



August 1, 2019

## **Request For Proposals (RFP) for Investment Consulting Services**

The Public Employees' Retirement Association of Colorado ("Colorado PERA" or "PERA") is seeking proposals from qualified firms to provide investment consulting services for its Voluntary Investment Program (401(k) Plan), Deferred Compensation Plan (457 Plan), and Defined Contribution Retirement Plan (DC Plan), (collectively referred to as the Capital Accumulation Plans, CAPs, DC, Plan or Plans).

The RFP can be accessed using [this link](#). In order to assist you in evaluating this opportunity and preparing a response, we have also included links to the following documents:

1. Our most recent [Comprehensive Annual Financial Report \(CAFR\)](#), which contains a description of the retirement plan, organizational chart, and details about plan assets;
2. PERA's [Statement of Investment Policy for the Voluntary Investment Program \(401\(k\) Plan\), Deferred Compensation Plan \(457 Plan\), and Defined Contribution Retirement Plan \(DC Plan\)](#)
3. The lineup of PERA's CAP [investment offerings and underlying managers](#)
4. An outline of the [minimum eligibility requirements and RFP process](#);
5. A [scope of services](#) statement;
6. [Sample contract](#);
7. The [statutes](#) and [rules](#) governing PERA.

We are looking forward to receiving a response from your firm.

Sincerely,

Amy C. McGarrity  
Chief Investment Officer  
Colorado PERA

# Colorado PERA

## Investment Consulting Services

### Minimum Eligibility Requirements, Timetable, Administrative Requirements, Evaluation Criteria, and the RFP Process

#### **Minimum Eligibility Requirements:**

By submitting a bid under this RFP, the Bidder agrees as follows:

The investment consulting firm must be a registered investment adviser under the Investment Advisers Act of 1940.

The investment consulting firm must have been in business for a minimum of five years.

The individual assigned to PERA as lead consultant must have a minimum of five years of professional experience in the investment consulting field.

The investment consulting firm must have provided investment consulting services to other public retirement systems or corporate pension plans which are approximately the size of PERA or larger. "Size" means the approximate market value of assets held in trust on behalf of PERA participants in the DC plans.

The investment consulting firm must be able to maintain a satisfactory electronic interface with PERA's custodian bank by online connection or other means at the firm's expense.

The investment consulting firm must agree to be a Fiduciary to the plan as that term is defined in applicable law.

The investment consulting firm must agree to disclose all conflicts of interest, all sources of revenue and all affiliations and continue to do so on a regular ongoing basis.

The investment consulting firm must agree that: (i) in no event shall PERA indemnify consultant, and (ii) to the extent damages or costs are incurred by PERA as a result of the acts or inaction of Consultant, its agents, affiliates, assigns, or affiliated parties, PERA shall be entitled to recovery provided by law without limitation as to form or amount.

**Schedule:**

The following established schedule may be changed by PERA if necessary. If the schedule changes, updates will be posted to the PERA website. In no event will the dates listed below be changed to earlier dates.

RFP issuance	August 1, 2019
Written questions from respondents must be received by PERA	August 15, 2019
Answers to written questions will be posted to PERA website	August 23, 2019
Proposals due	September 9, 2019 by noon (Mountain Time)
Evaluation of proposals by PERA	By October 15, 2019
Finalists' presentations	October 28, 2019–November 1, 2019
Consultant selection and contract negotiation	Fourth Quarter, 2019
Official contract award public announcement	Upon completion of contract

**Contact Person:**

Amy C. McGarrity  
Chief Investment Officer  
Colorado PERA  
1301 Pennsylvania Street  
Denver, CO 80203

Telephone 303-863-3709  
E-mail investrfp@copera.org

**Written Questions and Answers:**

In an effort to clarify any issues in this RFP, PERA will respond only to questions that are timely submitted to the contact email address above. Questions should be addressed to the contact person and firms submitting questions should request a read receipt to ensure delivery of emails. PERA will consolidate all questions and its answers into a single Q&A document. The source of the questions will not be disclosed in the document. The Q&A document will be posted on the PERA website.

**Proposals:**

All interested firms should submit 4 bound copies and one electronic copy of their responses to the contact person. Proposals received after the due date will not be considered. No waivers or exceptions will be made for untimely deliveries.

