

## REQUEST FOR PROPOSALS (RFP):

### FIDUCIARY PERFORMANCE AUDIT OF THE STATE TEACHERS RETIREMENT SYSTEM

May 13, 2021

#### I. *Introduction*

##### 1.1 PURPOSE

Pursuant to Ohio Revised Code (R.C.)171.04(F), the Ohio Retirement Study Council (ORSC) requests proposals from qualified firms interested in performing an independent fiduciary performance audit of the State Teachers Retirement System (STRS). The goal of the performance audit is to identify areas of strengths and weaknesses in STRS, compare STRS operations with best practices of other public pension plans, and make recommendations for improvement. The services being sought are specified in more detail in Section II, Scope of Audit, of this RFP.

##### 1.2 PROPOSAL SUBMISSION

Five copies of the proposal, including one unbound copy and one digital copy, must be received by Bethany Rhodes, Director, Ohio Retirement Study Council, 30 East Broad St., 2<sup>nd</sup> Floor, Columbus, OH 43215 no later than 5:00 p.m., EST, on July 2, 2021. Incomplete proposals or proposals received after the deadline will not be considered by the ORSC and will be returned to the proposer.

ORSC reserves the right to request additional information, revise, cancel or reissue the RFP at any time.

##### 1.3 FOR MORE INFORMATION ON RFP

If the firm is interested in responding to this RFP and requires additional information to complete it, please write to Bethany Rhodes, Director, Ohio Retirement Study Council, 30 East Broad Street, 2<sup>nd</sup> Floor, Columbus, OH 43215; facsimile (614) 228-0118; or e-mail to Bethany.Rhodes@orsc.org. Questions must be submitted not later than June 24, 2021. All questions and written answers will be shared with all other known interested parties through the ORSC website, www.orsc.org. Any revisions of the RFP will be posted on the ORSC website.

## 1.4 BACKGROUND

The ORSC was created by the Ohio General Assembly in 1968 and is one of the oldest permanent pension oversight bodies in the nation. It is composed of three members each of the Ohio House of Representatives and the Ohio Senate, three members appointed by the Governor, and the executive directors of each of the five state retirement systems as non-voting members. Its purpose is to advise and inform the state legislature on all matters relating to the benefits, funding, investment, and operation of Ohio's five state retirement systems: the Public Employees Retirement System (PERS), the Ohio Police and Fire Pension Fund (OP&F), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the State Highway Patrol Retirement System (SHPRS). As of January 1, 2021, Ohio's five state retirement systems have assets totaling approximately \$237 billion. The retirement systems provide retirement, disability, and survivor coverage to approximately 1.1 million members, retirees, and their beneficiaries. The statutes governing the ORSC are found in Chapter 171 of the Ohio Revised Code.

The ORSC is charged with the following statutory duties:

- (1) Make an impartial review from time to time of all laws governing the administration and financing of the retirement systems and makes recommendations to the legislature on any changes it finds desirable with respect to benefits, sound financing of benefit costs, and prudent investment of funds (R.C. 171.04(A));
- (2) Report annually to the governor and legislature on its evaluation and recommendations with respect to the operations of the retirement systems and their funds (R.C. 171.04(B));
- (3) Study all proposed changes to the retirement laws and reports to the legislature on their probable costs, actuarial implications, and desirability as a matter of public policy (R.C. 171.04(C));
- (4) Review semiannually the investment programs of the retirement systems (R.C. 171.04(D));
- (5) Prepare, at least once every ten years, an independent actuarial audit of the annual actuarial valuations and quinquennial actuarial experience studies of each retirement system (R.C. 171.04(E));
- (6) Conduct a fiduciary performance audit of each system at least once every ten years (R.C. 171.04(F));
- (7) Provide each Council member with copies of all proposed rules submitted by the retirement systems and submit any recommendations to the Joint Committee on Agency Rule Review (R.C. 171.04(G)); and

(8) Review the adequacy of the police and fire contribution rates and make recommendations to the legislature that it finds necessary for the proper financing of OP&F benefits (R.C. 742.311).

The retirement systems have discretionary authority to offer comprehensive hospital, medical, and prescription drug coverage to retirees and their dependents. Participants in the retirement systems are not covered under Social Security with respect to their public employment.

