

REQUEST FOR PROPOSAL  
CITY OF SPOKANE  
**SPOKANE EMPLOYEES' RETIREMENT SYSTEM**  
DEFINED BENEFIT PLAN  
INVESTMENT CONSULTING SERVICES

I. GENERAL INFORMATION

The Spokane Employees' Retirement System (SERS) is a defined benefit plan with \$374 million in assets as of December 31, 2021. The last actuarial valuation showed the plan was 63.9% funded, using a 7.5% rate of return. SERS is focused on providing the promised benefits in a sustainable and affordable manner that will ensure it remains a valuable benefit to the employees of the City of Spokane.

A list of current money managers and the fund's target asset allocation is included at the end of this RFP along with the investment policy (see Appendix A).

II. SCOPE OF SERVICES

The Scope of Services will cover five years and include, but is not limited to, the following:

- A. Asset Allocation Study (to be conducted at the commencement of the engagement)
- B. Manager Searches
- C. Ongoing Consulting Services:
  - Quarterly and annual investment performance reports
  - Quarterly onsite performance presentations to the Board on the first Wednesday of March, June, September, and December.
  - Annual review of investment policies
  - Quantitative and qualitative analysis of investment strategies as needed
  - Occasional meetings with the investment committee, management, and staff
- D. Serve as a fiduciary to the plan.

III. SUBMISSION OF PROPOSAL

The current timeline for the RFP process is as follows. The plan reserves the right to extend due dates subsequent the receipt of proposals. All respondents will be notified of any extensions.

RFP Issuance	April 13, 2022
Written questions regarding the RFP due	April 25, 2022
Answers to written questions provided	May 2, 2022
Proposals due	May 16, 2022
Evaluation of proposals completed	July 6, 2022
Finalist presentations	July 19-21, 2022
Contract Award	August 3, 2022

Inquiries and other communications about this Request for Proposals shall be through the contacts listed below. Direct communications with other management or elected officials may be grounds for rejecting a proposal.

All inquiries and questions regarding this RFP must be in writing. Answers to all items received by 5PM PDT on Monday, April 25, 2022 will be answered and posted on the SERS website (<http://www.spokanesers.org>) on Monday, May 2, 2022.

Proposals shall be delivered to the City no later than **Monday, May 16, 2022 at 5PM PDT** The City reserves the right to disqualify any proposals received late. Proposals may be submitted electronically, but must also include five (5) hard copies of your proposal in a sealed envelope.

Proposals and inquiries should be addressed to:

Spokane Employees' Retirement System  
Proposal for SERS Investment Consulting Services  
808 West Spokane Falls Boulevard  
Suite 604  
Spokane, WA 99201

Electronic submissions can be submitted to [ptencick@spokanecity.org](mailto:ptencick@spokanecity.org).

## PROPOSAL QUESTIONS

### **I. OVERALL ORGANIZATION**

Note: When answering the following proposal questions, please include information at the firm-wide level and for the office that will be servicing SERS, if applicable (e.g. the servicing office has 10 consultants and the firm has 50).

- 1) Please provide a brief history of your firm.
- 2) What is the present ownership of your organization? How long has the ownership structure been in place? Who are the largest shareholders? If privately held, how are ownership interests transacted?
- 3) Please describe your firm's succession plan for senior leadership.
- 4) Besides consulting, what other investment-related services do you provide to clients?
- 5) Please provide a breakdown of your firm's revenue by line of business, specifically showing discretionary and non-discretionary investment consulting as line items.
- 6) What proportion of current clients have engaged another line of business outside of investment consulting services?
- 7) What are your strategic growth initiatives?
- 8) Is the firm, including its directors, officers or employees party to any current lawsuits, regulatory investigation, or governmental investigation? Over the previous five years, has the firm settled any lawsuits related to its investment consulting practice, or has been subject to a government or regulatory investigation? If so, please describe.
- 9) Conflicts of Interest
  - a) How does your firm manage conflicts of interest? What controls, policies, and procedures are in place to insure client interests come first?
  - b) Does your firm or any affiliate of your firm provide trust, investment management or securities brokerage services? If so, please explain.
  - c) Does your firm or any of its employees receive any form of compensation from any investment managers? If so, please explain.
  - d) Does your firm provide any client data to outside firms? Please note, this should include anonymized data, such as client surveys. If your firm provides data, please describe what is provided and what consideration your firm receives.
  - e) Please provide a copy of your most recent form ADV parts I and II (only include in electronic submission).

