



Request for Proposal

Investment Consultant

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REQUEST FOR PROPOSAL

SECTION I: GENERAL INFORMATION

1. Introduction:

The State Universities Retirement System (“SURS” or the “System”) is requesting proposals from investment consulting firms to provide _____ consulting services to SURS Investment Staff and Board of Trustees. This is a non-discretionary, full-retainer mandate. SURS will retain discretion over all manager/fund selection decisions. It is envisioned that a generalist consultant likely has some degree of experience in defined contribution consulting, as well. Private markets assets classes in the SURS portfolio currently include _____. Respondents to this RFP are encouraged to describe ways in which they believe their firm’s capabilities are unique and add compelling value. This search was authorized by the Board of Trustees and seeks to identify potential full-service general retainer investment consultants. The consultant will report to the Board of Trustees and will also be required to work with and provide assistance to the SURS investment staff. It is anticipated that SURS will enter into a five (5) year contract with the consultant, in accordance with the provisions of section 113.14 of the Illinois Pension Code (40 ILCS 5/1-113.14).

2. Background:

Created in 1941, SURS exists as a body politic and corporate created under Article 15 of the Illinois Pension Code. SURS is governed by a board of trustees in accordance with Illinois Law. The SURS Board of Trustees currently consists of six (6) elected and five (5) appointed members, including the chair of the Illinois Board of Higher Education, who also serves as the chair of the SURS Board of Trustees. The SURS Board of Trustees delegates their authority to the Executive Director and nearly 130 full-time staff in administering the provisions of Articles 1, 15 and 20 of the Illinois Pension Code (40 ILCS 5).

Administrative functions performed by SURS Staff include processing retirement, survivor, disability and death benefits for more than 230,000 members who have current or previous employment with 61 higher education entities in Illinois.

Located in Champaign, Illinois SURS offices are roughly 130 miles south of Chicago, 125 miles west of Indianapolis, and 85 miles east of Springfield. Additional information regarding SURS can be obtained at www.surs.org

Defined Benefit Plan Investment Program

As of _____, the Defined Benefit plan trust totaled \$18 billion with a strategic target asset allocation as follows:

	<u>Target</u>
U.S. Equity	*
Non-U.S. Equity	*
Global Equity	*
Core Fixed Income	*
Emerging Markets Debt	*
TIPS	*
Private Equity	*
Real Estate	*

REITs	*
Hedge Funds	*
Opportunity Fund (currently Infrastructure)	*
Commodities	*

The Defined Benefit plan is structured with both active and passive managers and is 100% externally managed. Please see Appendix _ for additional information.

Defined Contribution Plan Investment Program

As of _____, the SURS Self-Managed Plan “SMP” (Defined Contribution) plan assets totaled approximately _____ across _____ service providers, _____ and _____. SURS is responsible for overseeing the operation of the SMP. SURS selects the providers and negotiates management fees for all funds in the SMP. Please see Appendix _ for additional information.

SURS Staffing

The SURS investment team currently consists of seven members. These include:

- Chief Investment Officer
- Deputy Chief Investment Officer
- Three Senior Investment Officers individually responsible for Equities (including Private Equity and Hedge Funds), Fixed Income (including Core Fixed Income, Emerging Markets Debt, and TIPS), and Real Assets (including Real Estate, REITs, Infrastructure, and Commodities)
- Two Investment Officers
- One Investment Analyst

Broader System resources are also utilized, including accounting and internal/external legal counsel. Additionally, Northern Trust serves as the System’s master custodian, providing various management and administrative services.

SECTION II: REQUEST FOR PROPOSAL OBJECTIVE

1. Purpose of Request for Proposal

SURS is requesting information from qualified firms to provide full-service general consultancy. SURS will consider the following in making its decision:

- Organization
- Resources
- Experience
- Service Team
- Thought Leadership
- Commitment to Diversity
- Independence
- Fees

2. Issuing Officer, Contacts and Lobbying

SURS is issuing this RFP. The Issuing Officer identified below is the sole point of contact regarding this RFP. Contact with any other employee of SURS, members of the Board of Trustees, or state officials is not permitted with respect to this RFP. The prohibition includes, but is not limited to, any lobbying efforts directed at state legislators or any state officer or employee who might reasonably be considered to have influence over the process and final outcome.

The Issuing Officer for this RFP is:

SURS
invest@surs.org

Additional information regarding Submission of responses to this RFP is set forth in Section IV below under the heading “Submission of Proposal and Selection Process”

SECTION III: SCOPE, QUALIFICATIONS AND INFORMATION REQUESTED

1. Scope of Services

Portfolio Construction and Asset Allocation

1. Assist SURS to construct investment portfolio that is “best in class” for US public pension system
2. Recommend asset allocation: modeling, recommendations and implementation
3. Conduct In-depth analysis of any asset class or sub-asset class recommended for addition to the policy portfolio to support tactical or strategic decisions
4. Develop a benchmark(s) against which asset allocation/policy portfolio can be evaluated
5. Construct attribution analysis for asset classes and forecast variables
6. Establish *empirically based* benchmarks for each asset class and sub-asset class
7. Identify asset classes or sub-asset classes that warrant active management and provide supporting analysis
8. Provide recommendations for manager structure within each asset class and sub-asset class

Implementation

1. The Consultant will be a partner with the SURS investment team and a resource for the SURS board
2. Assist with drafting RFPs for managers, vendors, etc.
3. Identify and screen candidates and recommend top choices, with pros and cons
4. Support staff in the selection, retention and ongoing monitoring of managers
5. Support SURS in achieving and evaluating MFDB system goals
6. Provide assistance in contract review and negotiation, including on-going manager guidelines revisions and partnership actions
7. Provide policy portfolio, asset class, sub-asset class and manager performance reviews vs. agreed upon benchmarks/metrics and make recommendations for changes consistent with SURS Investment Policy.
 - a. Such portfolio review shall consist of a concise, transparent and relevant executive summary consisting of no more than 10 pages in PowerPoint or similar format
 - b. Such portfolio review shall be presented with cooperation and collaboration of SURS staff
8. Provide quarterly performance reporting, including appropriate reporting to evaluate each alternative asset class
9. Develop/refine ‘risk’ dashboard and related metrics
10. Perform annual asset/liability analysis and recommend changes, as appropriate
11. Perform liquidity management studies and recommend changes, as appropriate
12. Perform cash flow forecasts and pacing analysis for illiquid asset classes, e.g. private equity, real estate, etc., with required recommendations
13. Review Investment Policy and suggest revisions
14. Provide staff support as required/agreed
15. Provide capital market research, asset class/new product education for board and staff and provide general board education as requested/agreed
16. Provide an annual calendar of deliverables
17. Attend seven regular investment committee meetings to review performance and make recommendations
18. Attend other staff and/or Board meetings upon request

19. Provide assistance on special projects upon request, and
20. Provide other services as required by SURS.

2. Minimum Qualifications

Failure to satisfy each of the minimum qualifications will result in the immediate rejection of the proposal. The responder must address each of the qualifications substantiating how the responder satisfies each of the minimum qualifications. The responses must contain sufficient information as prescribed to assure SURS of its accuracy. Failure to provide complete information will result in rejection of the proposal. The Proposer must certify in writing on the Minimum Qualifications Certification (Appendix A) that it meets all of the minimum qualifications and must be signed by an individual who is authorized to bind the Proposer contractually.

