



# REQUEST FOR PROPOSAL: INVESTMENT ADVISORY SERVICES

MAY 1, 2023

## EXECUTIVE SUMMARY

The National Association of Attorneys General (NAAG) is seeking a qualified firm to advise to its executive committee on NAAG's investment portfolios. The Investment advisory consulting firm will not have assets invested in the NAAG fund menu.

## CONFIDENTIALITY

This Request for Proposal (RFP) is both confidential and proprietary to the National Association of Attorneys General (NAAG). NAAG reserves the right to recall this RFP in its entirety or in part. Consulting Firms cannot, and agree that they will not, duplicate, distribute or otherwise disseminate or make available this document or the information contained in it without the expressed written consent of NAAG. Even if your company does not intend to respond to this RFP, you are bound to maintain confidentiality on all matters related to this RFP, including the fact that this RFP was issued.

Notwithstanding the foregoing, you may make this document available to those employees who have a need to know its contents in order to participate in the preparation of this proposal. All pricing and non-pricing information submitted in response to this RFP will be considered confidential. Any additional materials that are to be considered and treated as confidential must be clearly marked "Confidential" prior to submission. Unless otherwise specified, NAAG has the right to copy the firm's RFP response for distribution to its employees, members and advisors on a need-to-know basis. NAAG shall retain all copies of proposals submitted.

## ABOUT NAAG

NAAG is the nonpartisan national forum for America's state and territory attorneys general. Founded in 1907, NAAG provides a community for attorneys general and their staff to collaboratively address issues important to their work, as well as training and resources to support attorneys general in protecting the rule of law and the United States Constitution.

The purpose of the Association is to provide a forum for the exchange of views and experiences on subjects of importance to the chief legal officers of the states and

other jurisdictions that are members of the Association; to foster interstate and state/federal cooperation on legal and law enforcement issues; to conduct policy research and analysis of issues pertaining to law enforcement and the law; to improve the quality of legal services provided to the states and territories; and to facilitate communication between the states' chief legal officers and all levels of government.

There are 2 separate tax entities:

- National Association of Attorneys General, a nonincorporated association organized under the laws of the District of Columbia and designated as an instrumentality of the states by the IRS; and
- The National Association of Attorneys General Mission Foundation, Inc, incorporated as a 501(c)(3).

Both are classified as tax-exempt by the IRS.

## Background

NAAG has a staff of approximately 60 employees and has its headquarters in Washington, DC.

NAAG is governed by an executive committee, which consists of 13 member attorneys general who are elected to their roles by the membership. NAAG also has a finance and investment committee which is charged with oversight of the investment portfolios and general financial operations of both entities.

## Financials and Investments

NAAG has consolidated annual expenditures between \$20 million and \$23 million. Operations are financed by annual membership dues and investment returns of 3 major funds. NAAG does not accept corporate sponsorships in order to maintain independence. 60-70% of expenditures are funded by investments.

NAAG's combined investment portfolio has a market value of \$225 million, with 12 sub funds. The funds were obtained through legal settlements and contributions. The settlement document governs the use of the fund and in some cases the investment requirements (e.g. tobacco-free investments, maintain separate accounts/funds).

The Funds are as follows:

General Mission Fund: \$94 million, requirement tobacco free investments. Asset allocations are domestic and international equities, private capital, flexible capital, real assets and fixed income/cash.

Tobacco Enforcement Fund: \$61 million, requirement tobacco free investments. Asset allocation is similar to the Mission Fund.

NAGTRI Endowment fund: \$29 million, no specific investment limitations. Asset allocations. Asset allocations are domestic and international equities, flexible capital, real assets and fixed income/cash.

Reserve Fund: \$7 million, no specific investment limitations. The fund has daily liquidity and is invested in CDs and income producing equities.

These four funds have a long-term outlook and are meant to produce ongoing annual funding for the long term. The investment policies include spending limits.