The Ohio General Assembly has ultimate responsibility for the stability of the systems. It has a responsibility not only to the plan participants but also to the taxpayers who support these systems to review periodically the policies of each retirement system to ensure that the level of benefits is equitable, the level of funding is adequate, and the investment of funds is prudent. The Ohio General Assembly has relied on the ORSC for over 50 years to provide the necessary advice and information that enables it to make informed decisions based on sound public policy. Therefore, it is imperative that the ORSC has the necessary tools and information to perform these functions.

For additional information about the ORSC, please refer to our web site, [www.orsc.org](http://www.orsc.org).

STRS is a statewide retirement system created in 1920 to cover teachers in public schools, colleges, and universities. STRS operates under the statutes set forth in Ohio Revised Code Chapter 3307. STRS is governed by a retirement board consisting of five active teachers elected by active STRS teachers, two retiree members elected by STRS retirees, the Superintendent of Public Instruction, an investment expert appointed by the Governor, an investment expert appointed jointly by the Speaker of the Ohio House of Representatives and the Ohio Senate President, and an investment expert designated by the Ohio Treasurer of State. Board members serve without compensation other than actual, necessary expense reimbursement. STRS is internally managed by an executive director and ten other senior staff. As of January 1, 2021, STRS employs 532 associates.

STRS is funded through contributions made by member employees and their employers and investments on those contributions. STRS members contribute 14% of their salary, while their employers contribute an amount equal to 14% of salary.

Based on employee and employer data as of January 1, 2021, STRS has 178,043 active members, 161,687 inactive members, and 156,907 retirees. As of January 1, 2021, STRS had assets totaling approximately \$88 billion, approximately 31% of which are

managed externally. The fiduciary audit will be conducted on the most recent completed fiscal year (STRS FY is July 1 to June 30). More information on STRS is available on their website, [www. https://www.strsoh.org/](https://www.strsoh.org/).

## **1.5 Public Records and Trade Secrets**

Subsequent to the selection of a proposal, any submissions made under this RFP will become public records. Because of these disclosure requirements, applicants are discouraged from including any trade secret information.

## **II. *Scope of Audit***

**Purpose:** The Contractor selected under this RFP (the Contractor) will provide an independent review and critically evaluate the organizational design, structure, and practices of STRS overall and of its investment program. The Contractor will identify areas of strengths and weaknesses in STRS, compare STRS operation with best practices of other public pension plans, and make recommendations for improvement.

**Deliverables:** The Contractor will provide monthly updates to the ORSC. The final report must include, at a minimum: a description of the work performed; an executive summary; findings and recommendations; and specific and concrete proposals to achieve any improvements recommended in the report. The recommendations and proposals should be prioritized and provide the potential costs or benefits associated with implementation. The key findings, recommendations, and proposals should be organized in a manner that clearly identifies to whom they are primarily directed (e.g., the Legislature, STRS Board, and ORSC). The Contractor will provide a digital and 25 bound copies of the final report to STRS and a digital and 25 bound copies of the final report to the ORSC not later than one week after the Contractor completes the final report and shall separately present this report, in person, to both the ORSC and the STRS Board.

## **2.1 BOARD GOVERNANCE AND ADMINISTRATION**

The Contractor will perform a review of the governance structure of STRS in terms of the make-up of its board and level of monitoring and oversight provided in its policies, procedures, and practices. The Contractor shall evaluate the adequacy of the policies concerning delineation of roles and responsibilities of the board, staff, investment managers, and others with administrative or oversight responsibilities. Specifically, this will include an analysis of:

- Board trustee education, training, and their associated costs;
- Whether STRS sufficiently delineates, communicates, and documents the lines of reporting and responsibility over staff responsibilities in general and in the investment program specifically and whether the role of the board and staff are clearly defined for both;
- The statutes and administrative rules under which STRS operates to determine if the board and staff comply with applicable statutes and rules as well as whether the statutes and administrative rules are sufficient to allow the board and staff to meet their responsibilities;
- Comparison of the governance provisions and practices to industry standards and best practices in comparable systems.
- STRS budget process and its adherence to board approved budget;
- Written policies and procedures currently in place to monitor and guard against professional conflicts of interest;
- Succession planning for key positions;
- Administrative costs, including determining their appropriateness compared to comparable public systems; and
- Communication policies and procedures of STRS between the board, its members, and its retirees.