Proposals may either be mailed or hand-delivered. The respondent shall be responsible for actual delivery of the proposal to the proper address before the deadline. All proposals become the property of PERA. All proposals, *except as noted below*, are considered to be public records and shall be available for viewing and reproduction as the law provides.

Firms that wish to protect portions of their proposals from public disclosure must make a written request that those records be kept confidential at the time of submission of records. In addition, the firms must specifically and conspicuously identify any portion of the proposals that are deemed by them to constitute confidential or proprietary information or trade secrets. Those portions must be readily separable from other portions of the proposal. Firms' identification of material as being exempt from disclosure are not conclusive, and firms submitting such requests acknowledge the possibility that such materials may be determined by a reviewing court not to be protected from disclosure under the laws governing PERA and the resulting contract. Upon receipt of a request for disclosure of the proposals, PERA will make an initial attempt to deny such request as provided by law. If the requesting party objects to PERA's initial response, then to the extent not prohibited by law, PERA will provide firms with notice as soon as possible of the objection. The burden is solely on firms to take such actions as they deem necessary and appropriate to shield such materials from disclosure. Firms shall timely notify PERA in writing of any initiated legal actions regarding the request for disclosure of confidential information. Firms agree to release PERA from liability for the release of any confidential information PERA determines to be required by law.

The cost of preparing and defending proposals will be borne by the respondents.

Proposals are to address all questions posed by PERA in the order in which they appear in this RFP. Answers must be succinct and within the stated page-limit maximums.

**Rules Regarding Contacts:**

The proposal period begins on August 1, 2019, and ends on September 9, 2019. Please refer to page 2 for a detailed schedule.

PERA reserves the right to request additional information from any or all respondents to assist in its evaluation process. However, no respondent may contact any member of the Board of Trustees (Board) or staff member, other than the contact person, during the proposal period.

Current service providers who are responding to this RFP are expected to limit their contacts for business transactions to PERA employees with whom they ordinarily interact and to avoid direct contact with the Board or other staff members during this proposal period, other than that which might occur at regularly scheduled meetings.

PERA reserves the right to amend the RFP at any time. If the amendment occurs after the due date, PERA may, at its sole discretion, allow respondents to amend their bid proposals to respond to the amendment.

Respondents may amend their bid proposals. The amendment must be in writing, signed by the respondent, and received by the proposal due date.

PERA reserves the right to waive or permit cure of nonmaterial variances in a bid proposal, if it is in PERA's best interest to do so. No such waiver or permission to cure shall modify the RFP requirements or excuse the respondent from full compliance with RFP specifications or other contract requirements if the respondent is awarded the contract.

**Evaluation of Proposals:**

Proposals will be evaluated by a group of PERA staff led by Ron Baker, Executive Director, and Amy C. McGarrity, Chief Investment Officer. During the evaluation process PERA may, at its sole discretion, request any or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer questions relating to the firm's proposal. Not all respondents may be asked to make such presentations.

**Finalists' Presentations:**

PERA may request finalist presentations by select firms. At that time, the respondents may present additional written information.

**Selection Criteria:**

The selection of the firm to provide investment consulting services will be based upon the following criteria, including but not limited to:

- Relevant investment consulting experience of the firm and the individual consultants proposed for PERA
- Proposed work plan, soundness of approach, breadth of resources, and understanding of the needs of PERA
- Demonstrated ability to perform the services referenced in the RFP
- References and recommendations of other clients
- Fee structure

**Contract Negotiation:**

A written contract with the consultant selected will be required. The terms of the contract are expected to be similar to the sample contract which has been provided, however, PERA reserves the right to further negotiate the terms and conditions of the contract with the selected consultant. The contract awarded pursuant to this RFP shall consist of the RFP and any amendments thereto, the successful firm's proposal and any amendments thereto, and the specific terms and conditions of the negotiated contract.

**Contract Award:**

PERA reserves the right to award all, part, or none of this contract and may award contracts to more than one investment consultant if deemed appropriate and desirable.

**Choice of Law and Forum:**

This RFP and the resulting contract shall be governed by the laws of the state of Colorado and venues for any actions shall lie exclusively in Denver, Colorado. Firms are responsible for ascertaining the pertinent legal requirements and restrictions. Any and all litigation or other action commenced regarding this RFP shall be brought in the appropriate forum.

