

Attachment A

SCOPE OF WORK & REQUIREMENTS

I. BACKGROUND & PURPOSE

Scope of Services for External Defined Benefits, Defined Contributions Retirement Savings Plan and Other Post Employment Benefits (OPEB) Financial and Investment Consulting Services.

Overview

The City of Falls Church ("City") is an independent municipality that operates under the Council-Manager form of government and is one of the two geographically smallest cities in Virginia, at only two square miles. With a population of approximately 14,700, the City is known for its urban village community, quality customer service, nationally ranked school system, environmental activism, and endless community activities. The City is conveniently located just miles from Washington, DC. For more information, see link: [\(About the City, Falls Church VA-Official Website\)](#)

Profile of Plans

The City Code Chapter 30 Personnel, Article IV authorizes the establishment of a retirement system for City employees pursuant to state law ([Code of Virginia Code - Chapter 8. Local Retirement Systems](#)). The general administration and responsibility for the operation of the retirement system plans shall be vested in the Retirement Board. ([Falls Church Code of Ordinances](#)).

The City sponsors four retirement system plans ("Plans") as described below.

- Defined Benefit Governmental Retirement Plans, governed by the Internal Revenue Code ("Code") section 401(a); are funded by the City and employees and provide lifetime benefits based on a percentage of final average salary multiplied by years of service.
 - Basic Pension Plan- participant eligibility is general government and school employees who work at least 20 hours a week; approximately 672 participants and \$125 million in assets
 - Police Pension Plan- participant eligibility is sworn police officers; approximately 82 participants and \$41 million in assets
- Defined Contribution Retirement Savings Plan- governed by Internal Revenue Code ("Code") deferred compensation sections 457(b) and 401(a)
 - 457(b) participant driven- general government employees; approximately 360 participants and \$30 million in assets

- 401(a) employer match- specific funding amount per pay period up to dollar-for-dollar match; approximately 219 participants and \$660 thousand in assets
- Other Post-Retirement Employment Benefits (OPEB)- Trust pursuant to VA State Code as well City Code Chapter 30; provision of post-retirement health and life insurance; approximately 215 participants and \$20M in assets

Quarterly investment and annual valuation details are available under the following Retirement Board webpage links: [\(Retirement Board\)](#).

The City is seeking proposals from qualified, independent, registered institutional financial and investment firms to serve in a fiduciary capacity, and provide independent consulting on various matters related to administering and governance of the Plans. The firms cannot be registered to or licensed to sell products. The Plans are administered internally by the City with contracted consultant services for record keepers, custody financial institutions, financial investment, actuarial and legal services. The selected financial investment consultant will provide financial investment assistance to the Plans in coordination with the Plan Administrator, per the City Code Chapter 30, Article IV.

Objectives

The objectives of this Request for Proposal are to:

- Select a financial and investment consulting firm that has extensive experience and expertise in providing consulting advice to public governmental pension plans, defined contribution retirement savings plans, and Other Post Employment Benefits (OPEB) plans regarding asset allocations, performance monitoring, fund/manager selection, and fee structure.
- Establish a long-term relationship with the selected firm that is based on trust, professionalism, collaboration, quality of service and fiduciary capabilities.
- Obtain competitive and transparent pricing for the financial and investment services provided by the selected firm.

II. MINIMUM QUALIFICATIONS OF THE SUCCESSFUL OFFEROR

At the time of proposal submission, the Offeror must certify that it can perform all tasks and activities associated with the requirements of this Request for Proposal and attachments. The following minimum criteria must be met and maintained throughout the term of the contract:

- Firm serves as a fiduciary with a verifiable strong conflict of interest policy.
- The firm and consultants are not licensed to sell investment products or collect commissions outside of the flat fee contracted costs.
- Have verifiable written and executed policies to include conflict of interest, cybersecurity, personal identification information (PII), and confidentiality .
- Have a verifiable written policy on Artificial Intelligence (AI) use cases and disclosure of use.

- The lead investment consultant must have a minimum of ten years of experience representing public retirement plans.
- The lead investment consultant is registered to operate in the Commonwealth of Virginia.
- Registered Investment Advisor (RIA) with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940.
- Required at a minimum to attend four Retirement Board meetings in person.

