

**CITY OF CARMEL-BY-THE-SEA
REQUEST FOR PROPOSALS (RFP) FOR SECTION 115 RETIREMENT TRUST**

Introduction

A. **Request for Proposals.** The City of Carmel-by-the-Sea (City) is soliciting proposals from qualified firms who offer Internal Revenue Service (IRS) Code Section 115 Retirement Trust (hereinafter referred to as "Trust") services to California local government agencies. The services anticipated to be provided by the firm include the establishment and ongoing fiduciary investment advice for a Trust(s) for pension and potentially other eligible expenses.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this Request for Proposals (RFP).

The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that firm is ultimately selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the subsequent contract between the City and the firm selected.

To be considered, three printed copies and one electronic copy of the technical proposal including fees and fee structure be received by the City of Carmel-by-the-Sea by 5:00 p.m. on March 1, 2019. Printed proposals are to be mailed or delivered in person to:

City of Carmel-by-the-Sea
Attn: Sharon Friedrichsen, Director of Budgets & Contract
P O Box CC
Carmel-by-the-Sea, CA, 93921

Electronic proposals are to be emailed to sfriedrichsen@ci.carmel.ca.us. The City reserves the right without prejudice to reject any or all proposals submitted. Late proposals will not be considered.

It is anticipated that selection of a firm will be completed by late March 2019 and that a contract will be considered by the City Council at a meeting in April 2019.

B. **Term of Engagement.** The selected firm shall be designated as the City's Section 115 Pension Trust provider for a three-year agreement with an option of two additional two year (2) increments under the same terms and conditions. The City reserves the right to cancel any agreement at any time upon thirty (30) days prior written notice of its intent to terminate any agreement. The designated depository shall provide the City at least ninety (90) days prior written notice of its intent to terminate any agreement

C. **Inquiries.** Inquiries regarding this RFP, the proposal process, and any technical questions regarding audit services should be directed to Robin Scattini, Finance Manager. She may be reached via telephone at (831) 620-2019 or via email at rscattini@ci.carmel.ca.us.

II. Services Required

A. **General.** The City of Carmel-by-the-Sea is exploring various options for managing its unfunded long term pension liabilities. One of the strategies being considered is the City establishing an Internal Revenue Service Code Section 115 trust to hold assets set aside to fund future pension obligations and expenditures. The objectives of the proposed trust are to provide reasonable returns and maximum flexibility in terms of beneficiaries of trust assets. The yield objective recognizes the need to protect the principal value of assets in the trust while also acknowledging that yields cannot be obtained without some measure of prudent risk. The primary purpose of this RFP is to obtain information for purposes of evaluating prospective firms who provide this type of trust service.

B. **Advice and Consultation.** Throughout the contract period, the firm must be available during regular business hours to provide the City with informal advice and consultation on matters relating to the Trust, including but not limited to the analysis of funding options, asset allocation strategies, and trust design. The firm will be expected to keep the City updated on trust related issues and developments pertaining to Federal and State tax code requirements and changes in financial reporting pronouncements issued by the Governmental Accounting Standards Board. A senior staff member, at the manager, director, or partner level, will be responsible for responding to City communications within one business day.

C. **City Requirements.** The firm must comply with all relevant City requirements, such as obtaining a Carmel-by-the-Sea business license, providing proof of insurance for at least the minimum required amounts, and executing a City contract for consulting services. Information about Carmel-by-the-Sea business licenses is available on the City's website ci.carmel.ca.us. Information about current insurance requirements is available from Anna Aubuchon, Finance Specialist at (831) 620-2039.

D. **City Council Meetings.** The firm shall make available up to three times per fiscal year a senior staff member at the manager, director or partner level to attend City Council meetings and/or Finance meetings for the purpose of discussing the Trust's performance and strategies.

E. Scope of Work.

- **Trust Objectives.** Based on the firm's specific prior knowledge and experience as a Trust services provider, advise City staff in establishment of a comprehensive trust program including establishment of IRS Section 115 Trusts (both pension and other eligible expenditures) including recommended annual funding strategies.

- **Trust Administration.** Based on the firm’s specific prior knowledge and experience as a Trust services provider, offer trust structure, administration and related trustee services, including coordinating all City contributions to the Trust and processing requests for distributions.

- **Fiduciary Investment Advisory Services.** Based on the firm’s specific prior knowledge and experience as a Trust services provider offer a full scope of fiduciary investment management services, including but not limited to developing a written investment policy for the trust assets, developing a recommended asset allocation strategy based on the Trust’s funding and investment objectives and the City ’s risk tolerance.

- **Reporting.** Provide monthly, quarterly, and annual comparative performance analyses and evaluation reports of the Trust’s investments.

