

**WASHINGTON STATE INVESTMENT BOARD (WSIB)  
TARGET DATE FUND MANAGER  
SEARCH DOCUMENT**

***Important introductory note:*** Contact by candidate's staff or by anyone on behalf of the candidate with WSIB staff or Board members regarding this search after issuance of this search and not previously authorized by the Search Coordinator (as identified in the WSIB Board Contact section below), **may disqualify the candidate.** However, contact with the consultant is expressly authorized to coordinate the delivery of data into the database and to facilitate review and discussion with the consultant as they gather information.

**Search Objective:**

The WSIB is seeking a Target Date Fund (TDF) manager for its defined contribution and self-directed savings programs. The WSIB will only consider TDF managers capable of offering a complete open architecture, which is briefly described in the following and will be described in more detail with candidates selected for interviews. The selected manager will implement a glide-path strategy in collaboration with the WSIB that incorporates the defined benefit and retirement considerations of WSIB participant groups. WSIB will retain final approval of any proposed glide path and any proposed changes to the glide path used for Washington State accounts in the future. The selected manager will be required to integrate some of the underlying asset class components which are currently managed by both the WSIB and third-party external managers. The selected manager will also be required to provide and manage any necessary additional underlying strategies to complete the components of the glidepath. WSIB will retain the right to competitively bid the investment management of any component of the glide path it chooses to and to either re-hire the TDF manager for the investment management of that component or move to a third-party external investment manager. Please see minimum qualification "K" below which also addresses this requirement. The target date fund manager must have the ability to incorporate (at a future date) the WSIB's Total Allocation Portfolio (TAP), which has exposure to private asset classes, including real estate, tangibles and private equity. Other asset class components may also be considered over time.

Potential candidates should review the minimum and preferred qualifications set forth. Interested candidates who meet the minimum qualifications may participate in this search process by contacting Aon Hewitt Investment Consulting, Inc. (Aon) to inquire as to what information Aon needs from the prospective candidate. Aon may require the completion of a proprietary questionnaire as well as supplemental data to be provided in an Excel file. Aon may also require information to be updated periodically.

Please reach out to the contacts below at Aon:

Primary Contact: Aaron Chastain at [Aaron.Chastain@aon.com](mailto:Aaron.Chastain@aon.com)

Secondary Contact: Aon Defined Contribution Multi-Asset Solutions Research Team at [DG-AH-US-ICDCMulti-AssetSolutionsManagerResearchTeam@aon.com](mailto:DG-AH-US-ICDCMulti-AssetSolutionsManagerResearchTeam@aon.com)

***All information that Aon is requesting must be submitted to Aon, in a format acceptable to Aon, no later than 4:30 PM PST Friday, March 20, 2020 in order to be considered for the search.***

Potential candidates interested in being considered for this search are *encouraged*, though not required, to send an email expressing such interest to the WSIB Search Coordinator, copying Aaron Chastain at [Aaron.Chastain@aon.com](mailto:Aaron.Chastain@aon.com).

## **Background**

The Washington State Investment Board (WSIB), with assets of more than \$140 billion, manages globally diversified portfolios with long-term investment strategies that serve 17 public employee retirement plans, 20 other public trust funds and more than 500,000 public employee beneficiaries. Target date funds are options in the following defined contribution and self-directed savings plans: Plan 3 – Teachers’ Retirement System; Plan 3- School Employees’ Retirement System; Plan 3 – Public Employees’ Retirement System; Deferred Compensation Plan(DCP) and the Judicial Retirement Account(JRA). The Plans 3 are registered 401(a) plans. The DCP and JRA are registered 457 savings plans.

Information on the WSIB and its investments, including for the defined contribution and self-directed savings plans can be found on this website: <http://www.sib.wa.gov>

## **Selection Criteria/Minimum Qualifications:**

As of January 30, 2020, candidate firms must satisfy the minimum requirements as outlined below in order to be considered for selection to this mandate:

- A. Must act as a fiduciary when performing these services and certify in writing to that fact. Fiduciary duties will be written into all contracts issued under this search
- B. Must be a U.S Securities and Exchange Commission (SEC)-registered investment advisor, an advisor exempt from registration (Form ADV, Parts 1 and 2, or disclosure of the exemption must be submitted), or registered with the appropriate foreign regulatory body
- C. Employees of the firm and the firm itself must not have, nor could they potentially have, a material conflict with the WSIB
- D. Must be willing to provide WSIB staff transparency into all material aspects of the investment process, and must provide reasonable access to the decision maker(s) for the relevant product, both during the search process and, if selected for a mandate, over the duration of that mandate
- E. Must have adequate fiduciary insurance coverage. At a minimum, each Candidate must provide proof of Errors and Omissions/Professional Liability Insurance
- F. The firm that is offering the target date fund must be GIPS compliant
- G. Must conduct an annual SSAE16 audit.
- H. Must have developed customized TDF solutions beyond off-the-shelf offerings
- I. Must demonstrate a capability to design and manage a custom glidepath

