



CITY OF PROVIDENCE, RHODE ISLAND

Department: Purchasing

RFP Title: INVESTMENT ADVISORY AND INVESTMENT COUNSEL SERVICES – THREE-YEAR CONTRACT (JANUARY 1, 2024 – DECEMBER 31, 2026) WITH THREE ONE-YEAR OPTIONS

Opening Date: 11/20/2023

Addendum #: 1

Issue Date: 11/6/2023

The purpose of this addendum is:

to include a list of questions that were inadvertently omitted from the original solicitation and are a necessary part of your bid submission.

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PROPOSAL QUESTIONS

Responses to this RFP should be organized in the manner outlined below. Advisors will be evaluated, in part, on their ability to communicate clearly and succinctly.

A. Organization

1. Name of firm.
2. Name, address, and telephone number(s) of key contact.
3. Ownership structure of firm.
4. Team structure; brief biographies of individuals to be assigned.
5. Business focus/client base.
 - a. What is the primary business focus of your firm? Is your firm affiliated with any organization(s), specifically a brokerage firm? If yes, please describe the relationship in full.
 - b. What is your team's targeted market in terms of plan size?
 - c. How many pension consulting clients does your team currently have? What percentage of these are municipal clients? What is the average plan size of your team's clientele?
 - d. What is the client turnover (gains and losses) of your team over the last three years?
 - e. How many full-time staff are employed by your team and firm?
 - f. When did your organization begin providing investment advisory services?
 - g. Is providing investment advisory services currently one of your organization's principal lines of business?
 - h. What percentage of your organization's revenues in the last fiscal year was attributable to the investment advisory practice?
6. Please provide a narrative discussing your firm's corporate structure in terms of stability, including your succession plan, and its ability to provide exemplary service to a pension plan of this size.
7. Is your organization registered with the Securities Exchange Commission (SEC) as an investment advisor under the Investment Advisors Act of 1940?
8. Please provide a copy of your organization's Form ADV Part II A&B.

B. Potential Conflicts of Interest

1. Does your organization provide trust, investment management or securities brokerage services (including commission recapture)? If so, please identify and explain all such services provided:
 - a. What percentage of your 2022 revenue was attributable to such trust, investment management or securities brokerage services?
 - b. Does your organization provide any other services or engage in any other lines of business aside from investment advisory, trust, investment management, commission recapture, and soft-dollar or securities brokerage services? If so, please describe such services in detail, noting the percentage of your firm's 2022 revenue that was attributable to such services.
2. If any part of your organization provides brokerage services, soft-dollar services,

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directed brokerage, discount brokerage or commission recapture programs (collectively, “brokerage related services”):

- a. What percentage of your organization’s 2022 revenue was received in soft dollars?
 - b. What percentage of your organization’s 2022 revenue was attributable to (or compensation for) brokerage-related services?
3. Does your organization offer or sell services or products to investment managers? If so, identify these in detail and name every manager who purchased any such services or products (with hard or soft dollars) over the last two fiscal years.
 4. Please confirm that your organization and/or team will not accept any commissions or other remuneration from any service providers in exchange for placing business with those organizations.
 5. Does your organization and/or team solicit or accept fees for placing or helping to place money managers? If so, please explain.
 6. Does your organization charge to include any investment managers in your database or in any search? If so, please explain.
 7. Does your organization and/or team have any clients or associations that could present a conflict of interest and possibly compromise the objectivity of its advice to the Providence Board of Investment Commissioners? If so, please explain.
 8. Does your organization and/or team receive any products or services from any investment managers? If so, identify each service and the amount of compensation paid, if any.
 9. Do any of the members of the organization and/or team sit on the Board of any of the investment managers used in pension plans under advisement? If so, is there any financial remuneration?

C. Legal Fiduciary Status, Investment Advisory Status and Litigation

1. Does your organization consider itself to be a fiduciary in its role as an investment advisor? Will your organization contractually agree to accept fiduciary responsibility with respect to its investment advisory services?
2. Does your organization serve as an independent fiduciary to any client subject to court supervision or a U.S. Department of Labor judgment or decree? If so, please identify them.
3. Has your organization, or a principal, employee, or agent of your organization, ever been investigated or charged by the SEC, the U.S. Departments of Justice or Labor, the Internal Revenue Service, or any other federal, state or local regulatory agency for any purported or actual violation of applicable law? If yes, please explain and provide date(s) of the violation(s).
4. Over the past five years, has your organization or any principal, employee or agent been named or threatened to be named as a party in any private or governmental litigation, arbitration or other dispute resolution proceedings; been a target in any governmental

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or professional investigation; or settled any actual or threatened claim? If so, please provide details including a copy of all relevant complaints and communications, a list of all parties, and the results or status of such proceedings(s), investigation(s) or settlement(s).