1. The responder's key professionals and/or organization must not have material conflicts of interest with the SURS Board, its custodian, or its investment managers.
2. The responder must be willing to enter into a most favored nation clause certifying that the fees, costs, or pricing charged to SURS do not exceed the fees, costs, or pricing charged by the responder to any of its clients for the same or similar level of services.
3. Proposing firm must be an investment consulting firm registered as an investment adviser under the Investment Advisers Act of 1940. The firm will promptly advise SURS if it, at any time, is not so registered. The firm must submit its full Form ADV (Parts I and II).
4. Proposing firm must agree to serve as a "fiduciary" to the Fund within the meaning of Illinois legislation and to act in accordance with all requirements and standards of conduct applicable to fiduciaries.
5. Responder and its proposed team must have all authorizations, permits, licenses and certifications required by federal and state laws and regulations to perform the services specified in this RFP at the time responder submits a response to the RFP. Responder's audited financial statements must be made available for review.
6. Responder will comply with all legislation, applicable State fiduciary, ethics, and diversity laws, including any additional disclosure requirements.
7. As of _____, and for at least the _____ most recent continuous years, the firm must have a verifiable operating history with at least _____ institutional fund clients with similar size, complexity and asset mix to SURS. Qualified Women, Minority, or Disabled Owned Businesses are exempt from this requirement and will be evaluated for further consideration at SURS' discretion.
8. As of _____, the primary contact dedicated to the SURS contract must have at least _____ years of experience in providing consulting services to institutional fund clients. Qualified Women, Minority, or Disabled Owned Businesses are exempt from this requirement and will be evaluated for further consideration at SURS' discretion.

SURS retains the sole right to decide whether any responder is qualified to bid, including determining whether any responder's qualifications are sufficiently comparable to satisfy all of the above minimum qualifications.

3. Legislative Considerations

Effective January 1, 2016, **Sections 5/1-110.6, 5/1-110.15, 5/1-110.16 of the Illinois Pension Code (40 ILCS 5/1)** generally requires SURS to divest from direct holdings in “restricted companies” consisting of:

1. Certain companies that boycott Israel by engaging in actions that are politically motivated and are intended to penalize, inflict economic harm on, or otherwise limit commercial relations with the State of Israel or companies based in the State of Israel or in territories controlled by the State of Israel;
2. Certain companies that have business operations that involve contracts with or provision of supplies or services to the Government of Iran, companies which the Government of Iran has any direct or indirect equity share, consortiums or projects commissioned by the Government of Iran, or companies involved in consortiums or projects commissioned by the Government of Iran; and
3. The government of Sudan and any of its agencies, companies under control of Sudan, companies established or organized in Sudan, companies identified or prosecuted by the Office of Foreign Assets in the U.S. Treasury Department as sponsoring terrorist activities in Sudan, or any publicly traded company whose principal place of business is in or conducts business in Sudan.
4. Certain companies that are considered “expatriated entities,” meaning a foreign incorporated entity which is treated as an inverted domestic corporation under subsection (b) of Section 835 of the Homeland Security Act of 2002, 6 U.S.C. 395(b), or any subsidiary of such an entity.

Index funds, mutual funds (or funds in which the System owns shares or interests together with other investors), and private market funds (which include private equity funds, private equity funds of funds, venture capital funds, hedge funds, hedge fund of funds, real estate funds, or other investment vehicles that are not publicly traded) are not subject to the divestment provisions. However, the Illinois Investment Policy Board will request that a private market fund manager consider removing restricted companies from the fund or create a similar actively managed fund having indirect holdings devoid of the companies. If such a fund is created, SURS is required to replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with prudent investing standards.

The **Illinois Governmental Ethics Act**, 40 ILCS 420, provides guidelines for ethical practices concerning state and local pension plans. Respondent providers should be familiar with the provisions of this Act. The Act also encourages the Board to increase the racial, ethnic, and gender diversity of its fiduciaries, to the greatest extent feasible within the bounds of financial and fiduciary prudence. In furtherance of this Act, SURS will use its best efforts to increase the racial, ethnic, and gender diversity of its vendors/investment managers.

Sections of the **Illinois Procurement Code**¹ concerning prohibitions of political contributions for vendors, 30 ILCS 500/50-37, may or may not apply to SURS investment managers or other service providers. However, each investment manager or service provider should be familiar with the provisions of this section and comply with this section if the investment manager or service provider deems it appropriate.

Provisions of Illinois law (40 ILCS 5/1-109.1) encourage certain public retirement funds and investments boards to increase:

¹ Note: While SURS is not subject to the Illinois Procurement Code generally (30 ILCS 500/1-15.100), each responder should comply with any applicable sections of the Illinois Procurement Code.

- The utilization of emerging investment managers (with goals for specific asset classes for emerging managers that are minority-owned businesses, female-owned business, and businesses owned by a person with a disability);
- The racial, ethnic and gender diversity of its fiduciaries, including its consultants and senior staff;
- The utilization of business owned by minorities, females, and persons with disabilities for all contracts and services;
- The utilization of minority broker-dealers; and
- The utilization of minority investment funds

Public Act 99-0462 establishes the following aspirational goals for certain public retirement systems, pension funds, and investment boards, beginning January 1, 2006:

- The utilization of emerging investment managers for not less than 20 percent of the total funds under management;
- That not less than 20 percent of investment advisors are minorities, females, and persons with disabilities; and
- The utilization of businesses owned by minorities, females, and persons with disabilities for not less than 20 percent of contracts awarded for information technology services, accounting services, insurance brokers, architectural and engineering services, and legal services.

For these reasons, the SURS Board of Trustees encourages individuals who are minorities, females, and persons with a disability, as well as firms owned by minorities, females, and persons with a disability to respond to this RFP.

4. Diversity Profile & Financial Disclosure Requirements

Effective January 1, 2015 Section 1-113.21 of the Illinois Pension Code prohibits certain public retirement systems, pension funds, and investment boards from awarding a contract, oral or written, for investment services, consulting services, or commitment to a private market fund, unless the investment advisor, consultant or private market fund first discloses:

- The number and percentage of its investment and senior staff who are: i) a minority person, ii) a female, and iii) a person with a disability;
- The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant, or private market fund has with i) a minority-owned business, ii) a female-owned business, or iii) a business owned by a person with a disability and;
- The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services the investment advisor, consultant, or private market fund has with a business other than: i) a minority-owned business, ii) a female-owned business, or iii) a business owned by a person with a disability, if more than 50 percent of services performed pursuant to the contract are performed by i) a minority person, ii) a female, and iii) a person with a disability.

