

# THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

## REQUEST FOR PROPOSAL

#515-17-164

### INVESTMENT CONSULTING SERVICES

The Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS) is soliciting proposals from investment consulting firms to provide investment and financial consulting services on a contractual basis. OPERS administers two defined benefit plans, the Oklahoma Public Employees Retirement System and the Uniform Retirement System for Justices and Judges (URSJJ), as well as two defined contribution plans (DC), the SoonerSave plan and the Pathfinder plan. Both of the defined contribution plans consist of a 457 and 401(a) component. The purpose of this Request for Proposal (RFP) is to provide information about OPERS and establish the specifications and requirements for submitting a proposal. The term “Vendor” as used in this RFP shall mean the company, firm or individual submitting proposals for consideration.

OPERS reserves the right to reject any or all proposals submitted. There is no express or implied obligation for OPERS to reimburse Vendors for any expenses incurred in preparing proposals in response to this RFP. In the event that none of the proposals are satisfactory to OPERS, no selection will be made. Proposals submitted in response to the RFP become the property of OPERS and are subject to public inspection. OPERS reserves the right to modify the RFP contents and requirements at any time prior to the submission deadline.

This RFP is comprised of eleven (11) sections, and sixteen (16) pages total, as follows:

| <b>Section</b> |   | <b>Page #</b> |
|----------------|---|---------------|
| I.             | Proposal Cover Sheet (to be returned with Proposal)                     | 3             |
| II.            | Mandatory Requirements for Submitting a Proposal                        | 4             |
| III.           | Background Information  | 6             |
| IV.            | Scope of Assignment   | 8             |
| V.             | Preferred Criteria and Qualifications of the Investment Management Firm | 9             |
| VI.            | Timeline  | 10            |
| VII.           | Communications with OPERS   | 10            |
| VIII.          | General Terms and Conditions  | 11            |
| IX.            | Questionnaire   | 12            |
| X.             | Fee Quote   | 16            |
| XI.            | Example of Client Reporting Package                                     | 16            |

An electronic copy of this RFP can be found at the OPERS website at [www.opers.ok.gov](http://www.opers.ok.gov). If you are unable to download the document you can also obtain an electronic copy of this RFP through e-mail. Send your request to Stephanie Beshears at [SBeshears@opers.ok.gov](mailto:SBeshears@opers.ok.gov). Include the name of the RFP and the proposal number in your request. All responses to this RFP must be submitted in accordance with the instructions contained in the RFP. Electronic responses to this RFP will not be considered.

Regardless of the manner in which the RFP document is received by the Vendor, the contents of the RFP may not be altered in any way. The Vendor’s Affidavit and all questions must be identically reproduced in the submitted proposal. Any alterations to the contents of the RFP document will be grounds for rejection from consideration or termination of a resulting contract. By submitting a proposal, it is agreed

by the Vendor that any misleading or false information given may be grounds for rejection from consideration, or termination of any resulting contract whenever and however discovered.

**I. PROPOSAL COVER SHEET**

(must be signed, notarized and submitted with the original proposal)

| Proposal Number                                  | Agency Requisition Number | Proposal Deadline                               |
|--|---------------------------|---|
| # 515-17-164<br>(Investment Consulting Services) | 17-164                    | must be received by<br><b>December 16, 2016</b> |

Vendor Identification:

|                      |       |
|----------------------|-------|
| Name of Firm:        | _____ |
| Address:             | _____ |
| City/State/Zip Code: | _____ |
| Telephone Number:    | _____ |
| Facsimile Number:    | _____ |

**VENDOR'S AFFIDAVIT**

STATE OF \_\_\_\_\_ )  
 ) SS:  
 COUNTY OF \_\_\_\_\_ )

\_\_\_\_\_ (Print Name), of lawful age, being first duly sworn, on oath says that:

- (S)he is the duly authorized agent of \_\_\_\_\_, the vendor submitting this proposal which is attached to this statement for the purpose of certifying the facts pertaining to the existence of collusion among vendors and between vendors and state officials or employees, as well as facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the letting of any contract pursuant to the proposal to which this statement is attached;
- (S)he is fully aware of the facts and circumstances surrounding the making and submitting of this proposal and has been personally and directly involved in the proceedings leading to the submission of such proposals; and
- Neither the Vendor nor anyone subject to the Vendor's direction or control has been a party: a) to any collusion among vendors in restraint of freedom of competition by agreement to propose a fixed price or to refrain from submitting a proposal; b) to any collusion with any state official or employee as to quantity, quality or price in the prospective contract, or as to any other term of such prospective contract; nor, c) in any discussions between vendors and any state official concerning exchange of money or any other thing of value for special consideration in the award of this prospective contract; d) to paying, giving or donating or agreeing to pay, give or donate to any officer or employee of the State of Oklahoma, any money or other thing of value, either directly or indirectly, in procuring this prospective contract.
- The information contained in this proposal is true, correct and accurate as presented.

\_\_\_\_\_  
Name/Title

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

\_\_\_\_\_  
Notary Public

(seal)

My commission expires: \_\_\_\_\_

## II. MANDATORY REQUIREMENTS FOR SUBMITTING A PROPOSAL

- A. Proposals must be received by the deadline only at the following address:

**Oklahoma Public Employees Retirement System  
Investment Consulting Services Proposal  
Attention: Stephanie Beshears  
5801 N. Broadway Extension, Suite 200  
Oklahoma City, Oklahoma 73118**

- B. The deadline for receipt of proposals is **4:30 p.m.** Central Time, on December 16, 2016. Proposals submitted to the incorrect address or location or received after this date and time will be rejected and will not be considered.
- C. The original proposal must contain the proposal cover sheet, fully completed, signed and notarized. The Vendor shall submit an original printed version of its proposal, four (4) hard copies, and two (2) electronic versions of the complete proposal on two (2) CDs in PDF format. The CD must be clearly marked with the Vendor's name and proposal number.

The original proposal, the proposal cover sheet, four (4) hard copies, and the CDs must be submitted together in one completely sealed package, box or envelope. It must be clearly marked "OPERS Investment Consulting Proposal" on the outside face of the package containing the proposal in order that the receiving agent (see paragraph A above) can identify it without opening the package.

- D. Proposals may be either mailed or hand-delivered. If the proposal is sent by mail or express delivery service, the responding Vendor shall be responsible for actual delivery of the proposal to the proper address before the deadline. All timely proposals become the property of OPERS.
- E. All proposals, once opened, are considered to be public record and shall be available for viewing and reproduction by any person.
- F. In submitting this proposal, the Vendor must agree to an audit which provides that books, records, documents, accounting procedures, practices or any other items of the Vendor relevant to the proposal or the services provided there under, are subject to examination by OPERS and the Oklahoma State Auditor and Inspector.
- G. In an effort to clarify any issues in this RFP, OPERS will respond only to questions that are presented through e-mail. Questions should be submitted to Stephanie Beshears at [SBeshears@opers.ok.gov](mailto:SBeshears@opers.ok.gov). All questions and answers will be consolidated into a single Q&A document.

All questions must be received by **5:00 p.m.** Central Time on **December 2, 2016**. The Q&A document will be posted on the OPERS website at [www.opers.ok.gov](http://www.opers.ok.gov) on or after **December 9, 2016**. This will be the only distribution method for the Q&A document.

- H. It is the responsibility of the Vendor to ensure compliance with all requirements and deadlines. Proposals that are not in compliance with the RFP requirements may be rejected. All proposals will be reviewed to determine if they satisfy the mandatory criteria in this RFP. Proposals not satisfying the mandatory criteria will be rejected.