## 2.2 ORGANIZATIONAL STRUCTURE AND STAFFING

The Contractor will perform a review of the overall organizational structure of STRS and its capacity and effectiveness in implementing the policy and assignments delineated by the STRS Board and management. Specifically, this will include an analysis of:

- Staffing size, hiring procedures, staff qualifications, roles, compensation, performance evaluation requirements, and an analysis of these factors compared to other similar size public pensions;
- Adequacy of process to evaluate and improve customer/member satisfaction;
- Whether compensation levels are sufficient to facilitate STRS' ability to attract and retain qualified pension fund professionals; and
- Monitoring and maintaining staff qualifications and continuing education requirements.

## 2.3 INVESTMENT POLICY AND OVERSIGHT

**Investment policy.** The Contractor will perform an evaluation of the board investment policy and procedure. The Contractor will:

- Review the process by which the investment policy is adopted and compare that process to best practices;
- Review the investment policy statement and compare it to industry best practices;
- Determine whether STRS investment policy includes all critical elements, acknowledging an understanding of STRS' financial and actuarial characteristics, and in accordance with established investment and funding goals, and risk tolerances;
- Evaluate whether the asset allocation is tied to the investment policy statement;
- Evaluate whether STRS investment policy is compatible with the most recent asset/liability study and five-year experience review;
- Evaluate the adequacy of the mechanisms and decision-making processes utilized for setting, periodically reviewing, and rebalancing the asset allocation;
- Evaluate whether STRS policy specifies to what extent the basis for particular investment decisions should be articulated in writing by the Board or STRS staff;
- Evaluate the extent to which STRS observes its formal written investment policies and procedures, and identify what, if any, practical problems have resulted either on a systematic or isolated (but significant) basis; and
- Evaluate how often and by what process the board or staff reviews STRS' written policies, guidelines, and procedures.

**Investment oversight and review.** The Contractor will perform an evaluation of the oversight and control of investments. The Contractor will:

- Evaluate the appropriateness of board and staff controls, procedures, and capabilities to regularly review and monitor the performance of the investments and the practices of investment managers, as well as ensuring compliance with policies;
- Evaluate STRS' process for measuring, evaluating, and controlling transaction costs, directed brokerage and commission recapture (if any), and compare the process to other funds as well as public or private third party industry surveys.
- Evaluate the process used to determine and measure investment performance, including how performance data is collected and verified and selection of appropriate benchmarks;
- Evaluate the basis and methodology for the compensation of external investment managers and advisors and payments to others, if any;

- Evaluate the written policies and procedures currently in place to monitor and guard against professional conflicts of interest; and
- Analyze how investment managers are selected, including the transparency in the decision-making process, due diligence provisions, whether specific criteria and procedures govern the selection process, whether they are actually observed in the selection process, and whether there is adequate documentation of selection process.

**Investment and fiduciary risk.** The Contractor will perform an evaluation of the awareness of risk and management of risk in investments. The Contractor will:

- Evaluate the processes by which the board is aware of the risks associated with the asset allocation they have adopted; and
- Examine investment risk factors. Attention should be on the types, levels, and appropriateness of risks in the investment portfolios and overall funds as well as any internal controls in place at STRS to ensure compliance with the adopted standards, policies and procedure for managing investment and fiduciary risk. This examination should include a comparison to best practices.

**Custodian policy.** The Contractor will evaluate STRS' relationship with its custodial bank, including the custodial bank's breadth of services, technological planning and capability to address STRS' needs, the bank's structure and level of fees, cash management and analytical services, and the ability of STRS to have oversight over custodial functions. The Contractor will also review the custody model used by the Ohio Treasurer of State as custodian of financial assets for STRS and evaluate the oversight provided as compared against other public systems and best practices.

## 2.4 LEGAL COMPLIANCE

The Contractor will evaluate the adequacy of STRS' legal compliance with applicable state and federal law and regulations. The evaluation will include an analysis of:

- Legal compliance and adherence to IRS regulations;
- Adequacy of internal and external counsel;
- Adequacy of ethics training, disclosure, and monitoring of compliance; and
- Board and staff compliance with legal requirements.