D. Insurance

1. Does your organization carry a fidelity bond and/or fiduciary liability, professional liability or any other insurance that would be beneficial to the Plan(s)? If so, please describe the insurer, the type of insurance coverage, the beneficiary of such coverage, the limits of such coverage and the deductible amount under such coverage. Please also attach a copy of each such policy or an applicable certificate of insurance.
2. Is your organization aware of any claims that have been made, are being made or may be made with respect to such prior or current policies? If so, please describe.
3. Has your organization ever assisted a client in reducing its fiduciary liability insurance premiums? If so, please explain how, and to what extent your organization has done this (and provide references), and whether and how your organization would assist the Plan(s) in reducing its premiums.

E. Staffing and Facilities

1. How is your organization and/or team structured to service your accounts?
2. How many of your immediate staff are investment consultants?
3. What is the average number of accounts handled per team member?
4. Describe the qualifications and expertise of your organization and team's professional staff (both local and national), including their years of service and experience in the public pension sector.
5. Please list the name and location of the primary individuals who will be responsible for the advising the Board of Investment Commissioners and provide detailed biographies of such persons, including their tenure with your organization. How many Plans similar to the assets under management of The Employees Retirement System of the City of Providence do these primary individuals service?
6. How many prime consultants have left your organization/team during the past two years? Please describe the measures your immediate organization takes to assure continuity of service when a team member leaves your organization.
7. Please provide a full disclosure of whether any of your organization/team's professional staff has ever been suspended or disbarred from performing investment advisory services or other professional services, has been subject to any disciplinary actions, or has committed any criminal offenses evidencing fraud, dishonesty or breach of trust.
8. Please describe the location(s) and capabilities of your organization's computer/data processing staff. Is the entire staff in-house? Does your organization outsource any of these services? Please describe the security of these resources.

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F. Clients

1. Please provide a representative list of your organization/team's investment advisory clients of similar size.
2. Please list your immediate organization/team's government public Pension system clients and the portfolio size for each.
3. For reference purposes, provide the name, address, telephone number and contact person for four current clients (three must be government public Pension system clients) for whom your immediate organization provides comprehensive investment advisory services.

G. Services

1. General

Please indicate which of the services listed below your organization/team intends to provide to the Plan(s) (indicate yes or no):

- a. attend regularly scheduled monthly Board of Investment Commissioners' meetings.
- b. advise the Board during these meetings on the investment impact of plan amendments that may be considered;
- c. provide oversight of all investment aspects of the Board's operations;
- d. review and develop an investment policy statement and provide an analysis on the reasonableness of investment assumptions;
- e. advise the Board on the prudence and relative financial impact of various investments;
- f. review, develop and periodically rebalance asset allocation;
- g. recommend hiring, retention and termination of investment managers, mutualfunds and other investment products;
- h. prepare and present monthly performance evaluations, including a review and report of all investment transactions by all investment managers in a five year investment performance history of the Plan(s) (if source date is available);
- i. review and comment upon investment management agreements prepared by the Plan(s) counsel.
- j. develop and monitor adherence to individualized investment guidelines, risk controls, proxy voting and adherence to proxy voting policies;
- k. monitor custody bank and assist in retention and replacement, as appropriate;
- l. supervise, monitor and verify transfer of assets in the event of change of investment manager;
- m. provide assistance required by audits or examinations conducted by governmental agencies.