III. Timeline

The expected timeline for the proposal and establishment of the Trust is as follows:

DATE	Milestone
Week of February 4th	Request for Proposals issued
March 1, 2019	Proposals due @ 5:00 pm
Week of March 11th	Oral presentations/interviews of selected firms if needed
April 2, 2019	City Council consideration of agreement with the selected firm

IV. City Responsibilities

A. **Technical Support and Assistance.** Finance staff and responsible management personnel will be available for needed sources of information, documentation, and explanations. It is expected that the firm will rely on the assistance of City staff to a minimum level, in consideration of limited staff capacity.

B. **Manner of Payment.** The City expects that all fees will be assessed as part of the Trust’s administration fees including annual administration and trustee and investment services as set forth in the firms submitted RFP based upon total assets in the Trust under management.

V. Description of the Government

A. **Background Information.** Information regarding Carmel-by-the-Sea and the City organization, such as history, governmental structure, services provided, the current Operating and Capital Budgets, and the most recent CAFR, is available on the City website, ci.carmel.ca.us.

B. Operating Budget Pension Expenditures. The City contributes to the California Public Employees Retirement System (CalPERS) for both an agent multiple employer public employee defined benefit pension plan for Miscellaneous employees and a cost sharing multiple-employer (pooled) public employee defined benefit for its Safety employees. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The City currently provides three tiers of benefit formulas as follows:

Plan	Tier 1 Classic	Tier 2	Tier 3
Miscellaneous	2% @ 55	2% @ 60	2% @ 62
Safety	3% @ 50	2% @ 50	2.7% @ 57

The City’s FY 2018/19 Adopted Operating Budget includes employer contributions totaling approximately **\$610,500**, including \$269,810 for miscellaneous plan employees and \$340,690 for safety employees.

C. Finance Operations. The Finance Department is headed by Director of Budgets & Contracts, Sharon Friedrichsen. The Department is responsible for budgeting, financial reporting, treasury, financial audits, payroll, accounts payable, accounts receivable, cash collection, business license, purchasing, and other general accounting functions.

VI. Submittal of Proposal

The following materials must be submitted in order for a proposal to be considered:

General Requirements. To be considered, five (5) printed copies and one electronic copy of the technical proposal including fees and fee structure be received by the City of Carmel-by-the-Sea by 5:00 p.m. on March 1, 2019. Printed proposals are to be mailed or delivered in person to:

City of Carmel-by-the-Sea
 Attention Sharon Friedrichsen, Director of Budgets & Contract
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 Carmel-by-the-Sea, CA, 93921

Electronic proposals are to be emailed to *sfriedrichsen@ci.carmel.ca.us*.

The City reserves the right without prejudice to reject any or all proposals submitted. Late proposals will not be considered.

The purpose of the proposal is to demonstrate the qualifications, competence, and capacity of the firm and of the particular staff to be assigned, in conformity with this RFP.

The proposal should address all the points outlined in this RFP. At a minimum, the following components must be included:

- **Title Page.** Showing the RFP subject; the firm's name; the name, address, telephone number, and email address of the contact person; and the date of the proposal.
- **Table of Contents.** Including a clear and complete identification of the materials submitted by section and page number. Cross-referencing to section and page number in this RFP is preferred.
- **Transmittal letter.** Briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the timeline in this RFP, a statement addressing why the firm believes itself to be the best qualified to perform the work, and a statement that the proposal is a firm and irrevocable offer for 120 days. Certify that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City.
- **Experience.** Describe your firm's experience serving California local government clients in establishing IRS Section 115 Trusts and related investment services. Comment on the key program advantages which make your firm different from your competitors. Please disclose the total volume of all Section 115 trusts under management with your firm.
- **Program Team and Relationship Services.** Provide the resume of the person (executive assigned to the City's Trust account) who will be the key contact point to coordinate services to the City. Please identify members of your firm's service team including their tenure with the firm, their background, and the role they will play in managing the City's proposed Trust account.

Proposals should also:

- Describe the entity or entities proposed to serve as the trustee/custodian of the Section 115 Trust and as trust administrator, including a description of their background and experience with these types of trusts.
- Describe the entity or entities proposed to serve as the investment manager of the Section 115 Trust and as trust administrator, including a description of their background and experience with these types of trusts. Specify the number of years your organization or subcontractor has been providing investment advisory services.
- Disclose if your firm's proposal includes use of any subcontractors for the servicing of the Trust plan and if so, please describe the nature of these services.
- Provide the City sample copies of contract documents you would expect to require the City to sign and approve to enter into an agreement.
- Explain if your firm or subcontractor is a registered investment advisor under the Investment Advisor's Act of 1940. Please attach Part 2A of your most current Form ADV as an appendix.
- Describe any SEC, FINRA, or regulatory censure or litigation involving your firm,

subcontractor, or its employees within the past three years.