## 2.5 RISK MANAGEMENT AND CONTROLS

The Contractor will evaluate the risk review and control procedures of STRS. The Contractor will also evaluate the STRS management process by analyzing, as appropriate, the essential components of its internal control structure. These components include segregation of duties, availability of information, timeliness, accessibility, and accuracy of information, policy manuals, supervision and review, audits, and training and planning. A review of this task area should also encompass an assessment of whether the pension fund utilizes a holistic view of risk management.

The evaluation will include an analysis of:

- The adequacy of financial controls and integrity of financial statements. This should include an analysis of the purchasing policy and adherence to that policy;
- The adequacy of the current accounting process;
- The appropriateness and utility of regular reports provided to the Board and management, and how that reporting compares to industry standards and best practices;
- Sufficiency of internal and external audit procedures; and
- Adequacy of record-keeping system.

## **2.6 IT OPERATIONS**

The Contractor will evaluate the control, accuracy, and integrity of the STRS information technology system. This should include a review of STRS data integrity; security and confidentiality of its records system; contingency and continuity planning; and incident management system. The Contractor will evaluate the overall risk level for STRS IT operations. The analysis will include an analysis of:

- The quality of processes and controls for the organization and management of IT operations and governance; IT project and portfolio management; data management; application development and maintenance; local area network infrastructure; security; business continuity plan and disaster recovery; and
- Areas of high risk and STRS' mitigating controls for those defined high-risk areas. The analysis will compare the STRS' control structure with IT industry best practices.

### **III. *Anticipated Work Product***

#### **3.1 WRITTEN REPORT**

ORSC reserves the right to use and reproduce all reports and data produced and delivered by the Contractor and to authorize others to use or reproduce such materials. The final written report shall include:



- An overall opinion of the areas of strengths and weaknesses in STRS;
- An overall comparison of STRS operations with best practices of other public pension plans; and
- Detailed recommendations for improvement. The recommendations should be easily identified within the report by use of bold, underlined, or italicized text, bullets, or other similar techniques.

PowerPoint **is not** an acceptable format for this report. The report must be in language clearly understood by lay readers and include an executive summary. Terms essential to an understanding of retirement system operations should be explained in lay terms.

More detailed and technical information that STRS would need to understand and respond to the Contractor's findings and analysis should be incorporated into a separate appendix document.

### **3.2 WORKING PAPERS**

The Contractor's working papers shall be available for review and duplication by the ORSC and its designees during the period of the awarded contract and for a period of not less than four years after the last payment date. The Contractor also shall be available to answer reasonable questions by authorized representatives of the ORSC at no additional cost beyond the contract price.

### **3.3 ADDITIONAL SERVICES**

During the review process, the Contractor may make suggestions that consultants should be hired to assist STRS. In order to increase the credibility of the audit, the Contractor should understand that, if they are chosen to perform this audit, they **will be disqualified** from consideration as a contractor for activities relating to the area of their review for a period of one year.

## ***IV. Organization, Format, and Content of Proposal***

Please provide responses to the following questions. Responses will be evaluated, in part, on an organization's ability to communicate clearly and succinctly.

### **4.1 PROPOSAL SUMMARY**

Each proposal shall provide a narrative summary of the proposal being submitted. This summary should identify all of the services and work products that are being offered in the proposal and should demonstrate the firm's understanding of the project. In addition to the summary, please provide all of the following general information:

- The firm's primary contact for ORSC staff use and, if different, for STRS staff use during the audit, including the contact's address, telephone and e-mail address;
- General ownership structure of the organization, including subsidiary and affiliated companies, and joint venture relationships;
- Information regarding any material change in the firm's structure or ownership within the last eighteen months, or any material change in ownership, staff, or structure currently under review or being contemplated by the firm;
- If available, a third-party assessment or report concerning client satisfaction and measures of the firm's strengths and weaknesses;
- Any material litigation which has been threatened against the firm or to which the firm is currently a party;
- A list and brief description of litigation brought against the firm by existing or former clients over the last five years; and
- A list of any professional relationships involving the ORSC, the five Ohio public retirement systems, the State of Ohio, or its political subdivisions for the past five years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed review. In the event that the firm has had any professional relationships involving the ORSC, the five Ohio public retirement systems, the State of Ohio, or its political subdivisions for the past five years, the firm shall provide a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed review, or, if necessary, an explanation of the actions that will be taken to ensure an independent review.

