

WASHINGTON STATE INVESTMENT BOARD

REQUEST FOR QUALIFICATIONS AND QUOTATIONS (RFQQ) #16-01

FOR

PRE-QUALIFIED POOL OF TAX SERVICE PROVIDERS

QUESTIONS POSED BY POTENTIAL OFFERORS AND WSIB ANSWERS THERETO

1. In Section 3-1 "Mandatory Minimum Qualifications," item B specifies a requirement of five (5) years of experience with "considerable background and expertise in servicing at a minimum three (3) tax exempt public pensions of similar size and complexity." "Qualifications and experience in servicing similar clients as the WSIB" commands the highest weight (50%) in the list of Evaluation Criteria.

While our firm has applicable experience, that experience is more at the mid-market level and not with entities of WSIB's size. If the WSIB has smaller projects that don't necessitate that order of magnitude, we would welcome the opportunity to assist. Is the WSIB open to such situations, or does our inability to meet Requirement B block us from consideration?

This does not block you from consideration. The WSIB would evaluate your proposal based on your firm's relevant demonstrable experience and its ability to provide the requested services.

2. Section 5.5.1 indicates that responses should be emailed to the WSIB. Later in the section, instructions are to submit a "Master Copy" containing original signatures and a second packed marked "Copy for Reproduction," suggesting that hard copies are expected. Please clarify whether you would like to receive proposals via email or in hard copy.

The references to hard copy are incorrect. Please submit electronically via email only.

3. Section 5.5.1, Submitting Responses indicates responses must be submitted in Adobe PDF format to the e-mail address of the RFQQ coordinator and only one complete response that includes all required information must be submitted. However, further along in that section on pages 10 and 11 it states the Offerors must submit two complete response packages for each service category and one must be identified at "Master Copy" and contain original signatures and a second package must be marked "Copy for Reproduction". In addition, page 12 refers to including tabs and an unbound copy. Can you please clarify the following:

- a. Is the WSIB requesting 2 electronic PDF's? One of the complete response in PDF format, and a second PDF for Public Records Requests made?

Yes. Two separate copies. One complete response and one "Copy for Reproduction."

- b. Does the WSIB require paper copies of both, the complete response and the "copy for reproduction"? If so, are original signatures, tabs and an unbound copy required?

No paper copies are required. Scanned signatures are acceptable in all instances.

4. Pool A1: Local Tax Services in Foreign Markets

- a. Is the bundled rate requested required to be in USD or in the local currency of the affiliated firm in each local country? If in USD, how are fluctuations in exchange rates to be handled from the original blended rate provided?

This can be negotiated. The preference is to be billed in USD.

- b. Can we provide a separate bundled hourly rate on a country by country basis or is it required to be a bundled rate on a worldwide basis?
Yes, you can provide a separate rate country by country.
- c. How many foreign tax returns and refund claims are currently being filed annually?
There are two foreign tax returns being filed annually, Taiwan and India.
- d. In what format is the data provided to compute the gains/losses related to the sale transactions and to compute the related withholding?
Data would be provided from the WSIB's custodian bank records. It can be provided in a hard copy or electronic version. Format and delivery is negotiable.
- e. Does WSIB prefer to work through one single point of contact in the US for all of the foreign work or directly with specific contacts in the local markets?
Yes, the WSIB's preference would be a single point of contact.
- f. Are you under audit in any foreign jurisdiction?
Germany for tax reclaims claimed in prior years. This is not part of the scope of services for this RFQQ. Periodically, the Indian Tax Authorities have issued the WSIB with Intimation Notices that the local tax consultants have responded to and rectified.
- g. In what countries are returns and services currently being provided?
Currently India and Taiwan.
- h. What are the top 5 countries in terms of volume of tax work currently?
India and Taiwan are currently the only countries requiring tax work. The WSIB is looking at investing in Romania and the Philippines in the near future.
- i. Who within the WSIB team will be the point of contact for global tax services?
To be determined, but a single point of contact will be provided with sufficient expertise to answer questions and gather the necessary data.
- j. How will the data be provided in order to prepare the tax returns in each local jurisdiction?
From custodian bank records in a format meeting the needs of the respective preparer.
- k. Can you confirm that the tax services requested for A1 are exclusively related to non-US tax services and all required U.S. reporting with respect to foreign activity is outside the scope of these services.
Currently, required U.S. reporting with respect to foreign activity is outside the scope of these services. However, this could change if U.S. regulatory bodies require such reporting in the future.
- l. Should the billing for all work be done from the centralized US contractor or on a country by country basis and project by project basis?
The WSIB's preference is a centralized billing on a project-by-project basis.
- m. Has any prior analysis been done with respect to the application of U.S. income tax treaties with respect to WSIB's foreign earned income?
The WSIB is not requesting tax reclaim or withholding services in foreign markets at this time. The WSIB has processes in place with the WSIB's custodian bank. At some point in the future, a review of the tax withholding and reclaim rates may be requested.