## II. INVESTMENT CONSULTING

*The remainder of this questionnaire applies to your firm's investment consulting practice unless otherwise indicated.*

- 1) What investment consulting services do you provide? Of these, which separate you from other consulting firms?
- 2) Which areas of practice are areas of growth? Which areas of your practice are areas for improvement?
- 3) What is the average tenure of each client? How many engagements have been won and lost in each of the past three years? Of those engagements, how many were defined benefit plans?
- 4) What is your experience with plans of our size (\$250M to \$500M)? What unique challenges do you feel plans of this size face and how would you address them?
- 5) What is your experience with plans that have a similar funded status (60-70% funded)? What unique challenges do you feel plans at this funded status face and how do you generally recommend addressing them?
- 6) Based on the current market environment, how reasonable is the Plan's current 7.5% assumed long-term rate of return? What is the average assumed rate of return for your other government defined benefit Plan's?
- 7) How has your consulting practice changed following the COVID-19 pandemic? Has extended remote work changed how due diligence, client meetings, office locations, employee recruiting/retention, or other processes are handled?
- 8) Resources
  - a) What is the structure and size of the investment consulting practice? How many consultants are on staff? Which resources are accessible to clients and which serve as support to client facing resources?
  - b) What is the average tenure of each employee and each consultant? How many total employees and consultants have been hired by and departed from the firm in each of the past three years? How many partners have been added to or departed the firm in each of the past three years?
  - c) What is the average number of clients per consultant (by count and by assets advised)? How many clients does the proposed lead consultant currently advise (by count and by assets advised)?
  - d) Please attach biographical information for the lead consultant and any other staff that will be working directly on the account.

### **III. CLIENTS**

#### 1) Demographics

- a) Please provide the number of clients, assets under advisement, and median plan size for the following types of clients:
  - i) All Consulting Engagements
  - ii) Non-discretionary Engagements
  - iii) Government Plans
  - iv) Defined Benefit Plans
  - v) Non-discretionary Engagements by Government Defined Benefit Plans
- b) Please provide a representative list of your investment consulting clients.

#### 2) References

- a) Please provide three references. To the extent possible, include governmental defined benefit plans for which you provide consulting/performance measurement services. List the organization, contact name, address, e-mail and telephone number.
- b) Do you give SERS permission to contact other clients not specifically provided as references?

#### 3) What would your clients say are your greatest strengths and weaknesses?

### **IV. CONSULTING SERVICES**

#### 1) Manager Selection

- a) Please provide an overview of your management selection process, including initial and ongoing due diligence practices. Is the process uniform across all assets classes? If not, please explain the differences.
- b) What are the quantitative and qualitative criteria used to determine your recommend, watch, and/or terminate lists? How often are these lists reviewed? What is the annual turnover of these lists?
- c) How do you determine when to recommend an active manager versus a passive index?
- d) Over the past five years, how have managers recommended to clients performed relative to their benchmark and peer group?
- e) What is the average number of manager searches per client per year?
- f) How do you evaluate the effectiveness of your manager selection process? Are you able to quantify the value added to clients?

2) Investment Manager Database

- i) Which database(s) do you use? Who supplies and verifies the data in the database(s)?
- ii) Please complete the table below. Investable managers should represent the number of managers that meet the firm’s minimum criteria for recommendation as described in item (b) above. Managers currently covering should represent the number of managers that the firm has conducted initial or ongoing due diligence on during the past 12 months. Managers on recommend list should represent the number of managers that have appeared as finalists in a manager search or are currently on a formal recommend list.