Additionally, consultants seeking to do business must disclose:

- The total number of searches for investment services made by the consultant in the prior calendar year;
- The total number of searches for investment services made by the consultant in the prior calendar year that included (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and;

- The total number of searches for investment services made by the consultant in the prior calendar year in which the consultant recommended for selection (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and;
- The total number of searches for investment services made by the consultant in the prior calendar year that resulted in the selection of (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and
- The total dollar amount of investment made in the previous calendar year with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability that was selected after a search for investment services performed by the consultant.
- All compensation and economic opportunity received in the last 24 months from investment advisors retained by the board of a retirement system, board of a pension fund, or investment board; and
- Any compensation or economic opportunity received in the last 24 months from an investment advisor that is recommended for selection by the consultant.

Each responder must disclose this information in Appendices B-1 & B-2. **Failure to completely fill out this information may result in disqualification from consideration. If the information is not available, then please indicate “0” in the required fields. DO NOT LEAVE ANY FIELDS BLANK.**

Enumerated below are the specific items requested from respondent firms.

1. **Letter of Transmittal:** A letter of transmittal must be submitted on the responder’s official letterhead. The letter must identify all documents provided collectively as a response to the RFP, and must be signed by an individual authorized to bind the responder contractually. An unsigned proposal will be rejected. The letter must also contain the following:
 - Statement that the proposal is being made without fraud or collusion; that the responder has not offered or received any finder’s fees, inducements or any other form of remuneration, monetary or non-monetary, from any individual or entity relating to the RFP;
 - Statement that discloses any current business relationship or any current negotiations for prospective business with the Board or any SURS Board Members or SURS Staff; and
 - Statement that the proposing firm has been in compliance with SURS Quiet Period Policy and Ex-Parte Communications Policy
2. **Minimum Qualification Certification:** The responder must complete the certification in Appendix A and provide all supporting documentation.
3. **Diversity Disclosures** (per Illinois Pension Code Section 1-113.21): The responder must complete the required disclosures regarding staff and vendor diversity in the form provided in Appendix B-1 & B-2
5. **Investment Consulting Services Questionnaire:** The responder must complete the required questions in the order presented in Appendix C.
6. **Fee Proposal:** The responder must complete the fee proposal in Appendix D.

Contract Negotiating and Awarding

Although fees are a material element in selection, cost, is only one of several factors used to evaluate proposals. The successful bidder agrees that any resulting contract awarded under this RFP is subject to successful contract negotiations. If SURS and the successful bidder cannot reach an agreement on contract terms, a contract may not be awarded to said bidder.

Services provided by the successful bidder must be performed in compliance with all applicable federal and state laws. The successful bidder agrees that it will accept contract terms in any contract awarded under this RFP that shall include the following: the contract be enforced, governed and construed in all respects in accordance with the laws of the State of Illinois to the extent such laws are not pre-empted by the laws of the Unites States of America; the successful bidder will bring any suit, action, claim or proceeding in, and will submit to (and consents and waives any objection to) the jurisdiction of the Illinois Court of Claims in connection with any claim asserted against SURS arising out of, or in connection with, any Agreement awarded under this RFP; the successful bidder will submit to (and consents and waives any objection to) the jurisdiction of each of the Sixth Judicial Circuit of Illinois, Champaign County, Urbana, Illinois and the United States District Court for the Central District of Illinois in Urbana, Illinois in respect of any suit, action, claim or proceeding brought by SURS arising out of, or in connection with, this Agreement; and the successful bidder agrees that SURS does not waive its claim to sovereign immunity by entering into an Agreement awarded under this RFP.

SECTION IV: SUBMISSION OF PROPOSAL AND SELECTION PROCESS

1. Schedule

SURS reserves the right to alter the following schedule if necessary. If the schedule changes, the SURS representative, Douglas Wesley, will notify the affected responders via e-mail. In no event will the dates listed below be changed to earlier dates.

<u>Schedule</u>	<u>Dates</u>
Quiet Period Begins	_____
RFP Issued	_____
Deadline for Responder Questions	_____
Response to Questions	_____
RFP Responses due 4:30 p.m. CT	_____
Evaluations	_____
Candidate Interviews	_____
Selection	_____

2. Submission Process

Deadline:

To be considered for selection, proposals must be received via e-mail in Adobe Acrobat format by _____ at invest@surs.org no later than _____. ***Please reference the “Consultant Search RFP Response - Name of Responder” in your communications. An e-mail confirmation will be sent confirming receipt of the proposal.***

Withdrawal:

A proposal may be withdrawn any time prior to the deadline by written notification signed by the individual applicant or authorized agent of the firm and received by _____ at invest@surs.org no later than the deadline of _____. ***Please reference the “Consultant Search RFP Response - Name of Responder” in your communications.*** An e-mail confirmation will be sent confirming withdrawal of the proposal. The proposal may be resubmitted with any modifications **no later than** the deadline. Modifications offered in any other manner will not be considered.

Questions:

In order to clarify any issues in this Request for Proposal, SURS will respond only to questions that are presented in writing via e-mail to: _____ at invest@surs.org. All questions should be submitted to SURS by _____. ***Please reference the “Consultant Search RFP Response - Name of Responder” in your communications.*** These questions will be consolidated into a single Q&A document and responded to by SURS on, or about, _____. The Q&A document will be posted on the SURS web site at www.surs.org/rfp without indicating the source of the query.

SECTION V: ILLINOIS FREEDOM OF INFORMATION ACT DISCLOSURE, COMMUNICATIONS AND EVALUATION PROCESS

Freedom of Information Act Disclosure:

All materials submitted in response to the RFP become property of SURS. Proposals remain confidential during the selection process. However, upon completion of the selection process, all responses, including that of the individual or firm selected, will be a matter of public information and will be open to public inspection in accordance with the State of Illinois Freedom of Information Act (FOIA) 5 ILCS 140/1 *et. seq.*

If, in response to this RFP, trade secrets or commercial or financial information are furnished under a claim that they are proprietary, privileged or confidential and that disclosure of the trade secrets or commercial or financial information would cause competitive harm to the person or business responding to this RFP, such claim must be clearly made and such information must be clearly identified. (5 ILCS 140/7 and 7.5) **Responses to this RFP with every page marked as proprietary, privileged or confidential will not satisfy this requirement.** Bidders are required to make a good faith attempt to properly identify only those portions of the response that are truly furnished under a claim that they are proprietary, privileged or confidential and that disclosure of the trade secrets or commercial or financial information would cause competitive harm to the person or business responding to this RFP.

