

## REQUEST FOR PROPOSALS (RFP):

### INVESTMENT PERFORMANCE EVALUATIONS OF OHIO'S PUBLIC RETIREMENT SYSTEMS FOR THE OHIO RETIREMENT STUDY COUNCIL

May 11, 2023

#### I. *Introduction*

##### 1.1 PURPOSE

Pursuant to Ohio Revised Code (R.C.) 171.03(B), the Ohio Retirement Study Council (ORSC) requests proposals from qualified investment consulting firms interested in providing, twice annually, an investment performance evaluation of Ohio's public retirement systems. The services being sought are specified in more detail in Section II of this RFP (*Scope of Investment Performance Evaluations*).

##### 1.2 PROPOSAL SUBMISSION

Five copies of the proposal, including one unbound copy and one digital copy, must be submitted to Bethany Rhodes, Director/General Counsel, Ohio Retirement Study Council, 30 East Broad Street, 2<sup>nd</sup> Floor, Columbus, Ohio 43215, no later than 5:00 p.m., Eastern Standard Time, on June 30, 2023. Incomplete proposals or proposals received after the deadline will not be considered by the ORSC and will be returned to the proposer.

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

##### 1.3 FOR MORE INFORMATION ON THE RFP

If a firm is interested in responding to this RFP and requires additional information, please write to Bethany Rhodes, Director/General Counsel, Ohio Retirement Study Council, 30 East Broad Street, 2<sup>nd</sup> Floor, Columbus, Ohio 43215; facsimile (614) 228-0118; e-mail [Bethany.Rhodes@orsc.org](mailto:Bethany.Rhodes@orsc.org). Questions must be submitted no later than 5:00 p.m., EST, on June 23, 2023. All questions and written answers will be shared with all other known interested parties through the ORSC website, [www.orsc.org](http://www.orsc.org). Any revisions to 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 commissions in the nation. It is comprised of three members each of the Ohio House and Ohio Senate, three members appointed by the Governor, and the directors of each of the five state retirement systems as non-voting members. Its purpose is to advise and inform the state legislature and other elected officials 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 State Teachers Retirement System (STRS), the Ohio Police and Fire Pension Fund (OP&F), the School Employees Retirement System (SERS), and the Highway Patrol Retirement System (HPRS). As of January 1, 2023, Ohio's five state retirement systems have assets totaling approximately \$229 billion. The 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 make 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 report 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 ORSC 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 five 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 fiduciary responsibility not only to the plan participants but also to the taxpayers who support these systems to review periodically its policies 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.

The ORSC is seeking a qualified firm to assist in its duties specified in number four above. The purpose of the study is to provide a framework in which ORSC members are provided an “apples to apples” comparison of the systems’ investment performance relative to each other and other similarly situated funds with similar objectives. The ORSC has received such investment evaluations since 1998.

For additional information about the ORSC, please refer web site ([www.orsc.org](http://www.orsc.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 Investment Performance Evaluations***

The services sought are a comparative evaluation of the investment performance of the funds of Ohio’s five state retirement systems-PERS, STRS, OP&F, SERS, and HPRS-for the 6-month periods January 1 to June 30 and July 1 to December 31 of each contract year. Note that PERS has two funds, a pension fund and health care fund. Because the investment objectives of these two funds are widely divergent, for purposes of the evaluation, these funds will be compared separately, meaning that

an evaluation of the performance of six funds is requested.<sup>1</sup> The specific services requested are:

- (1) An overview analysis of the broad market environment of the preceding 6-month period and its general effect on investment performance;
- (2) A review of the median performance of similarly situated public funds during the preceding 6-month, one-year, three-year, five-year, and ten-year periods compared to each fund's performance in the same period;
- (3) A review of the asset allocation of the systems' funds compared to other similarly situated funds;
- (4) A comparison of the total performance of each of the system's funds against each fund's own policy benchmark; additionally, compare that total performance against their peer groups;
- (5) A comparison of each broad asset class in each of the system's funds against the fund's own policy benchmark; additionally, compare that performance against their peer groups;
- (6) A review of the risk-return performance of each system's total funds and of each asset class;
- (7) A comparison of each fund's actual asset allocation to the allocations approved by the respective Board to determine adherence to those Board guidelines;
- (8) A comparison of each fund's total fund performance with its assumed rate of return for the 6-month, 1-year, 3-year, 5-year, and 10-year period;
- (9) A brief commentary on areas needing further review or that are of note (either positive or negative) that would assist the ORSC in its duties;
- (10) A review of each fund's total return net of fees. Additionally, note the percentage of assets managed by external managers for each fund and the total fees associated with its management.