#### **4.2 CAPABILITIES AND EXPERIENCE**

Each proposal shall describe the firm's capabilities and recent experience (at least during the last five years) in performing fiduciary audits or studies of public employee retirement systems. The firm should include information on the types and sizes of public employee retirement systems for which past work has been performed, including whether the systems were defined benefit or defined

contribution plans, the types and number of participating employers, number of participants, and other relevant indicators of plan type, size, and comparability to STRS. You may provide a sampling or summary description of the scope of these projects and non-proprietary key findings and recommendations. You should include other information you believe may be relevant in demonstrating your capabilities in performing the fiduciary audit, including other professional experience and data processing capabilities. Please include the firm's experience and capability regarding all of the following:

- Reviewing internal trading and trade processing operations;
- Reviewing internal operational and investment risk controls;
- Reviewing ancillary investment functions such as cash management, securities lending, proxy voting, shareholder litigation, and regulatory reporting;
- Reviewing external manager and advisor selection processes, fee structures, reporting, and oversight;
- Reviewing investment accounting processes, performance computation processes, and custodial support;
- Reviewing the staffing, structure, and employee satisfaction of investment organizations;
- Reviewing incentive compensation programs for public investment organizations; and
- Reviewing asset/liability studies and reviewing investment policies for a defined-benefit public pension plan.

### **4.3 STAFF QUALIFICATIONS**

Each proposal shall, at a minimum, describe the qualifications of all management and lead professional personnel who will participate in the fiduciary audit. Each personnel description shall include: (1) a resume; (2) a summary of experience each has had in performing fiduciary audits or studies of public employee retirement systems; and (3) a management plan identifying the responsibilities each will have on the audit. Each proposal shall also include a description of the firm's procedures in the event that a key person assigned to this engagement leaves the firm during the engagement.

Each resume should include information on the current and past positions held with the firm, educational background, relevant credentials, and other relevant information to demonstrate the person's qualifications.

The experience summaries should include information on the types and sizes of public employee retirement systems for which the designated staff have completed work, including whether the systems were defined benefit or defined contribution plans, the types and number of participating employers, number of participants, and other relevant indicators of plan type, size, and comparability to STRS. You may reference, rather than repeat, duplicative information provided in paragraph 4.2, Capabilities and Experience. The experience summaries also should describe the work performed and detail the roles and responsibilities that the individual staff had on the projects.

The management plan should specify the roles and responsibilities that each of the management and professional staff will have on the fiduciary audit and include an estimated portion of the audit's time that will be spent by each on the audit and the individual's hourly billable rate.

Lead professionals included on the project team should, at a minimum, have performed a fiduciary audit or study of a public employee retirement system within the last two years.

Each proposal shall include the firm's affiliations with organizations that sponsor and support investment or fiduciary related research.

#### **4.4 REFERENCES**

Each proposal must include a list of at least three organizations, but no more than five, that may be used as references for your work on fiduciary audits or studies. References may be contacted to determine the quality of the work performed, personnel assigned to the project, and contract adherence. The following should be included for the references listed:

- Date of the fiduciary audit work;
- Name and address of client;
- Name and telephone number of individual in the client organization who is familiar with the work; and
- Description of the work performed.

#### **4.5 METHODOLOGY, WORK PRODUCT, AND TIMELINE**

Each proposal shall describe the proposed methodology for each element of the components listed in Section II, Scope of Audit. The description should include specific techniques that will be used, including anticipated sampling techniques and

sizes, and proposed sources of data and information. You may propose alternative ways of addressing the elements of the audit's scope.

In describing the proposed methodology, also identify the type and level of assistance that you anticipate will be needed from the staff of STRS, including assistance to understand the operations and records of STRS and assistance to access, obtain, and analyze information needed for the audit. The description of the proposed methodology shall also identify meetings, interviews, programming support, space needs, etc., that you anticipate needing from STRS.

Each proposal shall also include one or more examples of work product(s) for fiduciary audits that may help to illustrate the proposed methodology and final work product.

Each proposal shall provide an estimated date that the final report will be submitted and the projected timeline or the anticipated work requirements and milestone dates to reach that date. This may be expressed as time after start of contract (i.e., "1 week after contract start date," "4 weeks after contract start date"), rather than specific calendar dates.