Redacted Version of RFP Response: In the event Responder believes certain materials in the submitted response are exempt from public disclosure, Responders are asked to provide a redacted version of the response it believes will be suitable for release under the Illinois Freedom of Information Act (5 ILCS 140/7 and 7.5)

However, any claim of privilege from disclosure is not definitive. SURS has the right and legal obligation to determine whether such information is exempt from disclosure under the Illinois Freedom of Information Act and no information will be considered or determined by SURS to be proprietary, privileged or confidential unless it is identified and separated as indicated herein. (5 ILCS 140/7 and 7.5)

Ordinary Course of Business Communications Allowed:

Other than existing normal business matters, respondents, potential respondents, or their representatives should not contact anyone at SURS (including SURS staff, members of the SURS advisory committees and members of the SURS Board) other than the investment team assigned to the RFP listed above. In addition, respondents must not discuss this RFP with any employee of SURS's custodian, managers, legal counsel, or other advisors or persons/entities having contracts or other affiliations with SURS.

SURS Quiet Period Policy:

Please note the following Quiet Period Policy establishing guidelines by which the SURS Board of Trustees and SURS Staff will communicate with prospective service providers during a search process. **The Quiet Period for this RFP began on October 19, 2017.**

1. The quiet period shall commence upon Committee action (or Board action if the selection is not initiated through a Committee) to authorize a search for a service provider and end once a selection has been made by the Board and accepted by the service provider;
2. Initiation, continuation and conclusion of the quiet period shall be publicly communicated via the SURS website (www.SURS.org/rfp) to prevent inadvertent violations;

3. All Board members, and SURS staff not directly involved in the search process, shall refrain from communicating with potential service providers regarding any product or service related to the search offered by the provider throughout the quiet period and shall refrain from accepting meals, travel, hotel, or other value from the providers;
4. Throughout the quiet period, if any Board member or SURS staff member is contacted by a potential service provider, the Board member or SURS staff member shall refer the provider to the SURS staff member directly involved in the search process;
5. All authority related to the search process shall be exercised solely by the relevant Committee or Board as a whole, and not by individual Board Members;
6. All information related to the search process shall be communicated by SURS staff to the relevant Committee or Board as a whole, and not to individual Board Members;
7. The quiet period does not prevent Board approved due diligence, client conference attendance, or communications with an existing service provider that happens to be a provider in the ordinary course of services provided by such service provider; however, discussions related to the pending selection shall be avoided during those activities;
8. The provisions of this policy will apply to potential service providers throughout the quiet period and shall be communicated to providers in conjunction with any competitive proposal process; and
9. A potential service provider may be disqualified from a search process for a violation of this policy.

Ex-Parte Communications:

The State Officials and Employees Ethics Act (5 ILCS 430) provides that all “ex parte communications” concerning investment, rulemaking or quasi-adjudicatory matters pending before a state agency must be documented and some must be reported. An “ex parte communication” is any written or oral communication by any person that imparts or requests material information or makes a material argument regarding potential action concerning an investment, a rulemaking process, or a quasi-adjudicatory matter. An “ex parte communication” does not include statements publicly made in a public forum or communications among employees of the state agency.

An “ex parte communication” from an “interested party” or his or her official representative or attorney to an employee or the agency must be memorialized and made a part of the record. An “interested party” is a person or entity whose rights, privileges, or interests are the subject of or are directly affected by an investment, regulatory or quasi-adjudicatory matter.

An “ex parte communication” other than that described above must be reported by the SURS staff member or Board Trustee immediately to the agency’s Ethics Officer. The communication must be memorialized and made a part of the record. The communication must be filed with the Executive Ethics Commission, accompanied by a memorandum from the Ethics Officer.

Rights Reserved:

SURS reserves the right to amend any segment of the RFP prior to the announcement of a contractor. In such an event, all respondents will be afforded the opportunity to revise their proposals to accommodate the RFP amendment.

SURS reserves the right to remove any or all of the services from consideration for this contract. At its discretion, SURS may issue a separate contract for any service or groups of services included in this RFP. SURS may negotiate additional provisions to the contract awarded pursuant to this RFP.

SURS may request additional information from any or all bidders to assist in the evaluation of proposals, and SURS reserves the right to conduct background investigations of selected individuals or firms prior to awarding a contract under this RFP.

SURS does not bear any obligation to complete the RFP process or to select any individual(s) or firm(s). SURS also reserves the right without prejudice to reject any or all proposals submitted. SURS will **NOT** reimburse any expenses incurred in responding to this RFP.

Proposal Evaluation:

All proposals received by deadline will be reviewed to determine whether they meet the requirements of this RFP. The primary factors that will be considered include, but will not necessarily be limited to:

- **Organization**
- **Resources**
- **Experience**
- **Service Team**
- **Thought Leadership**
- **Commitment to Diversity**
- **Independence**
- **Fees**

Terms and Conditions:

Following a review of submitted materials, selected individuals or firms must be prepared to make a presentation to the SURS Board of Trustees at a date and location to be determined by SURS. SURS will **NOT** provide reimbursement for any costs incurred by the individuals or firms associated with this presentation. Prior to the award of a contract pursuant to this RFP, selected individuals or firms must provide all requested documentation.

SECTION VI: DEFINITIONS AND APPENDICES

Definitions Under Illinois Law:

Link to Illinois Compiled Statutes: www.ilga.gov

Link to Section 1-113.21 Illinois Pension Code: <http://www.ilga.gov/legislation/publicacts/98/PDF/098-1022.pdf>

“Contract” means all types of [State] agreements, regardless of what they may be called, for the procurement, use, or disposal of supplies, services, professional or artistic services, or construction or for leases of real property where the [State] is the lessee, or capital improvements, and including renewals, master contracts, contracts for financing through use of installment or lease-purchase arrangements, renegotiated contracts, amendments to contracts, and change orders.

“Investment adviser”, "investment advisor", or "investment manager" means, with respect to a pension fund or retirement system established under Illinois Code if the person:

- (1) is a fiduciary appointed by the board of trustees of the pension fund or retirement system in accordance with Section 1-109.1;
- (2) has the power to manage, acquire, or dispose of any asset of the retirement system or pension fund;
- (3) has acknowledged in writing that he or she is a fiduciary with respect to the pension fund or retirement system; and
- (4) is at least one of the following: (i) registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.); (ii) registered as an investment adviser under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisers Act of 1940; or (iv) an insurance company authorized to transact business in this State.

“Minority person” means a person who is a citizen or lawful permanent resident of the United States and who is a member of a minority.

“Minority owned business” means a business which is at least 51% owned by one or more minority persons, or in the case of a corporation, at least 51% of the stock in which is owned by one or more minority persons; and the management and daily business operations of which are controlled by one or more of the minority individuals who own it.