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## RFP Questions

**A. Background of the Consulting Firm (3 page maximum):**

1. Briefly describe your firm’s background, history, and ownership structure, including any parent, affiliated or subsidiary company, and any business partners or joint ventures.
2. Describe the services your firm provides. Specify and detail any and all lines of business in which your firm participates.
3. Provide the percentage of total firm revenues that came from the categories listed below for each year:

	2018	2017	2016
Consulting to DB Plan Sponsors	%	%	%
Consulting to DC Plan Sponsors	%	%	%
Money Management Activities	%	%	%
Services to Money Managers	%	%	%
Other (Please describe)	%	%	%
	100%	100%	100%

4. Provide an organizational chart of your firm and describe the relationship between each component and your consulting group.
5. Within the past three years, have there been any significant developments in your organization such as changes in ownership, restructuring, personnel reorganizations, acquisitions, mergers, terminations, or investigations? Do you anticipate future significant changes in your organization?
6. List the address of your main corporate office and indicate which office(s) will service PERA.
7. Describe any services of your organization that may not be offered by other consultants.
8. Describe the total staff of the firm and designate the support staff, analysts and professionals.
9. Provide a listing of current and former clients over the last five years. Include the size of the client organization, the type of organization (e.g., public pension plan, Taft-Hartley plan, corporate defined contribution plan, etc.) and the number of years services were provided by your firm to each. Include information regarding the percentage of your current client base which is public sector and the percentage which is defined contribution. Also provide the number of clients added in the last two years and the number of clients lost in the last two years.
10. What is your firm’s targeted market in terms of fund size and type (e.g. public pension plan, corporate defined contribution plan, foundation or endowment, etc.)

**B. Consultants (1 page maximum):**

1. How many investment consultants does your firm have?
2. Discuss the ways you manage growth, including any limits to the client/consultant ratio.
3. Please provide your firm's retention rates for your investment consultant professionals.

**C. Standards of Conduct (1 page maximum):**

1. Does your firm have a written code of conduct or a set of standards for professional behavior? If so, how are they monitored and enforced?
2. Has your firm adopted the CFA Institute's Code of Ethics and Standards of Professional Conduct? If so, how is employee compliance monitored?
3. How are consultants' recommendations to clients reviewed and monitored by your organization? Does your firm adhere to a level of consistency in consultant recommendations?
4. Within the last five years, has your organization or an officer or principal been involved in actual or threatened litigation, administrative or regulatory, or similar investigation proceedings relating to your investment consulting assignments or any other litigation? If so, provide an explanation and indicate the current status or disposition. Under disposition, include any censures, penalties, fines, or reprimands received from regulatory bodies.
5. Has your firm ever been required to pay damages or penalties or trade or relinquish something of value under any of its existing or past contracts as it relates to services similar to those contemplated by this RFP? If so, describe the situation.

**D. Conflicts of Interest (3 page maximum):**

1. Based on the list of investment managers currently managing assets for PERA, disclose any business your firm, affiliates, or parent company does with any of PERA's investment managers.
2. Please provide detailed disclosures relating to any lines of business your firm, affiliates, or parent company performs other than investment consulting.
3. Are there any potential conflict of interest issues your firm has or may have in servicing PERA? If so, describe them.
4. How does your firm identify and manage conflicts of interest?
5. What is your firm's policy on soft dollar payments and the unbundling of research and trading costs? Do your investment consulting clients have soft dollar arrangements with your firm? If so, indicate what percentage of your clients have these arrangements.

6. Does your firm conduct or sponsor money manager or client conferences? If so, describe all conferences your firm has held or sponsored in the past two years. Please note if any PERA Board or staff members have been in attendance, and what fees have been or would be charged for Board and staff members to attend such conferences.
7. Has your firm, or anyone in your firm, provided any gifts, travel and room expenses, entertainment, or meals to any PERA Board member or staff during the past 12 months? If yes, describe the expenses and their purpose.
8. In the last five years, has your firm, or anyone in your firm, provided any other payments (e.g., salary, political contributions, service fees, etc.) to any current or former PERA Board member or staff, the Colorado Governor, the Colorado State Treasurer, or any Colorado State Senator, including for all of the foregoing any incumbent, nominee, candidate, or successful candidate? If yes, describe the payments and their purpose.
9. List and describe any professional relationship you have had with PERA or its legislative oversight bodies during the past three years.
10. Are there any circumstances under which your firm, or any individual in your firm, receives compensation, finder's fees, or any other benefit from investment managers or third parties? Are there any circumstances under which your firm, or any individual in your firm, pays compensation, fees, or any other benefit to investment managers or third parties? If yes, please describe in detail.