- J. Must have the ability to offer an open architecture structure which integrates some of the underlying asset class components currently managed by both the WSIB and third-party external managers.
- K. Must have the ability to provide proprietary investment products for any necessary additional underlying strategies (outside of those referenced in “J” above) to complete the components of the glidepath. Please note that the WSIB will retain the right to competitively bid out the investment management of any of the TDF manager’s proprietary investment products and to either re-hire the TDF manager for that component or to retain a new third-party external investment manager for that component
- L. Must have had experience modelling illiquid asset classes; must have the ability to incorporate (at a future date) the Total Allocation Portfolio (TAP), which has exposure to private asset classes, including real estate, tangibles and private equity, into the custom glidepath. The TAP is monthly valued.
- M. Must offer a TDF solution that does not require material additional operational support from the WSIB Operations team. Proposals that would materially add any workload to WSIB Operations will not be considered

*Strongly Preferred Qualification:*

- A. Turn-key operational capability, or the ability to provide that capability at no additional cost to the WSIB, including (but not limited to) the calculation of the total Net Asset Values (or Super NAVs); and TDF unit price, instructing daily cash movement and re-balancing trades; providing periodic statements outlining the balance of each component of each vintage and the periodic transactions. The offeror may partner with or outsource these operational functions to a third party; however, the offeror should retain all responsibility for these functions. This includes sufficient oversight and management of these processes.

*Preferred Qualifications:*

- A. Managing the glide path for at least \$5.0 billion in TDF assets
- B. Managing the glide path for at least \$1.0 billion in open architecture TDF assets
- C. Demonstrated innovation relating to TDF design and management
- D. Ability to provide analysis of retirement needs based on participant data provided by the Washington State Department of Retirement Systems’ (DRS) record keeper and present that to DRS

- E. Ability to design a TDF solution that reflects participant demographics/savings profile/evolution
- F. Disciplined and well-structured process and team in place for developing long term capital market assumptions and asset allocation decisions underlying the glide-path over time
- G. Disciplined and well-structured process in place for dynamic/periodic glide path rebalancing
- H. Understanding of active/passive value-add for certain asset classes and sub-asset classes.
- I. Risk analytics including scenario analysis through market cycles integrated into TDF plan design and platform
- J. Ability to assist Washington State in developing member education and communication regarding target date funds that is clear, relevant and timely as well as customizable
- K. Demonstrated history of working with plan sponsors to inform and educate them in a timely manner on legislative changes (e.g. the SECURE Act) that may have an impact on the defined contribution and self-directed savings plans.
- L. Competitive fees

*Undesirable Qualifications:*

- A. A history (particularly in recent years) of significant client or key investment staff turnover
- B. Organizational instability, including but not limited to any financial distress or ownership changes
- C. Any evidence of legal or regulatory issues

**Contract**

The terms, conditions and approach to the contract will be based on the sample contract that will be provided during due diligence to candidates who progress to the later stages of the search process.

Candidates for this mandate will be expected to perform duties under a contract with the care, skill, prudence, and diligence under the circumstances then prevailing that an ordinary prudent investor, acting in like capacity and familiar with such matters, would use in the performance of similar services, all in accordance with the applicable federal and state laws as well as WSIB policies, guidelines, and procedures.

Successful candidates will also be expected to sign a Washington State Investment Board contract that includes the following indemnification language: The manager agrees that it is liable to the WSIB for any financial loss incurred by the account resulting from or occurring due

to sole and direct negligence, willful misconduct, wrongful act or omission, breach of fiduciary duty, or the failure to comply with the terms of the contract. Please note that the Washington State Investment Board cannot accept “gross negligence” language.

The contract signed by any successful candidate shall be governed by the laws of the state of Washington. In the event of a lawsuit regarding the contract, the venue will only be proper in the Superior Court of the State of Washington in and for Thurston County, located in Olympia, Washington. Please note that the WSIB cannot agree to any other jurisdiction.

### **Search Modification**

The WSIB reserves the right to change the search schedule or to modify any part of the search by issuance of an addendum which will be posted to the WSIB website. Candidates are advised to check the site regularly prior to the due dates.

### **Description of Evaluation Process**

The WSIB will use any and all information that is gathered from any source in selecting the successful candidate. Sources of information include but are not limited to: electronic submittals; consultant candidate material; subsequently requested written materials; site visits; in-person, telephone, and/or video interviews; oral presentations and any other relevant material.

Material will be evaluated by WSIB staff who will make a set of recommendations to the WSIB Board of Trustees. During the evaluation process, WSIB reserves the right to request additional information or clarification from candidates. At the discretion of the WSIB, either telephonic/video, in-person, or on-site interviews may be requested of candidates. The candidate selected may be required to make a presentation to the WSIB Public Markets Committee on December 1, 2020.

Further, the WSIB reserves the right, at its sole discretion, to reject, without penalty, any and all candidates. The final selection, if any, will be the candidate that in the opinion of the WSIB best meets the requirements and whose selection is in the best interest of the WSIB, the defined contribution and self-directed savings plans and the state of Washington.