NAAG has 5 more funds<sup>1</sup> which are used to provide grants to the attorneys general to support their investigative work. The funds range from \$1 million to \$20 million. These funds have daily/quarterly liquidity and can be spent down.

In addition, NAAG manages 3 funds for related organizations ranging from \$1 million to \$18 million. These funds have separate investment and spending guidelines.

## REQUIREMENTS

The selected investment adviser would be expected to review and make recommendations to the finance and executive Committees regarding the organization's investment policies, provide a quarterly report on the fund menu performance, advise the finance and executive Committees on fund manager performance, and provide an annual fee structure review to the finance and executive committees. The selected investment adviser would also be required to provide fiduciary training when requested for relevant finance and executive committee members. The selected investment adviser would also act as a liaison between the executive director and the financial officers on a day to day basis.

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<sup>1</sup> These funds are the Financial Services Fund, the Volkswagen Fund, the New York Milk Fund, the Antitrust Enforcement Fund, the Endo Pharma Antritrust Fund, and the NAAG Charities Enforcement Fund.

The successful adviser will:

1. Comply with all specifications in the RFP or clearly indicate where your proposal deviates.
2. Acknowledge their role as a fiduciary in writing.
3. Provide fee-only consulting.
4. Monitor NAAG funds quarterly and provide ongoing advice and assistance regarding investment performance.
5. Not engage in any soft dollar arrangement in which compensation is paid directly or indirectly from a third party such as a manager, custodian, etc.
6. Closely monitor fee structures to assure their equity and transparency (including soft dollar and similar costs).
7. Continuous development and annually review investment policies, including risk assessment and risk management.
8. Provide a monthly report to indicate changes in portfolio balances due to performance, cash flows, dividends or income paid, or expenses.
9. Provide a quarterly portfolio summary with comparisons to the total portfolio benchmark and appropriate market benchmarks for all investments held accounting for both fees and risk.
10. Meet regularly with NAAG staff, Finance Committee, and the Executive Committee.
11. Comply with any and all applicable state and federal laws and regulations.
12. Respond to any inquiries of NAAG's auditors.

## Response Elements

Your written proposal should include the following information:

### **A. Investment Advisory Firm or Team**

1. Briefly describe the adviser firm or team history, including information on the year the adviser firm or team was formed, assets under advisement, and ownership structure. Please describe any parent, affiliates or subsidiaries, and any business partners or joint ventures. Be sure to include any relationships your company has with any other organizations such as insurance companies, brokerage firms, investment banking firms, or mutual fund companies. Include the location of adviser firm or team office(s).
2. Is the adviser firm a registered investment adviser with the SEC under the

Investment Advisers Act of 1940, as amended? If so, include a copy of your Form ADV Parts 1 & 2A.

3. Will you offer either discretionary or non-discretionary services? Please describe any difference in fees, approach, or account minimums.
4. What is the total number of nonprofits your adviser firm or team serves? Please describe your typical nonprofit client in terms of reserve size.
5. How long has your adviser firm or team served nonprofits? Describe your team's experience working with similar nonprofits.
6. Within the past five years, have there been any significant developments in your team such as changes in ownership, restructuring, personnel reorganizations, terminations or investigations?

## **B. Custodian/Broker-Dealer**

7. Are you affiliated with a custodian or broker-dealer? If yes:
  - i. Please describe the relationship between you and the affiliated custodian/broker-dealer.
  - ii. Please describe how the custodian/broker-dealer is compensated (including any revenue sharing arrangements, commissions, etc.).If no:
  - i. Please describe how you would recommend a custodian/broker-dealer for our Long-Term Reserve.
  - ii. Please describe how the custodian/broker-dealer is compensated (including any revenue sharing arrangements, commissions, etc.)
8. Describe the services provided by the custodian/broker-dealer.
9. Please provide your affiliated or recommended custodian/broker-dealer's most recent SOC 1 that outlines internal controls.