“Female owned business” means a business which is at least 51% owned by one or more females, or, in the case of a corporation, at least 51% of the stock in which is owned by one or more females; and the management and daily business operations of which are controlled by one or more of the females who own it.

“Business owned by a person with a disability” means a business that is at least 51% owned by one or more persons with a disability and the management and daily business operations of which are controlled by one or more of the persons with disabilities who own it. A not-for-profit agency for persons with disabilities that is exempt from taxation under Section 501 of the Internal Revenue Code of 1986 is also considered a "business owned by a person with a disability".

“Compensation” means any money, thing of value, or economic benefit conferred on, or received by, a consultant in return for services rendered, or to be rendered, by himself, herself, or another.

“Economic opportunity” means any purchase, sale, lease, contract, option, or other transaction or arrangement involving property or services wherein a consultant may gain an economic benefit.

APPENDIX A

MINIMUM QUALIFICATION REQUIREMENTS AND CERTIFICATION

Responder must satisfy each of the following minimum qualifications for this RFP, in order to be given further consideration by the Board of Trustees. Failure to satisfy each of the requirements will result in the immediate rejection of the proposal. Failure to provide complete information will result in the rejection of the proposal. Please answer “YES” or “NO” where indicated. If evidence is requested, please provide complete documentation.

1. The responder’s key professionals and/or organization must not have material conflicts of interest with the SURS Board, its custodian, or its investment managers. (Yes/No): _____
2. The responder must be willing to enter into a most favored nation clause certifying that the fees, costs, or pricing charged to SURS do not exceed the fees, costs, or pricing charged by the responder to any of its clients for the same or similar level of services. (Yes/No): _____
3. Proposing firm must be an investment consulting firm registered as an investment adviser under the Investment Advisers Act of 1940. The firm will promptly advise SURS if it, at any time, is not so registered. The firm must submit its full Form ADV (Parts I and II). (Yes/No): _____
4. Proposing firm must agree to serve as a “fiduciary” to the Fund within the meaning of Illinois legislation and to act in accordance with all requirements and standards of conduct applicable to fiduciaries. (Yes/No): _____
5. Responder and its proposed team have all authorizations, permits, licenses and certifications required by federal and state laws and regulations to perform the services specified in this RFP at the time responder submits a response to the RFP. Responder’s audited financial statements must be made available for review. (Yes/No): _____
6. Responder will comply with all legislation, applicable State fiduciary, ethics, and diversity laws, including any additional disclosure requirements. (Yes/No): _____
7. As of _____, and for at least the _____ most recent continuous years, the firm must have a verifiable operating history with at least three (3) institutional fund clients with similar size, complexity and asset mix to SURS. Qualified Women, Minority, or Disabled Owned Businesses are exempt and will be evaluated for further consideration at SURS’ discretion. (Yes/No/Exempt): _____
8. As of _____, the primary contact dedicated to the SURS contract must have at least _____ years of experience in providing consulting services to institutional fund clients. Qualified Women, Minority, or Disabled Owned Businesses are exempt and will be evaluated for further consideration at SURS’ discretion. (Yes/No/Exempt): _____

IF RESPONDER PROVIDED A “NO” RESPONSE TO ANY OF THE MINIMUM QUALIFICATION REQUIREMENTS ABOVE, RESPONDER SHOULD NOT SUBMIT A PROPOSAL TO SURS.

PLEASE CERTIFY THE RESPONDER’S SATISFACTION OF THE MINIMUM QUALIFICATIONS BY PROVIDING THE RESPONDER’S AUTHORIZED SIGNATURE BELOW.

Authorized Signer Name: _____
Title: _____
Responding Firm: _____
Signature: _____
Date: _____

APPENDIX B-1

Disclosures Pursuant to Illinois Pension Code Section 1-113.21

Beginning January 1, 2015, Section 1-113.21 of the Illinois Pension Code requires the following disclosures from an investment advisor, consultant or private market fund prior to the awarding of a contract with such entity:

Name of Firm:

1. The number of its senior staff and the percentage of its senior staff who are (i) a minority person (ii) a female, and (iii) a person with a disability;

(If none, state "none")

Staff Classification	Number of Investment and Senior Staff Who Are	% Percentage of Investment and Senior Staff Who Are
Minority		
Female		
Person with a Disability		

2. The **number of contracts**, oral or written, for investment services, consulting services and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and

Statutory compliance requires numeric responses. Additional written information can be used to supplement your numeric response.

Contracts	Number Contracts
Minority	
Female	
Person with a Disability	

3. The **number of contracts**, oral or written, for investment services, consulting services, and professional and artistic services the investment advisor, consultant, or private market fund has with a business other than (i) a minority owned business, (ii) a female owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a female, and (iii) a person with a disability.

Statutory compliance requires numeric responses. Additional written information can be used to supplement your numeric response.

Contract	Number Contracts
Minority	
Female	
Person with a Disability	

Supplemental Diversity Information (Optional):

If desired, please include additional information on your firm's efforts to supplement the information provided above. Please feel free to attach or include any policies or documentation to support these efforts.

INVESTMENT ADVISOR / CONSULTANT/ PRIVATE MARKET FUND:
Company Name:
Signature:
Printed Name
Title:
Dated:

APPENDIX B-2 - Compensation and Economic Opportunity Disclosures

Additional Disclosures from Investment Consultants

Name of Firm:

4. The total number of searches for investment services made by the consultant in the prior calendar year; *(If none, state "none")*

Number of Searches

5. The total number of searches for investment services made by the consultant in the prior calendar year that included (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; *(If none, state "none")*

Classification	Number of Searches
Minority	
Female	
Person with a Disability	

6. The total number of searches for investment services made by the consultant in the prior calendar year in which the consultant recommended for selection (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; *(If none, state "none")*

Contract	Recommended for Selection
Minority	
Female	
Person with a Disability	

7. The total number of searches for investment services made by the consultant in the prior calendar year that resulted in the selection of (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; *(If none, state "none")*

Contract	Selected
Minority	
Female	
Person with a Disability	

8. The total dollar amount of investment made in the previous calendar year with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability that was selected after a search for investment services performed by the consultant. *(If none, state "none")*

Contract	Total \$ of Investment Made

Minority	
Female	
Person with a Disability	

9. All compensation and economic opportunity received in the last 24 months from investment advisors retained by the board of a retirement system, board of a pension fund, or investment board. *"Compensation" means any money, thing of value, or economic benefit conferred on, or received by, a consultant in return for services rendered, or to be rendered, by himself, herself, or another. "Economic opportunity" means any purchase, sale, lease, contract, option, or other transaction or arrangement involving property or services wherein a consultant may gain an economic benefit. (If none, state "none")*

Total Compensation & Economic Opportunity

10. Any compensation or economic opportunity received in the last 24 months from an investment advisor that is recommended for selection by the consultant. *"Compensation" means any money, thing of value, or economic benefit conferred on, or received by, a consultant in return for services rendered, or to be rendered, by himself, herself, or another. "Economic opportunity" means any purchase, sale, lease, contract, option, or other transaction or arrangement involving property or services wherein a consultant may gain an economic benefit. (If none, state "none")*

Total Compensation & Economic Opportunity

Supplemental Diversity Information (Optional):

If desired, please include additional information on your firm's efforts to supplement the information provided above. Please feel free to attach or include any policies or documentation to support these efforts.