- n. Outside of income taxes, what other taxes are being paid currently in countries outside of the U.S., if any?
Unable to answer this question due to the amount of research required. You would need to be more specific and provide some additional context for the question.
- o. Have the activities of WSIB created a permanent establishment in any country outside of the U.S.?
No. The WSIB's offices are all located currently within the United States in the state of Washington.
- p. Does the WSIB employ any individuals outside the U.S.?
No.
- q. What are the various income streams being earned in foreign jurisdictions?
The WSIB manages the investment of retirement system and other trust funds for the state of Washington and as such earns income streams on all WSIB investments worldwide. Contractors submitting bids for this service should generally have sufficient knowledge of this area to provide an adequate response.
- r. Through what vehicles are the investments into foreign jurisdictions made?
Please review the WSIB's financials located at <http://www.sib.wa.gov/financial/pdfs/annual/ar15.pdf>. Starting on page 27 are the Retirement Fund investment categories. WSIB invests in publicly-traded markets worldwide through a central custodian bank (currently State Street Corporation), collective investment trusts, and Limited Liability Companies as a general rule of thumb. The WSIB is considered a tax exempt entity under 401(a) of the U.S. Internal Revenue Code.
- s. Who files any necessary business registrations in each local market? Is this anticipated to be covered under the scope of these services or are all non-tax business registrations handled by attorneys or others?
The WSIB is not requesting this service as part of this RFQQ.
- t. Can a copy of the RFQ be shared with our affiliate firms in preparing the fee quote?
Yes.
5. Pool A2: State Taxes for the WSIB's Alternative Asset Class
- a. Please provide a copy of the two most recently filed Form 990-T.
The WSIB has not filed a 990-T, nor has the Washington State Department of Retirement Systems, the agency administering the pension plans.
- b. What is the current process on gathering all of the data from the alternative investments?
The WSIB sent questionnaires to WSIB's general partners for prior years and is in the process of gathering the necessary tax documents. The WSIB is currently gathering K-1's and other documentation needed for 2015.
- c. Who is involved at WSIB in gathering the information from the investments? What is the role and job responsibility for each of those persons?
This information is not relevant to this RFQQ. Offerors should be assured that the WSIB will gather the necessary information and provide it to the respective tax service provider.
- d. Which states is WSIB currently filing in? How long has WSIB been filing in each of those states?
Based on data collected for 2013 and 2014, returns will need to be filed in California, New York, Georgia, Maryland, Maine, Michigan, New Mexico, Utah, Alaska, Indiana, Minnesota, North Carolina, and Ohio. It is unknown which states will require filing for 2015 at this time.

e. Alternative Investments

1. How many Schedules K-1 (US and Foreign Partnerships) did WSIB receive for the year ended December 31, 2015? Please provide an average of expected new Schedules K-1 anticipated for the following two fiscal years.

The WSIB is currently gathering this information. The WSIB has roughly 300 private equity, real estate, and tangible asset fund investments. There is generally no federal filing requirement, there is no tax withholding at the federal level, and the WSIB is exempt from federal income tax. The WSIB is requesting tax services mainly to request refunds at the state level where WSIB's general partners have remitted taxes on WSIB's behalf even though WSIB is exempt from taxes in those states.