Except as detailed in 10 above, all performance is to be calculated on a gross return basis. The contractor will be required to provide the following three summary statements as an executive summary:

- An overall opinion as to the validity, completeness, and appropriateness of the investment performance data provided by the retirement systems;
- Comments on the appropriateness of performance benchmarks used by the systems; and
- Comments on each fund's performance versus the broad universe of other similarly situated public retirement systems.

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<sup>1</sup> For purposes of the studies, the PERS funds will be distinguished as "PERS" and "PERS-HC" funds.

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

#### **3.1 WRITTEN EVALUATION**

The 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.

If selected, the Contractor shall submit 25 bound copies of each performance evaluation to the ORSC. The Contractor shall also submit each performance evaluation as a PDF document. The performance evaluations shall include all information specified under Section II, above. Prior to issuing a final report, the Contractor must provide a preliminary report to the ORSC Director. Powerpoint **is not** an acceptable format for the performance evaluation. The evaluation must be in language clearly understood by lay readers and include an executive summary. To the extent that it does not disclose any proprietary information, any assumptions or methodology used should be clearly disclosed in the report.

#### **3.2 PRESENTATION TO THE ORSC**

If selected, the Contractor will be required to present the evaluation to the ORSC, twice annually.

The Contractor should anticipate being asked basic and advanced investment performance questions and be able to answer those questions using non-technical language or jargon accessible to a non-specialist and the general public.

#### **3.3 WORKING PAPERS**

If selected, the Contractor's working papers shall be available for review and duplication by the ORSC and its designees during the period of the 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.

#### **3.4 PROJECT EXECUTION AND ADMINISTRATION**

If selected, the Contractor will be responsible for coordinating and obtaining needed information from the state retirement systems (video, telephone conferences or email

should suffice). The Contractor will be responsible for all of the Contractor's travel arrangements, travel expenses, and clerical support.

### **3.5 ADDITIONAL SERVICES**

During the review process, the Contractor may make suggestions that consultants should be hired to assist a retirement system. In order to increase the credibility of the review, the Contractor should understand that, if they are chosen to perform these services, they shall be disqualified from consideration as a contractor for activities relating to the area of their review during the contract and for a period of one year after the conclusion of the contract.

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

Please provide responses to the following questions. Responses will be evaluated, in part, on a firm'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 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, and, if necessary, an explanation of the actions that will be taken to ensure an independent review. Note that any media or social media comments opining on the state's retirement systems as an organization, whether positive or negative, may be viewed as pre-judgement of the system and result in disqualification. The firm must also disclose any staff relationships with other entities that evaluate pension systems and include a statement explaining why such relationships do not prevent an independent analysis or, if necessary, an explanation of the actions that will be taken to ensure an independent review.

## 4.2 CAPABILITIES AND EXPERIENCE

The proposal shall describe the firm's capabilities and recent experience (at least during the last five years) in performing investment performance evaluations, analyses, 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 Ohio's systems. The firm must provide one or more examples of this work. Examples should be incorporated in the proposal as an appendix or attachment rather than a web citation. The firm should include other information believed relevant in demonstrating capabilities in performing the review, including other professional experience and data processing capabilities.

The firm must meet the following minimum criteria:

- Have provided an investment performance evaluation comparable to that requested under this RFP in the past three years; and
- As of January 1, 2023, and for at least the five most recent continuous years, the firm must have a verifiable operating history with at least three institutional fund clients with similar size, complexity and asset mix to Ohio's systems; and
- As of January 1, 2023, the primary contact dedicated to the ORSC contract must have at least ten years of experience in providing investing consulting services to institutional fund clients; and
- The firm must be registered as an investment adviser under the Investment Advisers Act of 1940. The firm will promptly advise the ORSC if it, at any time, is not so registered.