	Total Managers in Database	Investable Managers	Managers Currently Covering	Managers on Recommend List
<b>Equities (Long only)</b>				
(a) US				
(b) International				
(c) Emerging Markets				
(d) Global				
(e) Other (Please describe)				
<b>Fixed Income (Long only)</b>				
(a) US Core				
(b) US High Yield				
(c) US TIPS				
(d) International				
(e) Emerging Markets				
(f) Global				
(g) Other (Please describe)				
<b>Real Estate</b>				
(a) REITs				
(b) Private Real Estate				
(c) Other (Please describe)				
<b>Hedge Funds</b>				
(a) Long/Short				
(b) Absolute Return				
(c) Fund of Funds				
(d) Other (Please describe)				
<b>Alternatives</b>				
(a) Direct Private Equity				
(b) Private Equity Fund of Funds				
(c) Other (Please describe)				
<b>Other (Please describe)</b>				

### 3) Asset Allocation

- a) Please provide an overview of your asset allocation process.
- b) What methods are used to develop return, risk, and correlation assumptions?
- c) How have your return, risk and correlation assumptions compared to actual market performance?
- d) Please provide a copy of your current long-term return, risk, and correlation assumptions.
- e) To what extent are risk factors beyond volatility used in creating your optimization models?
- f) How are the plan's liabilities incorporated into the model?
- g) What kind of sensitivity and/or scenario analysis is provided?
- h) Over the past five years, how have your clients' target portfolios performed relative their target rate of return and relative to peers?
- i) What rebalancing strategies and tactical tilts are recommended to clients?
- j) How do you evaluate the performance of your capital market assumptions and asset allocation recommendation?

### 4) Performance Measurement

- a) How frequently do you produce performance evaluation reports for your clients?
- b) What is the source of your performance data? How is it verified?
- c) At what point following quarter end are performance reports generally available?
- d) To what extent can your performance reports be customized to meet a particular client's needs? What are the most common customizations requested?
- e) Over the past five years, what is the attribution for clients as it relates to allocation effect and manager selection?
- f) What unique insights does your performance reporting process provide to clients?
- g) Please provide a sample performance report.

5) Are there any additional services that are included in a standard investment consultant engagement (e.g. client education, interim communications, access to research, etc.)?

6) How do you measure client outcomes as it relates to the investment consulting services provided?

## V. FEES

- 1) Please provide your proposed fee schedules.
- 2) To the extent your firm has agreed-upon retainer fees, what services are typically covered by the retainer? What services are outside the retainer and what are the associated fees for such services?
- 3) To what extent are the quoted fees variable (e.g. based on the number of investment managers, manager searches, Board presentations, etc.)?

## VI. OTHER (OPTIONAL)

There are two additional benefit plans that currently engage an investment consultant. The City of Spokane offers its employees a 457 defined contribution plan and SERS administers a closed defined benefit plan for Law Enforcement Officers and Firefighters (LEOFF). These plans are overseen by two separate and unique boards from that of SERS plan.

LEOFF Plan – A defined benefit plan that is closed to new entrants, and has \$33M in assets invested 100% in fixed income through a single separate account. The plan is only expected to require performance reporting services, but may conduct a manager search if performance requires.

Currently, this plan has engaged the same consultant as the SERS plan; however, there is no requirement for them to do so. If you are interested in providing these consulting services **in addition to** the SERS plan, please provide the information requested below. The information below is supplementary and the inclusion or exclusion of this section will not adversely impact your response to the SERS portion of the RFP.

- 1) What are the differences in the consulting and support staff that will service these plans?
- 2) How does your performance measurement process differ for such a plan?
- 3) How does your due diligence process differ for such a plan?
- 4) What are the additional fees required to provide the required services for this plan?
- 5) Is there any additional information you would like us to consider regarding your ability to provide consulting services for this plan in addition to the SERS plan?



## INQUIRES

Inquiries and other communications about this Request for Proposals shall be through the Retirement Director. Direct communications with other management or elected officials may be grounds for rejecting a proposal unless permission is granted by the Retirement Director.