Organizational Structure

- Organizational structure with depth of expertise in research, analysis, and redundancy in all plan types.
- Have a written and executed investment philosophy.
- Preferred appropriate certifications, such as CFA and CFP, with the assigned members
- Growth and stability for the past 2 years, with an increase in new clients versus a reduction.
- Team expertise to assist with compliance support, operational review, and regulation compliance (i.e. ERISA, Secure 2.0, IRS, , SEC to include Form ADV Part II, DOJ to include ADA Titles and WCAG 2.2).

III. SCOPE OF SERVICES

PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST (OPEB) INVESTMENT CONSULTING SERVICES

Contractor shall provide independent, objective, and proactive input to its decision-making process for Pension Investment and Other Post-Employment Benefits Trust (OPEB) Financial and Investment Consulting Services for the Board of Trustees of the City of Falls Church Pension Plan (BOT), Plan Administrator, and other City Administrators as needed. The term BOT shall also mean City Administrators as applicable. The Contractor shall provide Investment Consulting Services for the Plans and associated funds as detailed in the RFP, including the following services.

1. Conduct an annual comprehensive review and analysis of the BOT's Investment Policy and Procedures and make recommendations for amendments. The review should address investment objectives, asset allocation, and management structure. The policy should properly reflect the BOT's risk tolerance, which best helps the BOT meet its rate-of-return, funded status, and administrative expense objectives. Performance measures/benchmarks for the total fund, each asset class and each Individual manager should also be reviewed. For clarity, adoption of the IPS shall be the responsibility of the City. The IPS should also be reviewed by the City's counsel. Facilitate the selection of appropriate performance benchmarks for each asset class. On an ongoing basis, review and recommend the appropriate performance indices

and peer group rankings and other peer group comparisons for the various asset classes. Provide performance attribution for each investment manager or mutual fund and its manager and analyze individual and aggregate risk positions of the Investment manager or mutual fund at least annually or when circumstances warrant (e.g., when managers change).

- a. Evaluate investment manager or mutual funds' performance and consistency relative to investment guidelines and established benchmarks.
 - b. Provide information on peer universe, and any material changes thereto, utilized for performance evaluation and ranking
 - c. Conduct ongoing discussions with managers on investment performance and organizational Issues (such as changes in ownership, staff, new products, etc.)
 - d. Evaluate the underperformance of any manager or fund and formulate recommendations.
 - e. Conduct annual organizational and performance audits of each Investment manager or mutual fund and its manager.
 - f. Monitor news announcements related to fund managers and funds (i.e. management changes, mergers), research and recommend changes.
2. Assist in developing composite indices for the BOT to measure each total fund's performance related to an established target asset allocation and analyze actual performance relative to the composite Index on an ongoing basis.
3. Provide timely performance evaluation statistics for investment managers on a quarterly basis against guidelines and benchmarks established by the BOT. The performance analysis report should be available for review within four weeks after the end of the quarter and one week prior to the Retirement Board's scheduled meeting.
4. Assess funds IPS target range compliance and formulate rebalancing recommendations, on a quarterly basis, to ensure annuity payment funding and City expense true-up cash availability.
5. Evaluate and negotiate appropriate management fees, by monitoring management and transaction costs and efficiency, to formulate recommendations to the BOT. Evaluate and recommend appropriate earnings enhancement strategies.
6. Advise BOT on the investment impact of plan amendments and/or actuarial changes that may be considered.
7. Review annually the expected long-term rate of return of the Plan portfolio based upon the BOT's Investment Policy allocation, as well as the impact of on the expected long-term rate of return of the Plan portfolio of any modifications to the Investment Policy asset allocation.
8. Every three years, or upon request, conduct an asset allocation study to review the impact on long-term expected investment returns and variability of return, consistent

with the Retirement Board's risk tolerance. Review results with the Retirement Board to determine possible adjustments to the plans' investment policy, including providing recommendations for edits to the Investment Policy Statement (IPS) to reflect any changes (e.g., asset class ranges), investment optimization study.