- J.** All costs of preparation and presentation associated with responding to this RFP will be the responsibility of the Vendor. Vendors may be asked to make a presentation before the Board if selected as a finalist. None of the costs associated with this presentation will be reimbursed by OPERS.
- L.** The selection of investment consultants for the state retirement systems is specifically exempt from the competitive bidding procedures established by Oklahoma Statutes (see 74 Oklahoma Statutes §85.7). OPERS reserves the right to request additional information from any vendor and to accept or reject any proposal without specifying the reason for its actions. OPERS reserves the right to request additional proposals. OPERS reserves the right to renegotiate for lower fees at any time with any Vendor.
- M.** The Board reserves the right to award all, part, or none of this contract. The Board reserves the right to award contracts to more than one investment consultant if deemed appropriate and desirable.
- N.** The Vendor shall be bound by the information and representations contained in any proposal submitted. Said proposal is deemed to be a binding offer on the part of the Vendor.
- O.** Submission of a proposal in response to this RFP evidences the Vendor's acceptance of the terms and conditions within the RFP.
- P.** OPERS prohibits the payment of a finder's fee in any form. The Vendor must certify that no finder's fee or finder's commission has been paid or shall be paid to any individual or organization from the establishment of this investment consulting relationship with OPERS.
- Q.** All Vendors must:
  - 1.** Acknowledge and agree to be a fiduciary to the plan pursuant to Section 909.2 of Title 74 of the Oklahoma Statutes.
  - 2.** Agree that any resulting investment consulting contract and services will be subject to and interpreted by Oklahoma law.
  - 3.** Agree that this RFP and the Vendor's response will be incorporated by reference to any resulting investment consulting agreement.
  - 4.** Answer, to the best of its abilities, all questions in this RFP in a succinct manner and in the order presented. Do not add appendices to the end of this document unless specifically asked to do so. Please assume the term "current" herein refers to June 30, 2016 unless otherwise noted.
  - 5.** Fully disclose any proposed subcontracting of any of the required services.

### **III. BACKGROUND INFORMATION**

#### **A. Legal Authorization**

The Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS) and the Uniform Retirement System for Justices and Judges (URSJJ) is charged with the investment of approximately \$9 billion in combined defined benefit retirement funds for public employees in addition to the administration of two defined contribution plans – the SoonerSave plan and the Pathfinder plan. Total assets in both defined contribution plans were approximately \$1 billion. The OPERS/URSJJ investment authorization (statutory provisions generally related to portfolio composition and the types of investments which the Systems could use) is set forth in 74 O.S. Sections 909.1 and 909.2. The statutory provisions generally related to SoonerSave are set forth in Sections 1701 et seq., of Title 74 of the Oklahoma Statutes. The statutory provisions generally related to Pathfinder are set forth in Sections 935.1 et seq., of Title 74 of the Oklahoma Statutes.

**B. Board Composition**

OPERS is administered by a Board of Trustees composed of 13 members including a member of the Corporation Commission, the Administrator of the Human Capital Management Division or designee, the State Insurance Commissioner or designee, the Office of Management and Enterprise Services or designee, a member of the State Tax Commission, three members appointed by the Governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives, and two members appointed by the President Pro Tempore of the State Senate.

**C. Support Services**

OPERS has an authorized staff of 63 employees. The Executive Director is the chief administrative officer of OPERS.

**D. Allocation of Assets**

The asset allocation target mix for OPERS and URSJJ as of June 30, 2016 is as follows:

**TARGET MIXES FOR OPERS and URSJJ:**

|                             | <b>TARGET</b> |
|-----------------------------|---------------|
| Large Cap Domestic Equities | 38%           |
| Small Cap Domestic Equities | 6%            |
| International Equities      | 24%           |
| Fixed Income                | 32%           |
| Cash Equivalents            | 0%            |

**E. Investment Services Providers**

The investment managers listed below manage the equities, cash, and fixed income portfolios for both OPERS and URSJJ. Although there are no investment manager searches planned during the next year, responding Vendors should anticipate that there could be one or more searches if needed.

