



**Request for Proposal  
Defined Benefit Investment Consulting  
2019-24  
Release Date: November 3, 2019**

**City of Covington  
PO Box 1527  
2194 Emory Street  
Covington, Georgia 30014**

## **Introduction**

The purpose of this Request for Proposals ("RFP") is to obtain a firm for the purpose of investment consultation for the defined benefit plan for the City of Covington.

The City is seeking proposals from firms who have substantial experience investing and providing investment consultation for public sector defined benefit plans regulated as regulated by the Official Code of Georgia (O.C.G.A.). Currently, the City of Covington Defined Benefit plan has approximately 533 total participants, approximately \$48 million in assets, and is approximately 70% funded with a closed 19 year amortization.

## **Timetable/Response Submittal**

The City is requesting proposals from experienced and qualified firm(s) for the purpose of investment consultation for the defined benefit plan for the City of Covington. Selection of the firm will be made based on the proposals submitted and possibly oral interviews, if needed. A tentative timetable for the selection process is provided below:

**Release of RFP – November 3, 2019**

**Question Deadline – November 15, 2019**

**Response to Questions – November 20, 2019**

**Receipt of Proposals – November 25, 2019 by 2:00 PM**

**Interview Dates (if necessary) – First week of December 2019**

**Approval by the City Council – December 9, 2019**

Upon the release of this RFP and until the conclusion of the selection process, there shall be no communication regarding or discussing City of Covington investment consultation services between any prospective respondents and/or their lobbyist(s), agent(s) with any staff of the City, or any elected representatives or other appointed official of the City and/or their staff, except as provided for in the RFP. Any violation of this provision by any prospective firm and/or its agent

shall be grounds for immediate disqualification.

All proposals shall be submitted to the City as follows:

**Proposal Due Date and Delivery**

The deadline for proposal submission is, **November 25, 2019 by 2:00 pm. The proposal should be submitted in bound form with one original and three copies.** Please clearly mark on the envelope: Proposal for Defined Benefit Investment Consultation. Delivery must be made by the deadline at the City office as follows:

**Send to:**

**Scott Cromer  
Purchasing Agent  
RFP#2019-24  
City of Covington  
PO Box 1527 (USPS)  
Covington, GA 30015**

**Scott Cromer  
Purchasing Agent  
RFP#2019-24  
City of Covington  
2194 Emory Street NW (FedEx, UPS)  
Covington, GA 30014**

**Expectation of Quality Proposals**

Proposals, including any/ all attachments, cover letter and tabs should not exceed twenty-five (25) pages in length on 8 ½" X 11" paper, single spaced using a minimum font size of 12 pt. Elaborate

proposals in the form of brochures or other presentations beyond that necessary to represent a complete or comprehensive proposal are not desired and will not be given special or additional consideration.

Any questions regarding this RFP should be addressed to Paul Dailey submitted via email to [pdailey@cityofcovington.org](mailto:pdailey@cityofcovington.org) by November 15, 2019. The City of Covington will issue responses to inquiries and any other corrections or amendments it deems necessary in written addenda and posted on the city website, <http://cityofcovington.org/Business/Bids/Pages/Current-Bid-Postings.aspx> by November 20, 2019. All firms participating in this RFP proposal will receive copies of the answers/clarification, without disclosure of the party that submitted the question.

The proposer agrees to be bound by its proposal for 60 days, during which time the City may request clarification or correction of the proposal for the purpose of evaluation. Amendments or clarification will not affect the remainder of the proposal, but only that portion so amended or clarified.