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- n. assist in reducing fiduciary liability insurance premiums and address special investment and other issues as they arise.
2. Investment Policy Development & Portfolio Design
- a. Describe briefly the processes and tools your team uses to help clients develop investment policies and objectives.
 - b. How does your team identify and understand the Plan(s)' financial and investment objectives?
 - c. In addition, comment on your team's process for recommending modifications to investment guidelines.
 - d. Describe your team's philosophy and approach to using alternative investments, including:
 - 1) How you differentiate between traditional and alternative investments.
 - 2) Explain why you would use alternatives, i.e., risk reduction, alpha, non-correlated assets, etc.? Why would you not use them?
 - 3) Alternative investments you currently utilize.
 - 4) Typical percentage of alternative investments, including hedge funds.
 - 5) Delivery structure(s) in use (i.e., mutual funds, ETFs, separate accounts, limited partnerships, private placements, MLPs, etc.)
 - e. Describe your philosophy and approach to using factor weighted (Smart Beta) funds?
 - f. Describe your team's philosophy and approach to development of asset allocation strategies, including:
 - 1) Methodology and approach used for asset allocation modeling, including linkage to asset/liability modeling and funding.
 - 2) Application of major variables (i.e., risk tolerance, return, correlation, skewness, kurtosis, etc.).
How frequently and under what circumstances do you believe asset allocation should be modified?
 - 3) Does your team employ a tactical allocation strategy? If yes, describe the parameters and the decision making process. And, what tactical moves did you employ in equities and fixed income in the last 18 months?
 - 4) Does your team utilize liability driven methodology? Please explain.
3. Manager Selection
- a. Briefly describe the process and methodology of choosing an investment manager and fund from initial screening through the development of your recommendation.
 - b. Indicate the source of information for investment manager candidates, partnerships, funds, ETFs, etc.

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- c. Does your organization and/or team conduct on-site due diligence meetings? Please explain. How often do you visit with managers or representatives of the funds used in your portfolios?
 - d. Does your team classify equity managers and funds by style? If yes, please indicate the style categories your organization uses and what process it uses to determine the manager's/fund's style?
 - e. How does your team verify the validity of limited partnership and separate account managers' performance records?
 - f. What is your position relative to active and passive investing?
 - g. Do you use multiple funds or managers for larger sleeves such as Large Growth, Core or Value?
 - h. For portfolios of a similar size as the Employees Retirement System of the City of Providence(s), what types of investment vehicles (as shown below) would you use, and what percentage. Differentiate between traditional investments and alternative investments.
 - 1) Mutual Funds
 - 2) ETFs
 - 3) Individual bonds
 - 4) Individual stocks
 - 5) Limited Partnerships
 - 6) Separately Managed Accounts (SMA)
 - 7) Private Placements
 - 8) Other (explain)
4. Performance Measurement and Evaluation
- a. Describe your organization/team's approach to monitoring and evaluating portfolio performance, risk, investment style and individual investment managers for your clients. Please discuss how you benchmark the managers or funds.
 - b. How often does your firm/team review an investment manager's performance?
 - c. Explain what would cause you to recommend a manager or fund to be terminated?
 - d. Briefly describe your organization's reporting system and the components of your performance reports. Please explain the extent to which these performance reports can be customized to meet a particular client's needs.
 - e. Describe the types of analysis and investment performance comparisons included in a typical performance evaluation report. To what extent does your organization/team provide analysis of year-to-year changes? What is your organization/team's typical turnaround time for the preparation of such analysis?
 - f. Are rates of return routinely presented on a net of fee basis?

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- g. Databases:
 - 1) Please describe the databases your firm uses.
 - 2) Is the database proprietary to your firm or purchased?
 - 3) If purchased, how many do you use and for what purposes?
 - 4) How many investment managers are in your database(s)?
 - 5) If you maintain your own proprietary database, how does your firm gather, verify and analyze the data collected on managers for the database(s)?
Include name of any external sources.
 - 6) Describe your screening process and capabilities.
 - 7) How many managers are actively monitored?

- 5. Risk Control
 - a. Does your organization/team assist clients in developing individualized, written investment manager guidelines? If so, attach a sample of such guidelines for a domestic equity manager and for a domestic fixed income manager.
 - b. Please explain how your organization/team measures and analyzes relevant financial characteristics regarding each manager's account and funds, and the entire fund portfolio in order to detect and control risk.
 - c. How do you manage for extreme left-tail risk? Do you consider Value at Risk (VaR) or Conditional Value at Risk (CVaR)?
 - d. How do you define risk for a defined benefit plan? How do you help sponsors mitigate that risk?
 - e. What do you consider the critical success factors for a de-risking strategy?
 - f. Describe the optimization or risk management techniques used in the portfolio construction process. Detail strategies employed to prevent excessive volatility.
 - g. How does your approach differ for plans that are closed versus active?
 - 1) How do you propose meeting periodic cash flow needs?