INVESTMENT ADVISOR / CONSULTANT/ PRIVATE MARKET FUND:
Company Name:
Signature:
Printed Name
Title:
Dated:

APPENDIX C - General Consulting Questionnaire

Firm Name: _____

Contact Person: _____

Address: _____

Telephone: _____

E-mail: _____

Date Completed: _____

1. **General Information:**

- a. Identify and provide biographies of the primary and backup consultants who would be assigned to this engagement. How many clients do these consultants currently serve? Who are the clients these consultants currently serve? Which of these consultants would attend the SURS investment committee meetings?
- b. Identify the location of the main office, and, if different, the office from which services would be provided to SURS. Does your firm have an office located in Illinois?
- c. Provide a brief history of your firm and its operations. Include the year formed, ownership structure, and any ownership changes that occurred during the past five years. Also include any pending or planned organizational changes.
- d. Is your firm a certified minority-, female- or persons with a disability-owned firm? If so, please provide a copy of the certification.
- e. How many employees does your firm have? Please provide information on the number of employees in each specific functional area of your firm. (Please be sure to specify which are analysts, investment professionals, support staff, etc.). Please provide an organizational chart depicting each functional area.
- f. List your firm's lines of business and the approximate contributions of each business to your organization's total revenue. If your firm is an affiliate or subsidiary of an organization, what percentage of the parent firm's total revenue does your subsidiary or affiliate generate?
- g. Please provide details on the financial condition of your firm. The most recent annual report filed with the SEC is acceptable. Any recent material changes should be included.
- h. Describe your philosophy regarding a consultant's relationship with a Board or Investment Committee and Investment Staff.
- i. What are your capabilities to take on a client of SURS size and complexity? Will you need to bring on any additional resources?
- j. Do you outsource any parts of your investment consulting business? If so, please describe in detail which parts are performed externally and the reason for doing so. Please provide the name(s) of the providers, their office location, how long they have been in business, and the qualifications of the specific people who will be working on SURS account.
- k. Does your firm have a Client Advisory Board or similar structure? Please describe.
- l. Is your firm, its parent or affiliate a broker/dealer?
- m. Does your firm provide discretionary investment management services? If so, what percentage is discretionary and non-discretionary? How has this composition changed over the past five years?

- n. Does your firm or any employees invest their own capital in investment opportunities that they recommend to clients? If so, please explain how potential conflicts that arise from this activity are mitigated.
- o. Does your firm accept investment managers as clients? If so, for what products? Please disclose the investment management firms that are clients and the revenue received from these firms during the past five (5) years.
- p. Do you have any policies or procedures to address conflicts of interest or to prevent payments or relationships from being considered when you provide advice to clients?
- q. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?
- r. Identify the total number of consulting clients (by full-retainer or project), by type (corporate plan, public plan, etc.). What is the average client to consultant ratio? What is the maximum number of clients assigned to a consultant? Identify the different classification of employees within the firm and the totals for each classification.
- s. What is your firm's succession plan for key members of the organization?
- t. Are you willing to hold periodic (perhaps weekly) calls with SURS to review investment opportunities, due diligence, projects, workflow, scheduling?
- u. What is the turnover of professional staff (senior management and consulting personnel) over the last five (5) years? Please list staff positions hired, resigned and terminated within the last five (5) years, including a description of each position and the reason for the hire, resignation and/or termination.
- v. Describe the firm's compensation and incentive program for hiring and retaining key consultant personnel. How does the firm tie client performance and satisfaction to a consultant's compensation? Please include a description of your firm's equity and/or profit sharing arrangement with staff at all levels of the organization.
- w. Describe your firm's efforts to encourage and embrace diversity as it relates to staff. What initiatives, if any, does your firm have in place to encourage diversity throughout the organization?
- x. Please complete the table below, with data as of _____ or latest available date.

	% Minorities	% Women	Population Size
Senior Management			
Professional/Technical			
Clerical			

- y. Does your firm have experience with plans with serious funding challenges? Does your advice to these plans differ from advice provided to well-funded plans? If so, how?
- z. Provide a listing of full-retainer clients lost or gained during the past five (5) years including information on the size and type of the client. Indicate if the primary and backup consultant that would be assigned to SURS was on the service team for either the clients gained or lost.
- aa. Please complete the following table as of _____.

Types of Clients	Number of Clients in Each Category (By Client's Total AUM)			
	Under \$5B	\$5B-\$15B	\$15B-\$30B	Over \$30B
Public Pension Plans				
Corporate Pension Plans				
Taft-Hartley Plans				
Foundations/Endowments				
Other (Please Specify)				

- bb. Provide a listing of all public fund clients. Include the size of the fund and the length of service to them.
- cc. Describe the structure and organization of your firm's research department – include the number and experience of analysts.
- dd. Provide a list of research topics published over the past year. Please include a sample published research report from the past year.
- ee. How does your firm evaluate the quality of its consulting services? Describe any benchmarks the firm has developed to evaluate its performance and the performance of its primary/lead consultants.
- ff. What do you consider to be crucial issues regarding the development of an investment policy?
- gg. Describe a typical project plan that you would follow for completing an investment policy review including steps/phases of the project, anticipated timeframe for each step and the interaction with the client, your firm's various units, the client's actuary and other entities. Please provide a sample Investment Policy statement.
- hh. Describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance the firm carries. List the insurance carriers supplying the coverage and supply certificates evidencing the coverage.
- ii. Has there been any litigation against the firm or its principals/owners/officers within the past five (5) years?
- jj. Has there been any SEC or other regulatory action against the firm or its principals/owners/officers within the past five (5) years?
- kk. Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct? If so, how is employee compliance monitored?

2. Performance Measurement and Portfolio Analytics:

- a. Describe the content and format of your firm's quarterly performance reports for the total fund, asset classes, and individual investment managers. **Provide a sample report for one of your firm's clients that is structured similarly to SURS.**
- b. Can these reports be customized to accommodate SURS information needs? Are there charges for these additional information requests? Within what time frames can these requested changes be implemented?
- c. Does your firm have specific performance reports for real estate, private equity and other alternative asset classes? If so, please provide an example.
- d. Describe the quality control procedures in place to assure accuracy of reports. How does your firm verify the accuracy of data received from the custodian and investment managers?
- e. Describe your firm's performance attribution capabilities. Does your firm's quarterly reporting package contain attribution analysis at the total fund, asset class and investment manager level?
- f. Are your performance reports and attribution analysis tools available on-line?
- g. Can your firm prepare quarterly asset class and manager performance dashboards consistent with the attached Appendix F.
- h. Please provide examples of one public market and one private market asset class or manager summary performance profiles available. Can these documents be customized?

