



**STATE OF RHODE ISLAND
OFFICE OF THE GENERAL TREASURER**

**REQUEST FOR PROPOSALS FOR
ALTERNATIVE INVESTMENT CONSULTANT SERVICES**

**The Office of the General Treasurer in Conjunction
with The State Investment Commission
50 Service Avenue
Warwick, RI 02886**

RFP Issued: November 14, 2017

Proposals Due: December 11, 2017 by 5:00 p.m. EST

SECTION I: GENERAL INFORMATION

The ten (10) member State Investment Commission (SIC), chaired by the General Treasurer, determines the State's investment policies. The SIC oversees about \$8 billion in assets for the Employees' Retirement System of Rhode Island (ERSRI or System) and investments in the TIAA-CREF defined contribution plan, a 401 (a) program. It also sets policies for investments of the Other Post-Employment Benefits trust and the State's 457 plans, as well as the CollegeBound Program, a 529 program. The SIC meets monthly and receives investment performance reports from Treasury staff and consultants.

Under the directives set by the SIC, Treasury's Investment and Finance Division provides investment, cash and debt management services for the State. The Division's staff interfaces daily with custodians, consultants, and fund managers on administrative matters and the transfer of funds.

Long-term investments are outsourced to professional asset management firms, based on recommendations by staff and consultants, and approval by the SIC. Staff and consultants also monitor these managers closely, holding them accountable for performance and making changes as necessary.

Short-term operating cash is managed by the Division's cash management unit. The Division also oversees the Ocean State Investment Pool, a voluntary program available to State, quasi-public agencies and municipalities for the management of their short-term assets, with a goal to improve investment performance of liquid assets.

Coverage:

The ERSRI is a public pension fund made up of, and serving as the investment and pension-benefit administrative agent for, six (6) defined benefit pension plans. While the assets of each plan are commingled for investment purposes, each plan's assets are accounted for separately and may be used only for the payment of benefits to the members of that plan in accordance with the terms of that plan.

Administration:

The ERSRI is administered by the Retirement Board, which consists of 15 members. The SIC is charged with overseeing the investments of the ERSRI.

The SIC consists of 10 members as follows:

- (1) the general treasurer, ex officio, or a deputy general treasurer as his or her designee, who shall act as chairperson,
- (2) the director of administration, ex officio, or any assistant director of administration as his or her designee, who shall act as secretary,

- (3) an active or retired teacher, state, or municipal employee member of the retirement system or official from the teacher, state, or municipal employee unions to be appointed by the general treasurer for a term of three years,
- (4) the executive director of the state retirement board, who shall be a nonvoting member,
- (5-7) three members of the general public to be appointed by the general treasurer, one of whom shall serve for an initial term of one year, and one of whom shall serve for an initial term of two years and until his or her successor is appointed and qualified and
- (8-10) three members of the general public to be appointed by the governor

Membership:

According to the *Actuarial Valuation Report as of June 30, 2016*, there were 31,662 active contributing members in ERS and MERS combined; 52 active contributing judges in the JRBT; 246 active contributing state police officers in the SPRBT; 7,028 active contributing TSB members; 5 active RIJRFT members; and 31,759 retirees and beneficiaries were receiving benefits from the entire ERSRI.

Assets:

According to the *Independent Auditor's Report for the Fiscal Year Ending June 30, 2016*, the ERSRI's Total Fiduciary Net Assets were \$8.1 billion as of June 30, 2016, a net decrease of \$301 million from June 30, 2015. Total pension benefits paid to members from the defined benefit plan were \$932 million, an increase of 28.4 million or 3.2% compared to the fiscal year ended June 30, 2015. Total benefits paid in 2016 included approximately \$23.3 million in one-time stipends and a benefit adjustment related to the settlement of litigation challenging the Rhode Island Retirement Security Act pension reform provisions. Contributions to all defined benefit plans from both employers and employees at June 30, 2016 were \$564.6 million, an increase of \$58 million or 11.4% compared to the fiscal year ended June 30, 2015.