All inquires must be in writing. Inquiries received by 5PM PDT on Monday, April 25, 2022 will be answered and posted on the SERS website (<http://www.spokanesers.org/>) on Monday, May 2, 2022.

Electronic inquiries can be submitted to [ptencick@spokanecity.org](mailto:ptencick@spokanecity.org)

## ADDITIONAL INFORMATION

### A. REJECTION OF PROPOSALS

The City reserves the right to reject any and all proposals and to waive informalities or irregularities in a proposal or in the proposal process. The City reserves the right to split or make the award in any manner deemed most advantageous to the City at its sole and exclusive discretion.

### B. PREPARATION OF PROPOSAL

The City shall not be liable for any costs incurred by a Proposer in preparing or submitting a proposal. Proposals should be prepared simply and economically, providing a straight-forward, concise description of the Proposer's capabilities to satisfy the City's requirements. Submitted materials become the property of the City and will not be returned. Submitted proposals constitute public records which are subject to review and copying by a person making an appropriate request for public record.

### C. PROPOSAL EVALUATION

The City does not intend to award a contract solely on the basis of price. Evaluation criteria will include but not be limited to:

1. Firm Resources
2. Skill of Assigned Personnel
3. Investment Consulting Processes
4. Potential Conflicts of Interest
5. Fees

### D. ORAL PRESENTATIONS

The City, at its sole discretion, may ask individual proposers to make oral presentations without charge to the City. Such presentations provide an opportunity for the proposer to clarify its proposal to insure a mutual understanding of its contents.

### E. GUARANTEE OF GOOD FAITH AND FIRM PRICE

Proposals shall remain in effect for a minimum of ninety (90) days from the submission deadline date unless extended by mutual consent.

## CONTRACT REQUIREMENTS

### A. INSURANCE

During the term of the contract, the firm shall maintain in force at its own expense, the following insurance coverages:

1. Worker's Compensation Insurance in compliance with RCW 51.12.020, which requires subject employers to provide workers' compensation coverage for all their subject workers.
2. General Liability Insurance on an occurrence basis, with a combined single limit, of not less than \$1,500,000 each occurrence for bodily injury and property damage. It shall include contractual liability coverage for the indemnity provided under the contract. It shall provide that the City, its officers, employees and agents are additional insureds but only with respect to the firm's services to be provided under the contract.
3. Automobile Liability Insurance with a combined single limit, or the equivalent, of not less than \$300,000 each accident for bodily injury and property damage, including coverage for owned, hired or non-owned vehicles.
4. Professional Liability Insurance with a combined single limit of not less than \$2,000,000 each claim, incident or occurrence. This is to cover damages caused by the error, omission, or negligent acts related to the professional services to be provided under the contract. The coverage must remain effect for at least three (3) year(s) after the contract is completed.

There shall be no cancellation, material change, reduction of limits or intent not to renew the insurance coverage(s) without 30 days written notice from the firm or its insurer(s) to the City;

As evidence of the insurance coverages required by the contract, the firm shall furnish acceptable insurance certificates to the City at the time the firm returns the signed contract. The certificate shall specify all of the parties who are additional insured, and will include applicable policy endorsements, the 30 day cancellation clause, and the deduction or retention level. Insuring companies or entities are subject to City acceptance. The firm shall be financially responsible for all pertinent deductibles, self-insured retentions, and/or self-insurance.

### B. BUSINESS REGISTRATION REQUIREMENT

Section 8.01.070 of the Spokane Municipal Code states that no person may engage in business with the City without first having obtained a valid annual business registration. The firm shall be responsible for contacting the State of Washington Business License Services at <http://bls.dor.wa.gov> or (800) 451-7895 to obtain a business registration. If the firm does not believe it is required to obtain a business registration, it may contact the City's Taxes and Licenses Division at (509) 625-6070 to request an exemption status determination.

C. ANTI-KICKBACK

No officer or employee of the City of Spokane, having the power or duty to perform an official act or action related to this contract shall have or acquire any interest in the contract, or have solicited, accepted or granted a present or future gift, favor, service or other item of value from or to any person involved in the contract.