#### **4.6 ADDITIONAL INFORMATION**

Each proposal shall include any additional information that might be helpful to gain an understanding of the proposal. This may include diagrams, excerpts from reports, or other explanatory documentation that would clarify and/or substantiate the proposal. Any material included here should be specifically referenced elsewhere in the proposal.

#### **4.7 GLOSSARY**

Each proposal shall provide a glossary of all abbreviations, acronyms, and technical terms used to describe the services or products proposed. This glossary should be provided even if the terms are described or defined when first used in the proposal response.

#### **4.8 COST INFORMATION**

The pricing summary should include a breakdown of costs per element, including personnel costs (including hourly rates and estimated hours for professional and clerical staff assigned to the audit); travel and lodging; data processing costs; materials; and any other potential costs. The cost estimates in the pricing summary

must include all necessary charges to conduct the audit and must be a “not to exceed” figure.

**V. Evaluation of Proposal**

Proposals will be evaluated across the categories listed in Section IV, Organization, Format, and Content of Proposal, of this RFP using a scoring system that will total 100 points. Incomplete or insufficient answers to proposal requirements may cause a reduction in points awarded. An ORSC subcommittee and ORSC staff will preliminarily evaluate and score the responses and provide a recommendation to the ORSC. The ORSC will award the contract through its evaluation of the responses, in conjunction with the subcommittee’s recommendation and subsequent interviews by the ORSC as a whole.

The following table provides a list of the major categories of evaluation and the relative importance of each category:

Proposal Summary	20 points
Capabilities and Experience	20 points
Staff Qualifications	25 points
References	10 points
Methodology, Work Product, and Timeline	15 points
Cost <sup>1</sup>	10 points
<b>Total Possible Score</b>	<b>100 points</b>

**VI. Terms of the Proposal**

The ORSC reserves the right to accept or reject any or all proposals and to negotiate the terms of any contract that may result from the proposal. Any contract resulting from this RFP shall be governed by and in accordance with the laws of Ohio. Before any work can commence under the contract, final approval must be given by the ORSC.

---

<sup>1</sup> A firm shall receive points based on cost by dividing the lowest bid by that firm’s bid, and multiplying the quotient by the maximum number of points available. Points shall be deducted if the cost does not follow the requirements imposed by paragraph 3.8 of the RFP.

In evaluating the proposals, cost will not be the sole factor. The ORSC reserves the right to request additional information from Respondents after the proposal receiving date and deadline for submission of the RFP, as well as to revise, cancel or reissue the RFP at any time. All proposals submitted shall become the property of the ORSC and shall not be subject to public inspection until the negotiation process is concluded either by award of a contract or cancellation of the RFP. All proposals will be subject to all applicable public records laws. Those firms wishing to be considered must complete the proposal as outlined above. Failure to comply with or failure to include any part of the proposal may result in rejection of the entire proposal.

Respondents selected as finalists may be required to appear before the ORSC, at their own expense, for an interview prior to awarding the contract. Dates for interviews will be determined by the advisory subcommittee of the ORSC. The ORSC specifically reserves the right to vary all provisions set forth herein at any time prior to execution of a contract when the ORSC deems it to be in the best interest of the ORSC. The ORSC is not responsible for any costs incurred by the Respondents prior to the execution of the contract.

By submitting a proposal, the Respondent warrants and certifies that:

- It is eligible for award of a contract by the Attorney General's Office, pursuant to Ohio Revised Code Sections 9.24, 125.11, 125.25, and 3517.13.
- It has familiarized itself with the ethics statutes governing state employees and appointees, including those concerning employment of former government employees, gifts and lobbying.
- Respondent, any subcontractor, and any person acting on behalf of Respondent or a subcontractor, shall not discriminate, by reason of race, color, religion, sex, age, genetic information, disability, military status, national origin, or ancestry against any citizen of this state in the employment of any person qualified and available to perform the work under any contract resulting from this RFP.
- It has read the RFP, understands it, and agrees to be bound by its requirements.
- If awarded a contract arising out of this RFP, it shall negotiate such contract in good faith, which contract shall be in a form provided by the Attorney General's Office.
- It has not included any legal terms or conditions for the contract in its proposal.