**Company Name**

**Type of Investment**

|  |  |
|--|--|
| Northern Trust Company                     | Custodial Bank, Securities Lending, and<br>Commission Recapture Services |
| Empower Retirement                         | SoonerSave Recordkeeper<br>Pathfinder Recordkeeper                       |
| AJO  | Large Cap Value Equity   |
| Blackrock Institutional Trust              | US and International Equity Indices                                      |
| Westfield Capital                          | Large Cap Growth Equity  |
| State Street Global Advisors               | Large Cap  |
| Mellon Capital Management                  | Large Cap  |
| Barrow, Hanley, Mewhinney, & Strauss, Inc. | Small Cap Value Equity   |
| DePrince, Race & Zollo                     | Small Cap Value Equity   |
| UBS Asset Management                       | Small Cap Growth Equity  |
| Baillie Gifford                            | International Equity   |
| Mondrian Investment Partners               | International Equity   |
| BlackRock Financial Management             | Constrained Core Fixed Income  |
| Mellon Capital Management                  | Domestic Enhanced Equity Index   |
| Hoisington Investment Management           | Fixed Income Interest Rate Anticipator                                   |
| TCW/Metropolitan West Asset Management     | Core Plus Fixed Income   |

SoonerSave and Pathfinder are currently administered in an un-bundled arrangement with Empower Retirement providing the recordkeeping for all investment options. Participants are offered funds managed by various fund families and a Stable Value Fund currently managed by Great-West. Each Plan's investment options are selected by the OPERS Board of Trustees in accordance with the Investment Policy. The investment options offered are:

| <b><u>Company Name</u></b>                   | <b><u>Type of Investment</u></b> |
|--|----------------------------------|
| Stable Value Fund (S/P)                      | Stable Value Fund                |
| T. Rowe Price High Yield Fund (S/P)          | Bond Fund                        |
| T. Rowe Price Spectrum Income Fund (S)       | Bond Fund                        |
| T. Rowe Price Balanced Fund (S)              | Balanced Fund                    |
| American Century Income & Growth Fund (S/P)  | Large Cap Equity Fund            |
| Blackrock S&P 500 Stock Fund (S/P)           | Large Cap Equity                 |
| T. Rowe Price Blue Chip Fund (S/P)           | Large Cap Equity                 |
| TRP Total Equity Market Index Fund (S)       | Large Cap Equity                 |
| American Century Vista Advisor Fund (S/P)    | Mid Cap Equity                   |
| Artisan Mid Cap Value Fund (S/P)             | Mid Cap Equity                   |
| Columbia Acorn Fund (S/P)                    | Mid Cap Equity                   |
| Perkins Small Cap Value Fund (S/P)           | Small Cap Equity                 |
| Blackrock Small Cap Growth Fund (S/P)        | Small Cap Equity                 |
| American Funds EuroPacific Growth Fund (S/P) | International Equity             |
| TRP Emerging Markets Stock Fund (S/P)        | International Equity             |
| Vanguard Target Retirement 2010 Fund (S)     | Target Date Fund                 |
| Vanguard Target Retirement 2020 Fund (S/P)   | Target Date Fund                 |
| Vanguard Target Retirement 2030 Fund (S/P)   | Target Date Fund                 |
| Vanguard Target Retirement 2040 Fund (S/P)   | Target Date Fund                 |

|  |                            |
|--|----------------------------|
| Vanguard Target Retirement 2050 Fund (S/P) | Target Date Fund           |
| BNY Mellon Aggregate Bond Index Fund (P)   | Bond Index Fund            |
| BNY Mellon Small Cap Index Fund (P)        | Small Cap Equity Index     |
| BNY Mellon ACWI ex-US Index Fund (P)       | International Equity Index |
| Vanguard Balanced Fund (P)                 | Balanced Fund              |

- (S)-SoonerSave only
- (P)-Pathfinder only
- (S/P)- Both SoonerSave and Pathfinder

Services of System vendors (e.g., investment managers, master custodian, defined contribution recordkeeper, investment consultant) are competitively bid through an RFP process. With the exception of the RFP for investment consulting services, the Investment Consultant is expected to work with Staff to conduct each of these RFP/search assignments.

**F. Investment Guidelines**

A copy of the current “Statement of Policy Guidelines and Investment Objectives” for OPERS and URSJJ, and the “Investment Policy and Guidelines” for both SoonerSave and Pathfinder are available on the OPERS website at [www.OPERS.ok.gov](http://www.OPERS.ok.gov).