2. How many direct foreign corporations and/or foreign partnerships is WSIB invested in?
Unclear how this information is relevant to the services being requested. The WSIB would need to do research to determine the number.

3. What is WSIB's current process to aggregate data for alternative investments generating UBI & reported on your Form 990-T and applicable state returns?
To the WSIB's knowledge the WSIB is not required to file a form 990-T. General partners provide WSIB with WSIB's tax returns and other associated documentation.

- f. Please provide the number of below foreign disclosures that WSIB filed with its most recent Form 990-T.

1. Forms 926
Not applicable
2. Forms 8865
Not Applicable
3. Forms 5471
Not applicable
4. Any others?
Not applicable

6. How many pre-qualified contractors are anticipated to be in the Local Tax Services in Foreign Markets Pre-Qualified Pool?

The WSIB has set no minimum nor maximum number of firms for inclusion in this pool. The number will be determined by how many qualified firms are identified by this procurement with whom the WSIB is able to successfully execute a contract.

7. How many pre-qualified contractors are anticipated to be in the State Taxes for the WSIB's Alternative Asset Class Pre-Qualified Pool?

The WSIB has set no minimum nor maximum number of firms for inclusion in this pool. The number will be determined by how many qualified firms are identified by this procurement with whom the WSIB is able to successfully execute a contract.

8. How many countries does the WSIB operate in?

The WSIB invests in almost all global markets but for a handful. WSIB operates in the US only.

9. How many international returns are filed?

Two, India and Taiwan.

10. What is the estimated withholding amounts per country the WSIB is trying to claim a refund for?

The WSIB is not currently attempting to claim a refund in any country.

11. What states does the WSIB operate in?

The state of Washington, but WSIB's general partners have operations globally.

12. How many state returns does the WSIB file?

See answer to question 5d.

13. What states does the WSIB have withholding waivers in and when were they obtained?

Generally, exemption forms are filed, as requested, directly with the general partner. The structure of the partnership dictates whether WSIB can claim exemption from state withholding taxes.

14. What is the estimated withholding amounts per state the WSIB is trying to claim a refund for?

See answer 5d for the returns which require filing for 2013 and 2014. It is estimated that 7 returns for 2013 and 9 returns for 2014. Generally, the returns filed are fairly basic and we would request a per return or hourly rate for this service. WSIB will be pursuing refunds in those states where the cost to do so is not prohibitive. The WSIB is currently collecting data for 2015.

15. **Exhibit D** requests that the “managing partner of a partnership” provide signature. For our firm, any partner or principal is authorized to sign proposal documents on behalf of the firm. We anticipate having the principal identified to serve as the primary contact sign the proposal documents. Please indicate if this is acceptable to WSIB.

That is acceptable.

16. **Exhibit F** can you please provide further details of “Bundled” and “Unbundled” costs. Also, please provide an example for one personnel type.

A “bundled cost” is where everything that might be charged is included in the fee, covering travel, copying and courier expenses, administrative assistance, etc. An unbundled cost breaks those things out with the primary expense being the hourly professional fee or flat fee per return as the case may be along with other expenses segregated out and listed.

17. **Exhibit G Compensation and Payment item B** states that “All expenses that may be incurred by the Contractor under this Contract are included in the fees paid under this Contract. WSIB shall not be responsible for any additional costs or expenses incurred by the Contractor in the performance of work described in this Contract.” Will the proposer have the opportunity to include project specific costs (e.g. filing fees for a tax return in a specific country, etc.) in addition to the fee schedule submitted in the proposal into the second tier solicitation process?

Yes. It is anticipated that a specific filing fee for a jurisdiction, global or state, would be a separate expense passed through to the WSIB.

18. **Exhibit G** makes reference to “non-discrimination policies”. Can you provide a copy of such policies for consideration?

Please follow these hyperlinks to [Chapter 46.90 RCW – “DISCRIMINATION—HUMAN RIGHTS COMMISSION”](#) and [WSIB Policy 2.01.150](#).