**E. Consulting Team (2 page maximum):**

1. Provide contact information for each consultant or other professional that will be assigned to PERA in a grid similar to this:

<b>Name and Title</b>	<b>Address</b>	<b>Business Phone</b>	<b>Mobile Phone</b>	<b>Email Address</b>

2. Describe the role of each consultant or professional for this assignment. How many clients would the lead consultant be assigned to?
3. Describe your team's experience with similar work performed for other public retirement systems, corporate defined contribution plans, or similar institutional investors. Please also provide complete bios for each consultant and other professionals assigned to PERA.
4. State whether the individuals assigned to the work have any responsibilities other than providing consulting services, and if so, specify such responsibilities.
5. Describe your firm's backup procedures in the event that key personnel in this assignment should leave the firm or be unable to service the PERA relationship.
6. Describe your firm's preferences for client communications. For example, does your firm prefer to have all client communications flow through one contact person?

**F. Range of Investment Options (3 page maximum):**

1. What changes, if any, would you recommend to consider regarding PERA's range of investment options?
2. How often do you conduct a formal review of investment offerings and recommend changes to the fund lineup?
3. Explain your firm's opinion/approach regarding internal investment management and external investment management.
4. Describe your firm's capabilities and experience in advising, assisting, and evaluating internal investment managers and staff.
5. Describe how your firm manages its advisory role to the Board with its supportive role with staff.
6. Explain your firm's position/approach on the use of active versus passive management in the public market asset classes.
7. Describe your firm's methodology for identifying and evaluating new investment opportunities. How do you inform clients regarding new opportunities and changes to previous recommendations?
8. What distinguishes your firm in the investment consulting industry?
9. Please note any significant contributions your firm has made in developing and defining "best practices" in the defined contribution investment consulting field.
10. Describe positive contributions that consultants provide their public plan clients? Describe common mistakes consultants make and how you prevent such mistakes from occurring.

**G. Investment Policies (2 page maximum):**

1. Describe your approach to the analysis of applicable legal parameters/restrictions under which PERA must operate.
2. Describe your approach to the development or review of an investment policy statement.
3. Detail your process for the development of a range of investment options and how you balance risk and return in a participant directed plan.
4. Describe your process for maintaining a continuous review of investment policies.

**H. Investment Manager Database (1 page maximum):**

1. Does your firm maintain an in-house database of investment managers? If not, from what vendor do you purchase the database? Do you utilize both? How many managers/products are included in the database(s) that you use?

2. For firms that utilize a vendor database, describe key characteristics of the database.
3. For firms that have an in-house database, describe key characteristics of the database and what advantages the database provides. Please provide details on remuneration (e.g. do you charge investment managers or sell it to third parties), the track record of buy and sell ratings, how often managers are reviewed, and the process of gathering and maintaining the data collected. Lastly, please describe your capabilities for tracking managers who separate research and trading costs.
4. Does your firm maintain or subscribe to a separate emerging manager database?

**I. Investment Manager Searches (1 page maximum):**

1. Describe your firm's process for evaluation and selection of investment managers.
2. Describe your experience in selecting investment managers.
3. Describe how your firm's process for the evaluation and selection of an investment manager adds value beyond the mere provision of raw data.

**J. Performance and Risk Evaluation:**

1. How do you typically calculate performance for DC investment offerings and/or individual managers that comprise those offerings?
2. Can your firm provide custom benchmarks and benchmark analytics?
3. What amount of input does the client have in the content and format of an investment performance evaluation report? Do you have the ability to customize reports for your clients?
4. What factors do you consider to be critical in reporting performance?
5. How are performance benchmarks for the investment options chosen and constructed? Describe your process for evaluating benchmark selection.
6. Do you calculate performance independently of the custodian? If so, do you reconcile your calculated performance with investment managers' and custodians' reports? If yes, please describe.
7. Are performance reports compliant with GIPS presentation standards?
8. Describe your firm's performance attribution process and reports.
9. Describe your process for bringing on historical performance data (do you estimate and/or simulate prior periods if not readily available?).
10. Describe your process to evaluate the various fees and the overall fee structure involved in DC plans (investment manager, administrative, etc.).