**IV. SCOPE OF ASSIGNMENT**

OPERS is seeking the services of a general investment consultant to provide consulting advice relating to all investment activities of OPERS, URSJJ, SoonerSave and Pathfinder plans. The Investment Consultant works directly with the staff, primarily the Chief Investment Officer, to coordinate the presentation of routine and special topics to the Investment Committee and Board of Trustees. The Investment Consultant will be responsible for preparing and presenting all supporting materials. Currently OPERS master custodian, Northern Trust, calculates all performance results for OPERS pension investments. The Investment Consultant will be expected to use these performance results from the custodian to produce quarterly performance reports.

The Investment Consultant will be responsible for presenting quarterly performance reviews of the defined benefit plans at the Board meeting. The Investment Consultant will work with OPERS investment managers and custodian to compare and aid in the reconciliation of performance results. The Investment Consultant will also provide portfolio analytics to assist staff in understanding risk exposures at the manager and portfolio levels.

The Investment Consultant will aid OPERS in monitoring compliance with the Investment Policy as well as suggesting changes thereto. The Investment Consultant will be expected to monitor and report to the Chief Investment Officer any material developments impacting investment managers retained by OPERS. Additionally, the Investment Consultant will be expected to attend any special meetings as needed and to work with the Chief Investment Officer to assist in the research of any special topics beyond those identified below.

OPERS retains external firms to provide various investment-related services. Currently these services include investment management, securities lending, commission recapture, DC plan administration and global custodian. Other investment-related external service providers, though none is currently anticipated, may be required by OPERS.

If OPERS determines that an investment-related external services provider search is needed, the Investment Consultant will work with the Chief Investment Officer to construct the RFP, evaluate responses, and prepare and present a detailed report to document the search. The report would include a detailed chronology of the search along with evaluation methodology, exhibits and recommendations. On-site visits with Staff and Board members in conjunction with searches may be requested.

The Investment Consultant will work with the Chief Investment Officer and the Director of Defined Contribution Plans to review and evaluate all SoonerSave and Pathfinder investment options at least annually. The Investment Consultant shall also assist in the selection of replacement investment options and other service providers as necessary.

The Investment Consultant will provide the Consultant's Report required for the Investment Section of the annual Comprehensive Annual Financial Reports (CAFRs) for OPERS and URSJJ.

Once every six years, the Investment Consultant works with the Chief Investment Officer to coordinate OPERS preparation of and participation in the annual Oklahoma Public Fund Trustee Education Conference.

## **V. CRITERIA AND QUALIFICATIONS OF THE INVESTMENT CONSULTING FIRM**

- A. Vendors should have substantial experience consulting to public defined benefit and public defined contribution plans. The following criteria will apply and exceptions will not be granted:
  - 1. Investment consulting must represent your firm's (including all affiliates) focus and primary line of business.
  - 2. The proposed investment consultant must have acted as full service consultant to at least 3 (three) public pension plans, each with at least \$1 billion in assets, as of June 30, 2016.
  - 3. The senior investment professionals in charge of the proposed consulting services must have at least ten years of institutional consulting experience within the industry.
- B. The fee quotes set forth in the response to the RFP will be a significant factor in determining semi-finalists for further consideration.
- C. Investment Guidelines

The "Statement of Policy Guidelines and Investment Objectives" for OPERS/URSJJ, SoonerSave and Pathfinder may be found on the OPERS website ([www.opers.ok.gov](http://www.opers.ok.gov)).

## **VI. TIMELINE**

The following timeline is an estimate and may be adjusted at OPERS discretion any time during this procurement process.

| <b>TASK</b>   | <b>DATE</b>       |
|---|-------------------|
| Distribution of RFP   | November 17, 2016 |
| Deadline for questions submitted in writing via e-mail (no later than 5:00 p.m. Central Time) | December 2, 2016  |
| Date for answers to questions   | December 9, 2016  |
| Proposals due (no later than <b>4:30 p.m.</b> Central Time)                                   | December 16, 2016 |
| Finalist presentations (if necessary)   | January 19, 2017  |
| Award business  |                   |
| Estimated contract start date (date contingent upon final negotiations)                       | July 1, 2017      |

## **VII. COMMUNICATION WITH OPERS**

In an effort to clarify any issues in this RFP, OPERS will respond only to questions that are presented as described in Section II(G) above. Vendors are responsible for checking the website periodically for updates to the RFP. Telephone questions will not be accepted.