- 6. ESG
 - a. What is your philosophy on assessing non-pecuniary factors (such as ESG risks) in the investment decision-making process? What approach, if any, do you use to assess non-pecuniary factors?
 - b. Please provide an example of a situation where you assisted a DB plan with assessing ESG risks; please describe the sources and scope of your research and the recommendations that were made.

- 7. Transition Management
 - a. Describe how you would transition the assets to your recommended portfolio and custodian?
 - b. What extra costs would be involved?

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- c. The City of Providence has been provided with voter approval, as well as, City Council and Rhode Island General Assembly legislative authority, to seek a pension obligation bond, should it desire to do so, at an amount no greater than \$500M in proceeds to the retirement system, at a borrowing rate no greater than 4.9% and at a time no later than June 2027. Should those conditions permit/allow for a borrowing and if those proceeds arrived after your firm began work, how would you manage the incoming money?
 - d. How would you advise the City with:
 - 1. Getting the proposed bond proceeds invested quickly.
 - 2. Reducing or avoiding any potential adverse effects of investing quickly.
 - 3. Reducing transaction costs.
 - 4. Any asset reallocations already contemplated or in progress.
 - 5. Any new managers that were coming on board around the time the proposed \$500M proceeds becoming available.
 - 6. Market timing risk related to investing an additional \$500M in a short time frame.
 - e. In what ways, if any, would your investment recommendations be different for approximately \$900M in investment versus approximately \$400M of investments?
8. Computer and Technical Capabilities
- a. Describe the software and hardware that will be used to support the proposed work plan.
 - b. Describe your catastrophic data recovery plans. How often do you test your recovery system?
 - c. Describe your maintenance and backup procedures including daily backups, retention timetable and off-site backup storage approach. Where are your off-site backup facilities located? Is the backup data saved on disc or in the cloud?
 - d. Describe how any database(s) can be accessed by authorized City Finance personnel.

H. Fees

- 1. Please outline your fee structure for this plan. Please indicate all services you propose to provide and their associated fees. Specifically, detail in terms of your retainer, manager searches, performance monitoring on a monthly basis and other functions.
- 2. Please indicate the number of years for which your organization would be willing to guarantee its fees.
- 3. Please list any anticipated miscellaneous expenses and disbursements for which your organization will charge or seek reimbursement and unit costs of such expenses (if applicable).
- 4. Disclose your portfolio management philosophy as it relates to negotiating/establishing

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- fee arrangements with money managers. Disclose your review/evaluation process to determine reasonableness of each investment manager fee. Disclose your process for periodic review and recommendation of service fee reductions or consolidation.
5. What are the anticipated fund, limited partnerships, separate account, ETF, etc., fees and expenses?
 6. What are the estimated fees and expenses charged by your Custodian?
 7. Do you intend to charge for special projects or ad hoc work? If so, how would these services be defined and billed? Would there be a discount from the standard fees or special projects?
 8. If hired, will your firm receive any other form of compensation from working with this account that has not yet been revealed? If yes, what is the form of compensation?
 9. Describe in detail any mutual fund revenue sharing (recapture), 12b-1 fees, finder's fees, directed brokerage commissions (separate accounts), collective trust rebates, and any other revenues or fee rebates. Full transparency and disclosure of expenses, fees, revenue sharing, etc. is an absolute and nonnegotiable requirement.
 10. If your organization plans to bill for special projects on an hourly basis, please include a schedule showing the hourly rates of the professionals who would be assigned to the pension account. If selected, your organization will be expected to provide detailed back-up documentation reflecting the number of hours expended on a special project, billing rates, the subject matter of the services rendered, and the particular person(s) rendering those services.

I. Miscellaneous

1. Please provide a confirmation of your organization/team's willingness and availability to commence work immediately upon selection and to devote sufficient resources to perform all services in a timely and efficient manner.
2. A certification that all information contained in the proposal is complete and accurate, signed by a person authorized to negotiate on behalf of and contractually bind your organization. Any misrepresentation in the proposal could result in the termination of the contract at any time and potential liability.
3. Any other information you feel will be beneficial to support your proposal.