## **C. Standards of Conduct and Ethics**

10. For the past 10 years, has the firm, its officers or principals or any affiliate ever been the focus of any litigation/regulatory action? If 'yes', please provide details and the current status of proceedings.
11. Does the firm have any standards or set Code of Ethics for all employees

to abide by?

#### **D. Investment Strategy**

12. Briefly describe your firm's investment management philosophy.
13. Describe the primary strategies employed by your firm for adding value to portfolios.
14. Please discuss your firm's approach to investment fund or manager selection.

#### **E. Investment Policies & Reporting**

15. Describe your process for developing an investment policy, maintaining a continuous review, and determining if and when changes need to be made.
16. Describe your firm's performance reporting and evaluation services including benchmarking. Please attach a copy of your standard performance reports.

#### **F. References**

17. List at least three similar organizations as references. For each reference, include name, contact person and title, address, email, telephone number, and the number of years the nonprofit has been with your firm.

#### **G. Fees**

18. Describe the proposed fee structure and billing process for each of the following:
  1. Advisory Fee both as a percentage of the portfolio and a dollar amount (Please also detail the fee schedule proposed, if applicable.)
  2. Custodial Fee and/or Transaction Fees (including an estimated annual fee for both based on the typical amount of trading done in client accounts)
  3. Fund Expenses or Manager Fees (weighted average based on a typical selection of mutual funds or ETFs)
19. Describe any and all other fees or expenses, including, but not limited to, administration, reports, mailing, travel, and any other fee not previously mentioned.

#### **H. Distinguishing Attributes**

20. Please explain what differentiates your firm from other advisers.

## Timeline

Below is a general timeline of the expected steps in the review and selection process.

<b>Task/Milestone</b>	<b>Completion Date</b>
RFP distributed to vendors	May 5, 2023
Vendor intent to bid	May 15, 2023
Vendor questions submitted	May 19, 2023
Response to vendor questions provided to all vendors	May 26, 2023
Vendors submit responses to RFP	June 2, 2023
Vendor interviews	June 12-16, 2023
Vendor selected	June 23, 2023

Submissions and all questions regarding this RFP should be directed to NAAG Chief Financial Officer, Theresa Heller at [theller@naag.org](mailto:theller@naag.org). A copy of all questions and corresponding responses will be sent to all bidders. The originator of all questions will be kept confidential.

It should be understood that your response to the request for proposal will be taken as an offer to do business on the terms stated in your response and that, should a contract be awarded to you NAAG can, at their option, incorporate all or any part of your response in an agreement, terms to be agreed.

All costs for preparing and submitting this Request for Proposal are to be borne by your company. NAAG is under no obligation to reimburse your company for any costs associated with preparing and/or submitting a proposal whether or not your company is selected. This RFP does not commit NAAG or any official of it to any specific course of action. The issuance of this RFP does not bind NAAG or any official of it to accept any proposal, in whole or in part, whether it includes the lowest bid, nor does it bind any of the officials of NAAG to provide any explanation or reason for its decision to accept or reject any proposal. Moreover, while it is the intention of NAAG to enter into a contract with selected Firm(s), negotiations and preparation of draft agreements will not bind NAAG or any employee or official to purchase any product or service from such a Firm until a final contract for services is fully executed by NAAG and the Firm.

## Terms of Agreement

It is suggested the selected Firm agreement would be for one engagement, an initial period with options to extend if mutually agreed upon and with the right for either party to terminate with reasonable notice.

## Legal Jurisdiction

It is understood and agreed that any dispute between parties will be governed under the laws of the District of Columbia.

## Validity Period

The Request for Proposal must be valid for acceptance by NAAG for a period of 90 days from the due date set for RFP receipt.

Your Company may, without prejudice to itself, modify or withdraw its proposal by written request, provided that the request is received prior to the due date and time for the final submission of the proposal. Following the withdrawal of its proposal, your company may submit a new proposal, provided the delivery is affected before the established due date.