OPERS policy prohibits direct contact between prospective service providers and OPERS Board members, consultants, or staff during this RFP process. This does not include communication with OPERS incumbent investment consultant for normal business not related to this selection process. From the date of release of this RFP until a Vendor is selected and a contract is executed and approved, all contacts and communications regarding this RFP are restricted to the Q&A process. Exceptions include communications with the OPERS staff member identified in Section II(G) and OPERS staff members who are designated to conduct negotiations, participate in presentations, and contract award and execution, while they are engaged in those activities. Violation of these conditions may result in rejection of a Vendor's proposal.

Vendors who have submitted a proposal will not necessarily be notified of the Board's decision after the final selection has been made. The announcement of the preferred Vendor, if any, may be the only form of communication between the System and the Vendors. Telephone or other inquiries concerning this proposal after the proposal deadline are discouraged.

## **VIII. GENERAL TERMS AND CONDITIONS**

### **A. Applicable Laws and Courts**

This solicitation and any resulting contract shall be governed in all respects by the laws of the State of Oklahoma, and any litigation with respect thereto shall be brought in the District Court of Oklahoma County, Oklahoma. The Vendor shall comply with all applicable federal, state and local laws, rules and regulations.

### **B. Ethics in Public Contracting**

By submitting their bids or proposals, Vendors certify that their bids/proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other Vendor, supplier, manufacturer or subcontractor in connection with their bid/proposal, and that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of value, in exchange for procuring this contract.

C. Qualifications of Vendors

OPERS may make such reasonable investigations as deemed proper and necessary to determine the ability of the Vendor to perform the services/furnish the goods, and the Vendor shall furnish to OPERS all such information and data for this purpose as may be requested. OPERS reserves the right to make a site visit at the offices of the Vendor prior to award to satisfy questions regarding the Vendor's capabilities. OPERS further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such Vendor show that the Vendor is not properly qualified to carry out the obligations of the contract and to provide the services and/or furnish the goods contemplated therein.

D. Business Continuity

The Vendor must indicate any recent or anticipated changes in its corporate structure such as mergers, acquisitions, new venture capital, stock issue, etc. The Vendor agrees to present to OPERS a business continuation plan for the services provided in this contract in the event of a natural or other disaster.

E. Assignment of Contract

The contract shall not be assignable by the Vendor in whole or in part without the written consent of OPERS.

F. Period of Contract

It is anticipated that the initial contract shall begin on July 1, 2017. Thereafter, the contract may be renewed by the Board annually for up to four additional one-year contract periods, at the Board's discretion. The Board of Trustees reserves the right to terminate the contract upon 30 days notice, with or without cause.

G. Ownership of Data and Work Product

There is a presumption that all work product generated for OPERS under this contract, as well as all data compiled by the Vendor while performing this contract, shall become the sole property of OPERS. OPERS must be given reasonable access to all such work product or data compiled by the Vendor in the performance of this contract.

H. Limitation of Liability, Hold Harmless Clauses & Indemnity

The State of Oklahoma and its agencies are constitutionally barred from limiting the liability of a private Vendor. Agencies are similarly prohibited from holding a private entity harmless from liability or providing indemnity to a private entity. The contract between the successful Vendor and OPERS will not have any such terms.

- I. The Vendor must agree and the contract shall provide that the fee for investment consulting services is the same or lower than fees the Vendor charges to other clients of similar funds and accounts. In the event the Vendor agrees to charge any other client a lower fee for management of similar funds or accounts, the Vendor will reduce its fee to the Board to the same extent. It is Vendor's responsibility to notify the Board of the existence of any fee agreements which are lower than the fees agreed upon. The Board shall reserve the right to ask for periodic fee review reports. The Board shall be entitled to a retroactive fee reduction in the event the Vendor fails to promptly notify the Board of any lower fee agreements.