In the selection process, WSIB will at its sole discretion select the candidate that is the best fit in awarding the contract. WSIB reserves the right to: (i) not to select any candidate; (ii) select any particular product for further consideration; (iii) accept a candidate other than the lowest cost provider; (iv) remove a candidate from consideration at any time for any criteria that is judged not in the best interest of the defined contribution and self-directed savings plans, WSIB, or its beneficiaries; or (v) reject any and all candidates if such action is considered by WSIB in its sole discretion to be in the best interests of the defined contribution and self-directed and savings plans and the WSIB.

### **Compensation and Payment**

The compensation resulting from a signed contract with the WSIB shall be subject to negotiation based on the firm’s fee proposal. Once the successful firm is selected, the fee may be further negotiated. In no event shall the fee exceed that set forth in the firm’s fee proposal.

## Eligibility to Compete

WSIB generally does not permit firms to provide both investment and consulting services at the same time. Any firm(s) that, either as a parent company, subsidiary, or affiliate, has a consulting contract with the WSIB may **not** compete in this procurement. The firm(s), or any subsidiary, affiliate, or parent company thereof, selected as a result of this procurement may **not** compete, during the term of the resulting contract and any extensions thereto, in any subsequent WSIB procurement the main purpose of which is to hire a firm or firms for consulting purposes.

## Timelines

The search period has begun and is expected to last through December 2020. All candidates should be familiar with this schedule to track the progress of the search.

### SEARCH SCHEDULE

<b>EVENT</b>	<b>DATE (ALL DATES ARE ESTIMATES &amp; SUBJECT TO CHANGE)</b>
<i>SEARCH INSTRUCTIONS POSTED ON WSIB WEBSITE</i>	<i>ON OR ABOUT JANUARY 30, 2020</i>
<i>CANDIDATE QUESTIONS DUE TO SEARCH COORDINATOR</i>	<i>4:30 PM PST FRIDAY, FEBRUARY 14, 2020</i>
<i>RESPONSES POSTED FOR CANDIDATE QUESTIONS</i>	<i>FRIDAY, MARCH 13, 2020</i>
<i>INFORMATION DUE INTO CONSULTANT</i>	<i>4:30 PM PST FRIDAY, MARCH 20, 2020</i>
<i>CANDIDATE FIRMS TRAVEL TO OLYMPIA, WA TO PRESENT TO WSIB STAFF</i>	<i>ESTIMATED TO BE JUNE 15-JUNE 26, 2020</i>
<i>WSIB STAFF TRAVEL TO CANDIDATE FIRM LOCATIONS FOR DUE DILIGENCE</i>	<i>ESTIMATED TO BE JULY 2020</i>
<i>CANDIDATE PRESENTATION TO THE WSIB PUBLIC MARKETS COMMITTEE IN OLYMPIA, WA</i>	<i>DECEMBER 1, 2020</i>

## Protest Process

WSIB is committed to ensuring a fair and open competitive process through this search. To that end, it will accept protests at two stages in the process—the first after candidates are selected to

have a meeting with WSIB staff either in Olympia or by teleconference or videoconference and the second after announcement of the selection of the successful candidates but before contracts with those firms are executed by the candidate and the WSIB. The first protest process is limited to complaints asserting that the search unnecessarily restricted competition, the process was unfair or flawed, or the search requirements as stated prevented preparation of a meaningful response. The second protest process is limited to managers that are invited to meet with WSIB staff and undergo additional due diligence but that are not selected to advance. Any such managers will be provided with additional information about that process at the appropriate time.

### **Public Disclosure**

Candidates are advised that the WSIB is a public agency of the state of Washington, and thus subject to the Washington Public Records Act, RCW [42.56](#). Records provided directly to the WSIB may be subject to public disclosure, though WSIB has limited, strictly construed exemptions from such disclosure. Candidates wishing to claim portions of any materials submitted to the WSIB as confidential and exempt from public disclosure are advised to carefully mark such portions; however, only truly proprietary and confidential sections or portions should be marked as such. Materials marked entirely as confidential containing clearly non-proprietary information will not be treated as confidential by the WSIB.

### **WSIB BOARD CONTACT**

The Search Coordinator is the sole point of contact for this procurement. Throughout the duration of this search, all communications are to be directed, in writing, to the contacts listed below.

WASHINGTON STATE INVESTMENT BOARD  
2100 EVERGREEN PARK SW, P.O. BOX 40916  
OLYMPIA, WA 98504-0916  
ATTN.: Phil Brady, SEARCH COORDINATOR  
TELEPHONE: (360) 956-4748  
E-MAIL: [phil.brady@sib.wa.gov](mailto:phil.brady@sib.wa.gov)

Alternatively  
Contracts Mailbox  
E-MAIL: [contracts@sib.wa.gov](mailto:contracts@sib.wa.gov)

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