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City of Seaford Investment Management Services RFP

4/22/2021 Bid Addendum #1

Please note the following questions received by the City from potential RFP respondents and answers provided by the City as clarification to the Investment Management Services RFP for the City of Seaford.

RFP responses must be submitted in a sealed envelope, addressed ATTN: Charles Anderson, City Manager, City of Seaford, P.O. Box 1100, Seaford, DE 19973. The outside of the envelope must be marked "**Attn: City Manager, Investment Management Services,**" and the respondents name shall be shown thereon. All proposals must be made on the bid form provided in the specifications. All proposals must conform to the published documents. Any exceptions will be evaluated for suitability and acceptance is at the sole discretion of the owner.

Sincerely,
City of Seaford

Charles Anderson
City Manager

1. Line item G, under General Information, please clarify “Your international experience”. We assume you mean our experience vetting managers who specialize in developed or emerging markets. Please confirm.
Yes. We are confirming that we want you to provide your experience vetting managers who specialize in developed or emerging markets.
2. We noted your questions regarding active vs. passive management focus mostly on low fees. Total program costs are always a key focus. Do you have a total fee budget that you would like the portfolio to reflect? If not, what are the total advisory fees and manager expenses currently charged so we can ensure cost savings?
The City does not have a specific total fee budget that we would like for the portfolio to reflect. For the plan year beginning July 1, 2019 and ending June 30, 2020, the City incurred trustee/custody fees of \$70,132.96.
3. Confirm that we can fill in the fee schedule table with percentage of assets as opposed to dollar value for the 5 year schedule. Given we provide custody without cost, we will simply provide the fund expense ratio and the overall advisory fee.
In order to be able to rank each responding firm and be able to easily compare one firm to another, the City will require respondents to provide dollar values for the requested services.
4. Does the City specify whether they can invest in vehicles other than mutual funds/ETFs? For example, a separately managed account could reduce expenses while gaining the benefit of active management.
Yes. The City seeks a strategy of balance between growth and income. Our current investments consist of primarily of equity-related investments, fixed-income investments, cash and/or real assets. We seek to keep our risk tolerance at a moderate level of volatility. We are open to other strategies that will assist us with our goals and objectives.
5. Please describe the governance structure for the City of Seaford’s General Employee Pension Plan. Is there a formal investment committee, and if so, how many committee members participate? Does the investment committee report to the Retirement Plan Committee? How many times does the investment committee meet each year?
There is not a formal Investment or Retirement Plan Committee. The Director of Finance & HR serves as the Administrator of the plan. The staff of the Director assists with day-to-day duties. The Director and staff meet with the Investment Manager at least once and sometime twice per year.
6. Please explain the City of Seaford’s pension contribution philosophy.
The City’s pension contribution philosophy is made up of two parts – employee contributions and employer contributions. Employees are required to contribute 5% of base pay to help fund their pension benefit. The City budgets annually as a percentage of pay to make contributions to the plan based on the actuarially determined contribution.
There is also an employee pension savings account that is voluntary. Employees may contribute from 1% up to 10% of base pay.
7. In the Notes to the Financial Statements for the Year Ended June 30, 2020, Section 7, page 40, the City reports the Plan is 66.8% funded based on an assumed rate of return of 7.0%.
 - a. Has the Retirement Plan Committee established a specific strategy to close the funding gap?
No. The City establishes contributions based on an actuarially determined contribution.
The actuarially determined contribution is the estimated amount necessary to finance the

costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability over a 30 year period on an open level dollar basis.

- b. What are the source and rationale of the Long-Term Expected Rate of Return by asset class illustrated on page 41 of the City of Seaford's 2020 audited financial statements?

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

8. What is the 5-year realized annual rate of return net of fees and expenses for the Plan?

The 5-year average rate of return for the Total Portfolio Net of Fees = 5.82%

9. Are the investment committee or the Retirement Plan Committee meetings open to the public and media, or are they closed-door sessions?

There is not a true "committee". The Director of HR and her staff periodically meet with the investment managers to review the pension fund performance. They have been closed door sessions. This is subject to change.

10. Please confirm an alternate address to express ship the RFP submission, as UPS may not deliver to a P.O. Box address.

City of Seaford

Attn: Charles Anderson, City Manager

414 High Street

Seaford, DE 19973

Please confirm receipt of addendum #1 by signing and returning this confirmation. Please fax the confirmation back to 302-629-9307, Attention – Tracy Torbert.

Thank you for your cooperation!

I, _____, am hereby in receipt of addendum #1 for the City of Seaford – Investment Management Services RFP. I agree the presented changes are hereby set as required specifications in this RFP process.

Signature of Acknowledgement

Date

Company