**IX. QUESTIONNAIRE**

A. Organization

1. List your firm's name, address, and year founded, as well as the name, title, telephone, email address and fax numbers for the individual(s) responsible for new business contacts.
2. Describe the firm's ownership structure. Discuss the financial condition of your firm based on the most recently audited financial statements and annual report.
3. Describe the services your firm provides and disclose all sources of revenue (organized by line of business).
4. Provide an organizational chart for your firm and specifically for your investment consulting and research divisions.
5. Has your firm undergone any restructuring or had any major organizational changes during the past eight years? Do you anticipate any ownership or organizational changes during the next two years? If so, explain.
6. Describe your succession plans for the management of the firm and the continuity of leadership within the investment consulting team.
7. Over the past five years, has your organization, affiliates, parent company, officers or principals been involved in litigation, legal proceedings, or SEC investigations related to your firm's activities? If so, provide a brief explanation including the current status and/or the resolution of this action.
8. Describe the compensation/incentive structure for the consulting professionals and/or the professional staff.
9. For each of the last five years, provide the following information regarding the firm's number of investment professionals. Provide the roles of these individuals as well.

| Year<br>Ending June 30 | Investment<br>Professional<br>Additions | Investment<br>Professional<br>Departures | Total Investment<br>Professionals |
|------------------------|---|--|-----------------------------------|
| 2016                   |   |  |                                   |
| 2015                   |   |  |                                   |
| 2014                   |   |  |                                   |
| 2013                   |   |  |                                   |

|      |  |  |  |
|------|--|--|--|
| 2012 |  |  |  |
|------|--|--|--|

10. Detail the team members who would be responsible for the OPERS consulting relationship. The answer should include a brief biography of each professional.
11. Discuss the individuals' (listed above) account responsibilities, specifically the number of accounts managed and dollar value of assets under advisement. How are new accounts assigned to each consultant at the firm?
12. Has the firm experienced turnover at the senior management level in the last five years? If so, describe the situation including reason for departures/additions.
13. Does the firm receive direct or indirect compensation from any party other than consulting clients? Disclose any existing, perceived or potential conflicts of interest in regard to your consulting advice.
14. How does the firm manage conflicts of interest (be specific)?

**B. Consulting Services**

1. Is your firm capable of fulfilling all of the items in Section IV Scope of Assignment and be a named fiduciary of the System?
2. Detail the client profile of the firm using the format below.

**A. ENTIRE CONSULTING GROUP – Number of plans** in each category:

| Size (millions \$) | Public DB Plan | Corporate DB Plan | DC Plan | Endowments/ Foundations | Other |
|--------------------|----------------|-------------------|---------|-------------------------|-------|
| 0-500              |                |                   |         |                         |       |
| 501-1,000          |                |                   |         |                         |       |
| 1,001-10,000       |                |                   |         |                         |       |
| Over 10,000        |                |                   |         |                         |       |

**B. PROPOSED CONSULTANT ONLY - Number of plans** in each category:

| Size (millions \$) | Public DB Plan | Corporate DB Plan | DC Plan | Endowments/ Foundations | Other |
|--------------------|----------------|-------------------|---------|-------------------------|-------|
| 0-500              |                |                   |         |                         |       |
| 501-1,000          |                |                   |         |                         |       |
| 1,001-10,000       |                |                   |         |                         |       |
| Over 10,000        |                |                   |         |                         |       |

3. Provide the approximate firm-wide client turnover using the format below.

|                      | 2011 YTD | 2010 | 2009 | 2008 |
|----------------------|----------|------|------|------|
| # of Clients Gained  |          |      |      |      |
| Assets (\$MM) Gained |          |      |      |      |
| # of Clients Lost    |          |      |      |      |
| Assets (\$MM) Lost   |          |      |      |      |