- **Private Letter Ruling.** Explain the legal basis for your Section 115 Trust and how your program meets the requirements for compliance with federal and state law and any applicable requirements related to pronouncements issued by the Governmental Accounting Standards Board (GASB).
 - Disclose if your pension Section 115 Trust program has received approval from the IRS in the form of a Private Letter Ruling.
 - Describe safeguards built into your Section 115 Trust program to limit the liability exposure to the City.
- **Trustee and Trust Administration Services.** Please provide a comprehensive list of trustee services and Section 115 trust administration services you will provide.
 - Please note if there are any additional costs for any of the above mentioned services.
 - Describe how City contributions to and distributions from the Section 115 Trust are how handled.
 - Define any termination restrictions for the Section 115 Trust.
- **Investment Requirements and Investment Performance.** Is there an initial minimum balance requirement for the 115 Trust? Please describe the investment services your firm offers with respect to the 115 Trust including:
 - Does your firm offer assistance with investment strategy selection and investment policy development? Does this service typically include specific asset allocations recommendations? If so, please explain.
 - Please provide the firm's recommended comparative yield benchmarks for trust assets held in this type of trust. Please provide annual, five-year, ten-year, fifteen-year, and twenty-year return history and expense ratios for each fund/portfolio option available. Would the firm be able to benchmark against yields obtained from similar 115 Trusts such as the California Employee Retirement Benefit Trust? If so, please provide this data.
 - Describe the investment and risk options available for the 115 Trust.
 - Explain your firm's views on passive versus active management. What is your typical recommendation regarding allocation of the Section 115 Trust assets between active and passive management?
 - What are the typical approaches made to rebalancing or reallocating asset classes, styles, and sectors for or on behalf of the fund/trust?
 - Are there minimums requirements for periodic contributions to the Section 115 Trust?
- **Fees.** In a separate schedule, please provide all fees for the proposed services, including administration, trustee and investment management services.
 - Detail any initial balance or start-up fees.
 - Are fees scalable dependent upon the amount of assets placed into the Section 115 Trust? If so, provide a schedule of the fees.

- Identify fees for consulting, trustee and investment services separately.
 - Provide historical fees for each of the prior five years (2012 through 2016).
 - Identify the expense structure of the Section 115 Trust investment platforms. Detail the expenses, (i.e. no-load, low-load, proprietary funds, institutional shares, etc.).
 - Describe in detail revenue sharing agreements that the firm has with investment managers and/or subcontractors, insurance providers, and any remuneration that the firm derives from investment managers and/or sub-advisors. Include any 12b-1, service, distributor, or platform fees that the firm derives from investment managers and/or sub-advisors.
 - Describe in any additional fees or potential hidden costs to be netted from investment performance.
 - Describe in detail any and all surrender, withdrawal, transfer, or deferred sales charges within your investment products.
 - Describe any fee related to transfer of assets and restrictions or costs related to the termination of the agreement with your firm.
- **References.** Please list the name, address, contact name, telephone number and e-mail address of at least five public agency client references, with emphasis on clients served by the Section 115 Trust pension program proposed in response to this RFP.
 - **Proposer Warranties.** Include an executed copy of Appendix A to this RFP, Proposer Warranties.

Evaluation Procedures

A. **Review of Proposals.** An evaluation committee will evaluate each respondent's relevant experience and expertise. Firms will be evaluated based on the information presented in the RFP. Firms may be invited to follow up interview with the committee to review their proposals. Final selection may be based upon the RFP as well as any supplemental information requested by the evaluation committee or obtained through follow up interviews.

- Qualifications as they relate to this project (40%) in the order shown below:
 - Firm's experience with the planning and implementation of a pension trust.
 - Firm's experience with fiduciary investment advisors
 - Qualifications of proposed key personnel
 - Communication skills
- Firm's reputation for integrity and competence (20%)
- Proposed Fees and Charges for Services (20%)
- Ability to provide the required services in a timely manner (10%)

The City may invite one or more of the firms to make oral presentations/interviews during the week of March 11th. It is anticipated that selection of a firm will be completed by late March 2019, and that a contract will be executed during the April 2, 2019 City Council meeting

APPENDIX A: PROPOSER WARRANTIES

The proposer warrants that it can and will provide and make available, at a minimum, all of the services and deliverables set forth in this RFP.

The proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees, or agents in conjunction with the services to be provided. Coverage limits shall be \$2,000,000 or more per occurrence, without reduction for claims paid during the policy period. The carrier should be duly insured and authorized to issue similar insurance policies for this nature in the State of California.

The proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City.

The proposer shall state the length of time for which the submitted Proposal shall remain valid. The City requires a period of at least 120 calendar days.

The proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature: _____

Printed Name: _____

Title: _____

Firm: _____

Date: _____