3. Asset Allocation Model/Issues:

- a. Describe your firm's capabilities and experience in providing asset allocation consulting services to a fund the size of SURS. How often does your firm recommend a formal review of asset allocation studies?
- b. What programs do you use for asset allocation?
- c. Specifically, how do you balance Black-Litterman and MVO?

- d. Are there specific equations/algorithms that you use for asset allocation?
- e. Specifically why does the MVO model yield such lumpy and unrealistic allocations?
- f. Describe your firm's capital markets model. Is the model proprietary, or does your firm rely on an outside vendor's model? If your firm relies on an outside vendor, indicate the name of the vendor, name of the model, etc.
- g. What framework do you use for constructing your key capital markets assumptions? Does your firm develop standard inputs to the model for all clients? Can these inputs be customized based upon individual client views, needs or requirements?
- h. Provide your firm's current inputs to the asset allocation model. Include at a minimum expected returns, standard deviations and correlation coefficients for U.S. equities (large caps, small caps, total market), international equities (developed and emerging markets), global equities, U.S. bonds, U.S. TIPS, international bonds, emerging markets debt, Treasury bills, real estate, private equity, hedge funds, infrastructure, commodities and any other significant asset classes for which your firm has developed inputs. How often do you revise your capital markets assumptions?
- i. In the light of last decade's Global Financial Crisis, has your asset allocation methodology changed in any way for a plan the size of SURS? Please explain.
- j. Please discuss recent recommendations and the rationale for each, to adjust a similarly situated client's asset allocation or portfolio structure within each of the equity and fixed income asset classes.
- k. Describe your firm's view on rebalancing. Include discussion on targets, ranges, frequency, and implementation methods.
- l. Describe you firm's views on the following. When might they be appropriate?
 1. Tactical asset allocation
 2. Downside risk protection
 3. Tail risk protection
 4. Quantitative/factor investing
 5. Fundamental investing
 6. Options based straegies

4. Manager/Portfolio Evaluations:

- a. Discuss the steps your firm would take to analyze SURS' current investment portfolio. Include discussion of the data requirements and a sample of a completed total portfolio evaluation.
- b. Briefly describe any on-going due diligence process. What critical issues are examined in the due diligence process?
- c. Provide one example of a written recommendation to hire, and one recommendation to terminate a public market manager that you have made within the last 12 months. Include copies of supporting documentation you provided to your client. Describe the necessary conditions for the firm to recommend terminating an investment manager?
- d. How often are on-site due diligence visits conducted with your client's managers? Please prepare a table showing how many on-site visits has your firm conducted over the past 3 years by asset class? Are notes from manager meetings made available to clients?
- e. For a list of managers/strategies utilized by SURS, please see Appendix E. Please provide a list of these managers and strategies with which your firm has direct experience.

5. Manager Searches:

- a. Describe in detail your manager database and search process.
- b. Does your firm have a database of minority-, female and persons with a disability-owned investment management firms? How many managers are in it?
- c. Describe your firm's record in hiring minority-, female- and persons with a disability-owned investment managers. How many of these managers have you recommended in the last five years?

- d. Illinois statute requires goals be established for the management of assets by minority-, female- and persons with a disability-owned firms. The goals adopted by the SURS Board are included in SURS Investment Policy, found at _____. How can your firm assist us in meeting these goals?
- e. Please provide an example of a recently-completed investment manager due diligence report for a fixed income, domestic equity, and international equity manager search.
- f. Please provide a manager due diligence report for the private equity and real estate asset class. Please also provide any relevant manager updates that correspond with the due diligence report provided. Is there a difference in due diligence review and reporting for a follow-on fund vs. a new fund relationship?
- g. Does your firm utilize an approved manager list? If so, how often is it updated and how do you ensure that all firms have an opportunity for inclusion? How many strategies are approved? How many strategies have been added/dropped in the past 3 years?

6. Private Markets:

- a. Discuss the role of private markets assets (including real estate, private equity, hedge funds, commodities, infrastructure, private debt/credit, farmland, and timber, for example) within a pension fund portfolio of SURS' size.
- b. Identify your firm's view of appropriate and inappropriate private markets investments for a public fund.
- c. Discuss your firm's expertise with respect to private markets investments (real estate, private equity, hedge funds, commodities, infrastructure, private debt/credit, farmland, and timber, for example).
- d. Please discuss your ability to provide consulting in the private market areas mentioned above, and other alternative asset classes.
- e. What are your views on the Institutional Limited Partnership Association's fee reporting template?
- f. Discuss the steps your firm would take to analyze SURS' current total private markets portfolio. Include discussion of the data requirements and a sample of a completed total portfolio evaluation

7. Real Estate

- a. What services are included in a general retainer relationship related to real estate? How would these services be expanded under a specialty retainer relationship? List any special services you have provided to meet additional client needs.
- b. Describe your firm's real estate investment philosophy and process. Please include your approach to formulating goals and objectives, and a description of the modeling concepts and methodology used to perform real estate asset allocation modeling.
- c. Identify your firm's view of appropriate and inappropriate real estate and other private markets investments for a public fund.
- d. Describe program-level risk management tools you use to understand and evaluate the various types of risk associated with a client's real estate portfolio.
- e. Does your firm manage its own fund-of-funds or other vehicles? If so, describe the strategy. Would you ever recommend a fund or investment managed by your firm? How does your firm allocate investment opportunities between separate account clients and the funds you manage to ensure that there are no conflicts of interest? Does your firm manage any other types of assets?
- f. Describe your firm's philosophy on public markets vs. private markets investments.
- g. For a fund of SURS' size and staff resources, what do you believe is a proper composition of publicly traded REITs vs. private real estate investment vehicles? Please discuss.