**K. Reporting (1 page maximum):**

1. What period of time is required to prepare reports after the end of each quarter?
2. Give a brief overview of the hardware and software systems used in the production of performance reports.

**L. Research (1 page maximum):**

1. Describe the internal structure and organization of your research department. If no separate department exists, describe how this function is performed at your firm.
2. Describe the manner in which external resources and sources of information are used in the research process. How does your firm integrate internal and external research?
3. Describe the subject matter and frequency of research provided to clients, and the media customarily used to distribute such research to clients.
4. Describe your firm's ability regarding plan design research, including but not limited to structuring fees, best practices to improve participant outcomes, etc.
5. Describe your ability to provide customized computer-based analytical tools to your clients. Describe specific features.
6. Describe your firm's process for monitoring industry and market trends affecting defined contribution plans and their investments.

**M. Board and Staff Education (1 page maximum):**

1. Does your firm offer training of plan fiduciaries and staff as it relates to their investment responsibilities? If so, describe the type of training available and the qualifications of the individuals assigned to conduct the training.

**N. Insurance and Liability:**

1. Would you be able to agree to no limits on liability?
2. Describe your firm's levels of coverage for (i) errors and omissions insurance, (ii) any fiduciary or professional liability insurance, (iii) any cyber liability insurance, and (iv) any other insurance your firm carries as applicable to the services to be provided to PERA under this RFP. Please clarify whether the coverage is on a per client basis or applied to the firm as a whole. List the insurance carriers and provide a current certificate of insurance.
3. Describe your disaster recovery plan and facilities.
4. Please confirm whether your firm has robust cyber security and privacy practices and, if available, provide copies of the most current SOC 2 or similar reports.

**O. Subcontracting:**

1. If your firm uses the services of subcontractors for the performance of services hereunder, identify all such subcontractors and describe the skills and qualifications of the subcontractors and its individual employees.

2. Describe what sections, percentage, and related costs of the relationship will be assigned to subcontractors, if any.

**P. Fees:**

1. Provide a proposal regarding the fees to be paid to your firm for the services identified in the Scope of Services. The proposal should provide fees based upon a bundled fee for all services identified as well as an unbundled fee for each discrete service identified in the Scope of Services. Please describe fee arrangements for special projects or services that are outside the scope of services.
2. Identify the period of time the proposed fees will remain in effect.
3. Describe whether the firm has previously performed investment consulting services under the proposed fee arrangement and, if so, its experience.
4. Has the firm provided investment consulting services under alternative fee arrangements? If so, please describe.
5. Does your firm's proposed fee arrangement consist of any incentive or contingent payments? If so, describe the manner of calculation in detail.

**Q. References:**

Provide three references who are clients for whom work similar to that requested in this RFP has been performed. Public sector references are preferred.

**R. Previous Clients:**

List public sector clients (or other clients if inapplicable) who have terminated your consulting relationship during the past three years and their reasons for doing so. Include the names, titles, and telephone numbers of the primary contact persons.

## Appendices

### **Appendix A: Biographies**

Include biographies for all consultants listed in your proposal. Indicate what year each consultant joined your firm and describe his or her position, current responsibilities, areas of expertise, experience, education, professional designations and memberships, and relevant publications and presentations.

### **Appendix B: Form ADV Parts I and II**

Attach your firm's current Form ADV Parts I and II.

### **Appendix C: Annual Financial Report**

Attach your firm's current audited Annual Financial Report.

### **Appendix D: Sample Contract or Agreement**

Attach a sample contract or agreement your firm uses for investment consulting services.

### **Appendix E: Sample Performance Report**

Attach a sample performance report that is representative of the report your firm would produce quarterly.

### **Other Information**

1. Describe areas or processes, not included in the scope of this engagement that your firm may examine in order to provide more complete and thorough services.
  2. Provide any additional information that you believe to be relevant to the RFP and your capability to provide the services requested.
  3. Do not include any promotional or display material to supplement your proposal.
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