The ORSC retains the sole right to decide whether any firm is qualified to bid, including determining whether any firm's qualifications are sufficiently comparable to satisfy the minimum qualifications.

### **4.3 STAFF QUALIFICATIONS**

Describe the qualifications of all management and lead professional personnel who will participate in the investment performance evaluation. Include: (1) a resume; (2) a summary of experience each has had in performing investment evaluations, investment analyses, or studies of public employee retirement systems; and (3) a management plan identifying the responsibilities each will have on the evaluation. 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.

The resumes should include information on the current and past positions held with the firm, educational background, relevant credentials, and other relevant information to demonstrate the personnel'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 investment performance evaluations, 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 Ohio's systems. It is permissible to reference, rather than repeat, duplicative information provided elsewhere in the proposal. The experience summaries should describe the work performed and detail the roles and responsibilities that the individual staff had on the projects.

The management plan should provide an estimated portion of each individual staff member's time that will be spent on the evaluation and the staff member's roles and responsibilities.

### **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 the firm's work on investment performance evaluations or studies. Selected organizations will be contacted to determine the quality of the work performed, personnel assigned to the project, and contract



adherence. Firms should ensure the accuracy of contact information and prior work from references cited. The following should be included for the references listed:

- Date of the investment review or study;
- Name, email address, and address of client;
- Name, email address, and telephone number of individual in the client organization who is familiar with the work; and
- Description of the work performed.

#### **4.5 PROPOSED METHODOLOGY**

Describe the proposed methodology for each element of the components listed under the *Scope of Investment Performance Evaluations Section of this RFP*. The description should include specific techniques that will be used, including proposed sources of data and information. It is permissible to propose alternative ways of addressing the elements of the evaluation's scope.

In describing the proposed methodology, also identify the type and level of assistance that the firm anticipates will be needed from the staff of Ohio's five retirement systems and staff of the ORSC, including assistance to understand the operations and records needed for the review. Identify meetings, calls, time commitments, etc., anticipated from each retirement system.

#### **4.6 ADDITIONAL INFORMATION**

It is permissible to include additional information that will be helpful to gain an understanding of the proposal. This may include diagrams, excerpts from reports, or other explanatory documentation that would clarify or substantiate the proposal. Any material included here should be specifically referenced elsewhere in the proposal.

#### **4.7 GLOSSARY**

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 evaluation); 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 complete the evaluations and must be a “not to exceed” figure.

**V. Evaluation of Proposal**

Proposals will be evaluated across the categories listed in Section IV 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 project through its evaluation of the responses, in conjunction with the subcommittee’s recommendation and subsequent interviews by the ORSC as a whole.

The following metrics will be used for scoring of the proposal, organized by relative importance of each category:

Proposal Summary	20 points
Capabilities and Experience	20 points
Staff Qualifications	25 points
References	10 points
Methodology	15 points
Cost <sup>2</sup>	10 points
<b>Total Possible Score</b>	<b>100 points</b>

**VI. Duration of Contract**

The contract shall be for four years.

**VII. 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

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<sup>2</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 will be deducted if the cost does not follow the requirements imposed by section 4.8 of the RFP.

any work can commence under the initial contract, final approval must be given by the ORSC.

In evaluating the proposals, cost shall not be the sole factor. The ORSC reserves the right to request additional information from the responding firms. 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 at the discretion of the ORSC. All proposals will be subject to all applicable public records policies. Those firms wishing to be considered must complete the proposal as outlined above. Failure to comply with or failure to complete any part of the proposal may result in rejection of the entire proposal.

Responding firms 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 or 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 responding firms prior to the execution of the contract.

By submitting a proposal, the applicant 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; and
- It has familiarized itself with the ethics statutes governing state employees and appointees, including those concerning employment of former government employees, gifts and lobbying; and
- Applicant, any subcontractor, and any person acting on behalf of applicant 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; and
- It has read the RFP, understands it, and agrees to be bound by its requirements; and
- 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 Ohio Attorney General's Office; and
- It has not included any legal terms or conditions for the contract in its proposal.