4. Specify the investment professionals (up to ten) who you consider key to managing the OPERS relationship.

| Key Investment Professionals |                                |                 |                              |  |
|------------------------------|--------------------------------|-----------------|------------------------------|--|
| Name                         | Title/Current Responsibilities | Years With Firm | Years of Industry Experience | % Time Devoted to Consulting/ Research |
|                              |                                |                 |                              |  |
|                              |                                |                 |                              |  |
|                              |                                |                 |                              |  |
|                              |                                |                 |                              |  |
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|                              |                                |                 |                              |  |
|                              |                                |                 |                              |  |
|                              |                                |                 |                              |  |

5. Describe in detail the investment philosophy and strategy that forms the basis for consulting advice. What is the theoretical basis for your investment philosophy?
6. How is the strategic investment policy developed?
7. Describe the decision-making structure within the firm. Is capital markets research conducted by the consultant? Who conducts manager research (specify the team/member)?
8. Explain your firm’s position on the use of active versus passive management.
9. Describe the manager research/manager selection process, including the firm’s competitive advantage relative to peers.
10. Describe the criteria for placing an investment manager on a watchlist and/or terminating the relationship.
11. Do you track the consultant’s manager selection results? If not, why?
12. How is the research agenda prioritized? How are recommendations disseminated to clients (advisory and discretionary if applicable)?

13. What are the strengths and weaknesses of your investment strategy and the research process?
14. What systems are used to analyze client portfolios?
15. How are client objectives assessed; how is success measured?
16. Does the firm maintain in-house peer universes or is the data derived from a third party? If data is derived outside the firm, describe the service.
17. Does the firm maintain in-house investment manager universes or is the data derived from a third party? If data is derived outside the firm, describe the service.
18. Provide your most current capital market assumptions and a brief rationale for the expected return for each asset class.
19. How are guidelines monitored to ensure manager compliance?
20. Describe the firm's flexibility in customizing client reports. Provide an example of a typical client reporting package (this should be attached to section XI).
21. What is the typical turn-around time for client reporting, expressed in days after period end?
22. Provide three references for the largest public fund clients who employ your firm. Include a contact name, phone number, and the market value of the assets your firm advises for each reference at inception and currently.
23. Is your firm an SEC registered advisor or is it exempt from registration? If applicable, submit a copy of your most recent Form ADV, Parts I and II.
24. Does the firm carry errors and omissions insurance? If so, what is the level of coverage?
25. Does the firm carry fiduciary liability insurance? If so, what is the level of coverage?

## **X. FEE QUOTE**

The fee quote set forth in the response to the RFP will be a significant factor in determining the successful Vendor. In responding to this RFP you are required to quote your fees according to the terms as specified in the following format. The format is a fixed fee quote and applies to all assets administered by the System. No language may be altered and you acknowledge that you understand our fee calculation methodology by submitting your bid. You are encouraged to have your legal counsel approve our terms prior to submitting your RFP. By submitting a proposal you are agreeing to accept our prescribed fee calculation methodology.

The proposal should include the fee for the initial contract period of July 1, 2017 through June 30, 2018, and annual fee amounts for each of four years starting on the contract anniversary date of July 1st. This fee should be inclusive of the complete range of investment consulting services including travel and other out-of-pocket expenses and is the only fee that OPERS will pay.

You may make the following assumptions in your fee estimate:

- The primary consultant is required as part of the contract to attend eight (8) regularly scheduled Board meetings and one Investment Manager Roundtable meeting per year.
- Four quarterly performance reports are required each year for OPERS and URSJJ. Base your quote using rates of return calculated by OPERS custodian for all pension accounts.
- Regular periodic comprehensive investment manager reports as listed in the *Scope of Assignment* in Section IV.
- At least one Asset Allocation Study – normally performed once every three years with the next scheduled study to be done in May of 2020.
- An annual review of the DC plan’s investment options will be provided to the Board.
- Special research projects – estimate three over the next five years.
- All other anticipated projects as covered in the *Scope of Assignment* in Section IV.

State any additional assumptions required for the quote.

|                         | Total Fee |
|-------------------------|-----------|
| Initial Contract Period |           |
| Year 1                  |           |
| Year 2                  |           |
| Year 3                  |           |
| Year 4                  |           |

**XI. Example of Client Reporting Package**

Attach an example of the monthly or quarterly (specify) client reporting package here.