9. Provide at least quarterly IPS compliance rebalancing recommendations as well as recommendations for investments to liquidate to pay for plan benefits, investment expenses, and administrative expenses.
10. Provide and interpret necessary investment-related data and information to assist staff in preparation of the Annual Comprehensive Financial Report (ACFR) in accordance with Government Accounting Standards Board (GASB) standards and other regulatory agencies as may be required for the City, as a participating employer and Plan sponsor.
11. If a decision is made to change or to consider changing investment managers, assist in the conduct of manager searches or reviews of investment options presented by existing fund managers. Assist in establishing appropriate qualitative and quantitative selection criteria for reviewing potential candidates. Assist in screening prospective managers and/or funds and recommending finalists that meet stated requirements.
12. Assist BOT members and City staff with fiduciary education and adoption of each fund's related best practices. Keep the BOT and City abreast of new developments in investment techniques by making available ongoing research, topical papers, and memoranda on current issues of interest to Institutional investors.
13. Attend in-person, at least quarterly per year meetings with the BOT, as well as other additional meetings with the Plan administrative staff, as needed.
14. Provide such other information, material, or advice as may be determined to be advantageous or necessary in fulfilling the objectives of the consulting relationship for the benefit of the funds.

RETIREMENT SAVINGS PLANS 457(b) and 401(a)

INVESTMENT CONSULTING SERVICES

Contractor shall provide the following fiduciary services (or non-fiduciary if so noted) to City and the City of Falls Church Retirement Board of Trustees (BOT) with respect to the City's 457(b) plan and the 401(a) employer match plan (collectively referred to herein as "Plans"), to help ensure operation in the best interest of participants and their beneficiaries. The term BOT shall also mean Plan Administrator and City Administrators as applicable. The Contractor shall provide Financial and Investment Consulting Services for the Plans and associated funds as detailed in the RFP, including the following services.

1. Develop and review investment policy statement ("IPS"). For clarity, adoption of the IPS shall be the responsibility of the City. The IPS should also be reviewed by the City's counsel.
2. Review and report on the adequacy of the overall investment line-up and individual Investment manager compliance to investment policy statement on a quarterly basis.
3. Recommend and perform new and replacement manager/fund evaluations as necessary and appropriate. For the avoidance of doubt, selection of the funds shall be the responsibility of the BOT.
4. Provide overall economic context for discussion and evaluation of quarterly results.
5. Conduct industry fee benchmarking surveys per best practice every 2-3 years to ensure competitive cost for value. Evaluate and recommend appropriate earnings enhancement strategies (i.e. revenue sharing).
6. Assist in the review of recordkeeping, administration, plan design and participant education services, as needed, and as outlined by industry best practices, to ensure competitive cost relative to services provided. The review can be an internal annual review or more formal procurement processes, for example recordkeeper RFI or RFP every 5-7 years, per the direction of the Retirement Board.
7. Monitor news announcements related to fund managers and funds (i.e. management changes, mergers), research and recommend changes.
- 8.. Provide ongoing fiduciary education on relevant topics to assist the City in fulfilling its fiduciary duty.
9. Participate in annual review of employee education strategy with City and Recordkeeper for fit with participant demographics and the Plans' goals "(non-fiduciary)".

10. Attend in-person, at least quarterly per year meetings with the BOT, as well as other additional meetings with the Plan administrative staff, as needed.
11. Provide such other information, material, or advice as may be determined to be advantageous or necessary in fulfilling the objectives of the consulting relationship for the benefit of the funds

Deliverables*

- 1) Quarterly financial and investment reports that include market environment, asset allocation performance by quarter, year over year, IPS compliance, and gross as well as net fees.
- 2) Preparation of defined contribution manager and fund performance, and maintain watchlist, if necessary.
- 3) Asset Allocation Assessment at least every 3 years.
- 4) Quarterly rebalancing and liquidation recommendation for annuity benefit payments, investment expenses, and administrative expenses.
- 5) Annual Investment Commission/ Administrative Services Fee Review.
- 6) Annual submission of SEC Form ADV Part II on disclosures of services, fees, and conflicts of interest.
- 7) Manager and fund search reports, as requested;
- 8) Review of BOT draft meeting minutes per relevant agenda item;
- 9) Quarterly invoicing itemized per individual plans;
- 10) Investment-related information required under GASB Standards for the ACFR; and
- 11) Ad hoc analysis and reports, as requested.

*Note; deliverables #1-7 must be WGAC 2.1 and VA Code Section 2.2-3505 compliant as posted to the City's website