**Late proposals will not be accepted.**

## **Specific Response Requirements**

### **Required Criteria**

Any firm interested in serving as the investment consultant for the City of Covington's Defined Benefit Plan must meet the following criteria:

1. The Investment Consultant must have a minimum of ten (10) years' experience in providing retirement plan services.
2. The firm must not be affiliated in any manner whatsoever, either directly or indirectly, with any organization that provides brokerage, insurance, investment management or any other service that, in the opinion of the City of Covington, constitutes a conflict of interest. The firm may not derive compensation from any brokerage, insurance, investment management or other provider that, in the opinion of the City of Covington, constitutes a conflict of interest. The City of Covington retains sole discretion to determine whether actual or potential conflicts of interest exist related to a proposer.
3. The firm must be registered as an investment adviser with the Securities and Exchange Commission.
4. The firm contractually agrees that it is a fiduciary and assumes the responsibilities of a fiduciary relative to the investment consulting services performed under the Scope of Work.
5. The firm must not have any actual or potential conflicts of interest with, or adversarial litigation against the City of Covington or any of its officers or employees. The City of Covington retains sole discretion to determine whether actual or potential conflicts of interest exist related to a proposer.
6. The firm's investment consultants must have sufficient time to execute and fulfill the duties of investment consultant and/or co-investment consultant to the City of Covington and not be burdened by professional responsibilities or workload or by personal or other constraints which would interfere in any material respect with the principal's or firm's obligations hereunder.

### **Firm Information**

1. Name of your firm, its address, telephone number and primary contact for the request for proposal.
2. Provide a brief history and description of the firm including year of inception, number and location of offices, the primary focus of the firm, and the number of professional consultants.
3. Is the firm registered with the SEC, under the Investment Advisors Act of 1940? Please include Parts 1 and 2 of Form ADV.
4. How much fiduciary liability insurance does your firm have?

5. Is your organization a subsidiary, parent or affiliate of any other firm? If so, please describe in detail. Also do any of these affiliates provide any other pension fund services such as investment management, actuarial work, etc.? If you provide more than one service, how do you protect against conflicts of interest? Have you ever included your own firm, subsidiary or sponsored investment vehicle in a manager search you are conducting?
6. What is the number of full-time employees in your firm? Provide a breakdown by classification (Consultants, managerial, clerical).
7. Why is your firm uniquely qualified to service our account?
8. Please describe your systems backup process.
9. Does your firm have internal funds/products that are recommended to clients?
10. Please provide a representative list of your public fund clients. How many clients has your firm lost within the last three (3) years? Please provide reasons for termination.

### **Conflicts of Interest**

1. Has the firm adopted the CFA Institute's Code of Ethics and Standards of Professional Conduct?
2. Please provide details of any legal proceedings or litigations involving the firm or its employees within the past 10 years.
3. Please provide all complaints received by the Securities and Exchange Commission and the National Association of Securities Dealers. Has your firm or the consultant who will be assigned to our account, been involved in litigation within the last five years or is there any pending litigation arising out of your performance? If your answer is yes, explain fully.
4. Does any part of the firm directly or indirectly sell data, research, services or other information to others? If so, please explain.
5. Disclose formal or informal business relationships with investment managers or other service providers to pension funds.
6. Are there any circumstances where the firm, its officers, principals or employees receive direct or indirect payments from investment managers or broker/dealers? If so, please explain in detail.
7. Describe how conflicts of interest among your consulting functions are prevented if your firm also provides portfolio management, brokerage services or consulting services to others.
8. Do you have any ongoing business relationship(s) with any of the trustees or current service providers to this account? Are you aware of any transactions between your firm and these parties which would constitute a prohibited transaction or legal conflict of interest?

**The firm must complete the Potential Conflicts of Interest Questionnaire below.**

1. Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you included in your response to this RFP all the disclosures required under those laws (including Part II of Form ADV)?
2. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan? If so, please describe those relationships.
3. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?
4. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being a factor when you provide advice to your clients?
5. If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not over-pay its consulting fees?
6. If you allow plans to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?
7. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?
8. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?
9. Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?
10. What percentage of your plan clients utilize money managers, investment funds, brokerage services or other providers from whom you receive fees?

**Consulting Team**

1. Please submit biographical profiles on the individual(s) who will be assigned to our account. Also, where are these individuals located and who will attend Board meetings? Who will attend review meetings? Be specific as to experience, performance measurement, manager search, investment policy consulting.
2. What is the average client-to-consultant ratio? Discuss how you manage any limits on client/consultant ratio.

