarks are chosen or developed. Describe your custom benchmark capabilities.

InR Advisory Services employs a whole market approach. We build our asset allocation models to achieve an investment return equal to the assumed interest rate being used by the plan actuary.

CLIENT BASE

1. Enter the number of institutional retainer clients in each category:

DISTRIBUTION BY ASSET SIZE				
Size (Millions)	Corporate Funds	Endowments/ Foundations	Public Pension	Other
0-50	3		78	21 401(k) Plans
51 —500			1	25 457 Plans
501 —1000				
1001-- 5000				
Over 5000				

2. Please provide a current list of clients and a historical table of assets under management and number of clients by year for the past ten years.



Please refer to Section 2 – Client List. We did not track our # of clients and assets by year for the past ten years.

3. Please provide three (3) references.

Municipality	Contact	Phone Number
Lower Providence Township	Geri Golas- Assistant Township Manager	610-635-3509
West Norriton Township	Jason Bobst-Township Manager	
Springfield Township	Donald Berger-Township Manager	215-836-7600

4. Please list the last seven accounts gained and lost

Accounts Gained			
	Account	Date	Approximate Account Size
1	Marple Township Police & Non Uniform Plans	1 st Qtr 2016	\$16,000,000
2	Yeadon Borough Police	4 th Qtr 2015	\$4,100,000
3	Brookhaven Borough Police and Non Uniform	3 rd Qtr 2015	\$4,600,000
4	Sharon Hill Borough Police & Non Uniform	3rdQtr 2015	\$5,100,000
5	City of Coatesville Police, Fire, & Non Uniform	1 st Qtr. 2015	\$25,000,000
6	Springfield Township (Montco) Police, Salaried, OPEB, & Non Uniform	3 rd Qtr 2014	\$28,000,000
7	Lower Providence Township (Montco)Police, Non Uniform & OPEB	3 rd Qtr 2014	\$8,000,000

Accounts Lost			
	Account	Date	Approximate Account Size
1	City of Chester Police Fire & O&E Plans	3 rd Qtr 2015	\$51,000,000
2	Warrington Township Police & Non Uniform	3 rd Qtr 2014	\$15,000,000



3	East Vincent Township Police	1 st Qtr 2013	\$3,000,000
4	Montgomery County 457	4 th Qtr 2015	\$4,900,000
5	No other lost accounts		

FEES

1. Please provide a fee proposal for the services outlined in this RFP. Explain the cost breakdown for:
 - a. Custody
 - b. Money Manager
 - c. Transaction Costs, including benefit payments and IRS withholding/reporting
 - d. Consulting Fees

We will manage the Upper Providence Accounts on a wrap fee basis. That wrap fee will be 0.35% of assets. Our wrap fee program will provide the following services:

- Investment Consulting
- Custody of Assets through TD Ameritrade
- Trading Costs
- Costs for Periodic Payments and Tax Reporting related to pension payments to recipients.

The expense ratio for the ETFs utilized in our model designed to achieve an 8.00% Assumed Interest Rate is 0.10% therefore the total cost to the Upper Providence Township would be:

Wrap Charge 0.35%
ETF expenses + 0.10%
Total 0.45%

2. Are you willing to guarantee your fees for a specific period of time?

We will guarantee our advisory fee for the term of our contract.

3. If your firm accepts soft dollars, please describe how this would impact our fees.
We accept no soft dollars.



Prospective Professional Service Provider: InR Advisory Services

The following disclosure information is required under Act 44 of 2009. Failure to fully comply with these requirements may void any contract with the municipal pension system.

Provide the names and titles of each individual who will be providing professional services to the municipal pension plans, including advisors or subcontractors of the contractor.

- Michael Glackin, President
- Jeffrey Hugo, Vice President and Chief Marketing Officer
- Jen Coale,

Answer the following questions pertaining to any individuals who will be providing services under the proposed contract.

1. Are any of them current or former officials or employees of Upper Providence Township?

No.

2. Are any of them a registered federal or state lobbyist?

No.

3. Have any of them made a contribution in the past two years to a municipal official or candidate for office at Upper Providence Township?

No.

4. Do any have a direct financial, commercial, or business relationship with any official of Upper Providence Township or municipal pension system?

No.

Answer the following regarding all your firm and affiliated entities.

1. On an attachment to this document, disclose all contributions from you or an "affiliated entity" (as defined in Act 44 of 2009) to which all of the following apply:
 - a. The contribution was made within the last five years. NONE
 - b. The contribution was made by an officer, director, executive-level employee or owner of at least 5% of the firm or "affiliated entity." NONE
 - c. The amount of the contribution was at least \$500 in the form of
 - i. a single contribution by a person in subparagraph (b) above; or
 - ii. the aggregate of all contributions by all persons listed in subparagraph (b) above NONE
 - d. The contribution was made to:
 - i. a candidate for any public office in the Commonwealth or to an individual who holds that office; or
 - ii. a political committee of a candidate for public office in the Commonwealth or of an individual who holds that office. NONE
2. For each contribution disclosed in your answer to No. 1 above, please provide the following information:



- a. the name and address of the contributor;
 - b. the contributor's relationship to the Contractor;
 - c. the name and office or position of each person receiving a contribution;
 - d. the amount of the contribution; and
 - e. the date of the contribution.
3. Disclose any gifts given by you or an "affiliated entity" to an official or employee of the municipal pension system or the municipality which controls the municipal pension system.

NONE

List any additional potential or actual conflicts of interest that may exist relative to contracting of services with Upper Providence Township. NONE