8. Private Equity

- a. The SURS private equity allocation is currently gained through multiple fund-of-funds/fund-of-one products. Discuss the steps your firm would take to analyze SURS' current total private equity portfolio. Include discussion of the data requirements and a sample of a completed total portfolio evaluation.
- b. How do you recommend evaluating the performance of a private equity fund-of-funds manager? Does your firm have the capabilities to drill down to assess performance of each sub-portfolio type (buyout, VC, growth equity, etc.)? What are the challenges using peer analysis to evaluate fund-of-funds portfolio?
- c. Describe how benchmarks are chosen for private equity and how performance is compared to similar portfolios. Can you provide customized benchmarks? Please provide your thoughts on the use of public market equivalents for private equity (or other private markets) benchmark comparison purposes.
- d. Provide a copy of a recently completed private equity fund-of-fund performance evaluation.
- e. Briefly describe any on-going due diligence process. What critical issues are examined in the due diligence process?
- f. Describe your firm's private equity investment philosophy and process. Please include your approach to formulating goals and objectives, and a description of the modeling concepts and methodology used to perform asset allocation modeling.
- g. For a fund of SURS' size and staff resources, what do you believe is the most advantageous vehicle through which to invest in private equity – direct funds, fund-of-funds, or other vehicles? Please discuss.
- h. Does your firm manage its own fund-of-funds vehicle? If so, describe the strategy. Would you ever recommend a fund or investment managed by your firm? How does your firm allocate investment opportunities between separate account clients and the funds you manage to ensure that there are no conflicts of interest? Does your firm manage any other types of assets?

9. Hedge Funds:

- a. The SURS hedge fund allocation is currently gained through multiple fund-of-one products. Discuss the steps your firm would take to analyze SURS' current total hedge fund portfolio. Include discussion of the data requirements and a sample of a completed total portfolio evaluation.
- b. Discuss your firm's expertise with respect to hedge funds.
- c. Describe your firm's hedge fund investment philosophy and process. Please include your approach to formulating goals and objectives.
- d. Does your firm view hedge funds as substitutes or diversifiers? Briefly discuss.
- e. In general, what hedge fund allocation (%) does your firm believe to be an appropriate exposure for a fund such as SURS?
- f. How do you recommend evaluating the performance of a hedge fund-of-funds manager? Does your firm have the capabilities to drill down to assess performance of each sub-portfolio type? What are the challenges using peer analysis to evaluate fund-of-funds portfolio?
- g. Describe how benchmarks are chosen for hedge fund investments and how performance is compared to similar portfolios. Can you provide customized benchmarks?
- h. What do you believe is the most appropriate way to categorize and discuss hedge fund investments to help a client best understand the levels of risk being undertaken?
- i. Describe program-level risk management tools you use to understand and evaluate the various types of risk associated with a client's hedge fund portfolio.
- j. Does your firm manage its own fund-of-funds vehicle? If so, describe the strategy. Would you ever recommend a fund or investment managed by your firm? How does your firm allocate investment

opportunities between separate account clients and the funds you manage to ensure that there are no conflicts of interest? Does your firm manage any other types of assets?

- k. What consideration does liquidity play in structuring a client's hedge fund portfolio?
- l. For a fund of SURS' size and staff resources, what do you believe is the most advantageous vehicle through which to invest in hedge funds – direct funds, fund-of-funds, or other vehicles? Please discuss.

10. Passive Management/Securities Lending/Cash Management:

- a. Describe your firm's view of the role of passive management (by asset class) in your client's portfolio. Please describe the process used to determine whether passive management will be recommended?
- b. Indicate the active/passive allocation in your typical public pension fund clients.
- c. Describe your firm's view on securities lending. Do you typically recommend lending with the client's custodian or with a third party lender? Describe your viewpoint on each method of implementation.
- d. Briefly describe the capabilities associated with the evaluation and monitoring of securities lending programs. Briefly describe the capabilities associated with the evaluation and monitoring of short term investment funds (STIF) or other cash management programs. Please provide a sample securities lending program review.
- e. Do you believe a plan should have a permanent allocation to cash? Why or why not?

11. Risk:

- a. Explain the firm's views on risk management for a pension fund. What do you see as the key risks, and how do you recommend these risks be handled? In terms of portfolio management, discuss the firm's view on risk budgeting or similar methods and describe any experience the firm has in assisting clients in establishing risk budgets or similar processes. Please provide a sample risk budgeting study.
- b. Briefly describe the risks to which a public pension fund is exposed.
- c. What strategies have you recommended to mitigate risks?
- d. How does your firm monitor risk? List what measurements are used when evaluating risk. At what level are these risk measurements used: total portfolio, asset class, asset style, investment manager? Which measurements are most important in the analysis of risk? Discuss your views on investment manager tracking error.
- e. Describe any risk management capabilities and associated costs that are offered to clients.

12. Other Items:

- a. Describe your firm's capabilities in providing educational opportunities for trustees and staff. Does your firm hold an annual investment conference for its clients? Is there a cost for clients to attend educational opportunities?
- b. Discuss your firm's philosophy on transition management. Do you recommend clients maintain a pool of approved transition managers? Have you assisted with a search for qualified transition managers?
- c. What are your firm's consulting specialties and strengths? What differentiates your firm from your competitors? What are your firm's limitations? Why should SURS hire your firm rather than your competitor(s)? Please list your top five (5) competitors.
- d. Briefly describe how a new client would transition to your firm. How long is the process from start to finish? Do you backload transaction and/or investment performance data? What problems have you encountered in transitioning a new client to your firm from their previous consultant? Please provide

at least one reference (name, fund name, address, phone, e-mail) of a recent client of yours whom we can contact regarding the transition process.

- e. Describe your approach to addressing Environmental, Social, and Governance issues for client investment programs.
- f. Has your firm adopted the Principles for Responsible Investment (“PRI”)? If so, when? If adopted, please include a discussion of any actions taken as a result of the adoption of PRI.
- g. Disclose any relationship you have or have had with any SURS Board member, consultant, or employee. If there are no conflicts of interest, please state, “There are no conflicts of interest to report.” Briefly describe your philosophy relating to the consultant’s relationship with Board member, staff, investment managers, and brokers.
- h. Is your firm in compliance with the provisions of SEC Rule 206 (4)-5 as it would apply to SURS?
- i. Does your firm have a business continuation and disaster recovery plan? Is the plan ever tested? Please describe the key features of the plan.
- j. Describe efforts taken to protect computer systems from cyber threats. How do you keep client data safe?
- k. Where will SURS data be stored? Please discuss data backups and disaster recovery locations as part of your answer.
- l. Do you perform system vulnerability tests and can the results be made available to SURS?
- m. Please provide a sample contract for Investment Consulting Services.

13. References:

- a. Provide a list of five (5) public fund clients similar in size to SURS to which you provide full-retainer investment consulting services including name, contact, telephone number, asset values, number of years the client has retained your firm and the product(s) or service(s) the client uses. SURS may contact any of these clients for reference purposes. Please be sure to include at least two references that are clients for whom you provide private markets consulting services.

APPENDIX D – Fee Proposal

SURS will be evaluating fee proposals for full retainer services as well as project-based services. The fees quoted in this proposal must be in force for the entire five-year contract period.

Please refer to the Scope of Services Document for specific services requested.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total for Contract Period
1. Annual Retainer: (Please detail all services included in the retainer).	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2. Project Based Services:						
a.	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	
b.	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	
c.	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	
d.	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	
3. Other Items: (Please specify).	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	