3. Describe turnover among the professional staff over the past 3 years.
4. Describe the procedures in the event the key individual(s) assigned to the account is unavailable or leaves the firm.
5. Describe the compensation arrangement for consultants and analysts. How does this arrangement encourage the retention of key individuals?
6. For references, provide the name, address, telephone number, and contact person for at least three (3) current public fund clients.

### **Investment Policy/Asset Allocation**

1. What is your approach to the development of asset allocation guidelines? Please describe this process in detail, including application of major variables (e.g. - risk tolerance, emerging liabilities, etc.).
2. What asset classes are included in your work?
3. What geographic areas of the world do you consider appropriate for investments?
4. Does your approach include passive strategies such as indexation? If so, please describe.
5. Provide an outline of the principal steps you would follow when developing a statement of investment Policy and Objectives.

### **Investment Manager Research**

1. Describe the internal structure and organization of the research department. If no separate department exists, describe how the function is performed?
2. Describe, in step-by-step detail, your due diligence and search process for selecting managers. Discuss what attributes you believe are most important when searching for an investment manager.
3. Does your firm conduct investment manager on-site visits? If so, please describe.
4. Describe in detail your manager database, including the number of strategies and asset classes. If you have an in-house database, do you sell it to third parties? How do you receive compensation for selling it? What fees or other consideration, if any, do you receive from managers who wish to be maintained in your database? Describe any advantage that you perceive your database has over others.

5. Describe your ongoing investment manager monitoring and due diligence process. Besides investment returns, what key criteria does the firm consider in the review of an investment manager?
6. How are consultants apprised with respect to developments about managers?
7. What is your approach for, placing a manager on a watch list, dismissing a manager, and the conditions for removing a manager from the watch list?
8. Are any commissions, fees (direct or indirect), revenue sharing, or any soft dollar compensation paid to the organization? If so, list aggregate sources and amounts for each of the last five years.
9. Discuss the firm's investment philosophy regarding alternative investments.
10. With regard to "Alternative Assets" (broadly defined as Real Estate, Private Equity, and Hedge Funds), describe your firm's research capabilities.

### **Performance Measurement**

1. Describe the portfolio analytics your firm is capable of providing and staff dedicated to this function. Is any part of the process subcontracted? If so, to what vendors?
2. How does your organization verify the accuracy of managers' performance records?
3. Are you able to present rates of return on both a gross and a net of fee basis?
4. How soon following the end of a reporting period can you have copies of evaluation report to us? Are they available online? Please provide samples.
5. Describe and illustrate any special indices constructed by your firm.
6. Are report formats customizable? Please provide a sample quarterly report.

### **Fee Schedule**

1. Please provide a fee proposal for full-service retainer investment consulting. The fee proposal is to include; all expenses such as travel, lodging, meals, and other out-of-pocket expenses.
2. What other costs or expenses might we incur with your firm?
3. Please describe the services that you could provide related to your role as investment consultant for which you would require an additional fee, and state the basis upon which such fee would be determined.

4. Disclose any other form of compensation that you expect to receive in connection with our account. Fully describe any soft-dollar arrangements.
5. Do you have any arrangements with broker/dealers under which you or a related company will benefit by placing trades for your clients with such broker/dealers?
6. Are you willing to guarantee your fees for a specific period of time? If so, for what period of time will you guarantee?

**Evaluation Criteria and Selection Process**

The contract(s) will be awarded to the qualified proposer whose proposal is most advantageous to the City, based upon the evaluation criteria specified below. Thus, while the points in the evaluation criteria indicate their relative importance, the total scores will not necessarily be determinative of award. Rather, the total scores will guide the City in making an intelligent award decision based upon the evaluation criteria.

The City reserves the right to request oral presentations from those firms determined to be in a competitive range and shall use the information derived from these oral presentations, if any, in its evaluation.

**The City reserves the right to select a proposal in its entirety or some portion(s) thereof. Furthermore, the City reserves the right to reject any and all proposals and to waive irregularities.**

Thank you for your interest and participation.

Paul Dailey  
Human Resources Director  
City of Covington