Total employee and employer contributions into the System's defined contribution plan for the year ended June 30, 2016 were \$109.5 million, a decrease of \$20.2 million compared to the fiscal year ended June 30, 2015. As a result of amendments to the Rhode Island Retirement Security Act, active members with more than 20 years of service at July 1, 2012 no longer contributed to the defined contribution plan effective July 1, 2015. Total distributions paid to members from the defined contribution plan were \$9.2 million.

Actuarial Funding:

According to the *Actuarial Valuation Report as of June 30, 2016*, the funded ratio for the state employees' portion of ERS was 56.0%; the funded ratio for the teachers' portion of ERS was 58.3%; the funded ratio for MERS was 83.0%; the funded ratio for the JRBT was 98.6%; the funded ratio for the SPRBT was 91.4%; the funded ratio for the RIJRFT was 2.59%; and the funded ratio for the TSB was 153%.

The actuarial investment return assumption utilized for ERSRI is 7.50%. On May 15, 2017, the Employees' Retirement Board of Rhode Island voted to approve a 7.00% investment return

assumption after an Actuarial Experience Study. For more information please refer to the minutes from the May 15, 2017 meeting at <http://sos.ri.gov/documents/publicinfo/omdocs/minutes/4527/2017/53741.pdf>.

Investments:

The most recent report to SIC, with investment data as of September 30, 2017, can be found at: <http://data.treasury.ri.gov/dataset/2017-10-state-investment-commission-report-and-materials-october-2017>.

For cash flow, asset allocation and performance information, please refer to sections III, IV and VI of the report.

SECTION II: PURPOSE OF REQUEST FOR PROPOSALS

PURPOSE AND TERM

The SIC, on behalf of ERSRI, is seeking proposals from qualified alternative investment consulting firms (the “Firm(s)”) interested in providing consulting services for one or more of the asset classes described below in the section entitled “Scope of Work” for assets of the ERSRI for a period of three (3) years with the possibility for one (1) year extensions to be negotiated at time of selection.

ISSUING OFFICER, CONTACTS AND LOBBYING

The Issuing Officer identified below is the sole point of contact regarding this RFP. No contact with any other employee of the Treasurer, Board member, or state official is permitted with respect to this RFP, any proposals submitted in response to the RFP, or the contract to be awarded pursuant to this RFP. This prohibition applies from the date of release of this RFP until the date a contract is executed, unless otherwise requested by the Issuing Officer. This 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 outcome. Violations of this one-contract provision may result in immediate disqualification from this and any future business opportunities with the Office of the General Treasurer and/or the SIC.

The Issuing Officer for this RFP is:

Alec Stais
Chief Investment Officer
Rhode Island Office of the General
Treasurer 1 Capitol Hill, 4th Floor
Providence RI 02908
Alec.stais@treasury.ri.gov

SECTION III: SCOPE OF SERVICES, QUALIFICATIONS AND INFORMATION REQUESTED

SCOPE OF WORK

The SIC intends to hire one or more Firms to provide the following alternative investment consulting services, at a minimum:

Strategic Alternative Assets Consulting

1. Provide recurring recommendations concerning long-term investment policy, objectives and strategy for the alternative asset portfolios which may include any one of, combination of, or all of the following:
 - a. Private equity
 - b. Private debt
 - c. Hedge funds
 - d. Private infrastructure
 - e. Private real estate
2. Prepare special analyses and/or research, as requested by Staff, to define goals and objectives, monitor portfolio risk and model program cash flows/commitment pacing for the alternative asset portfolios.
3. Conduct and prepare comprehensive written research, analysis and advice on specific investment issues, or conduct special projects or other activities, as requested.
4. Appear as needed at SIC meetings and/or other meetings to (i) present research, analyses, written reports and recommendations or (ii) respond to questions relating to the alternative asset portfolios or their markets or industries.
5. Attend meetings with Staff in order to provide advice and counsel on matters related to the alternative asset portfolio, as needed.
6. Coordinate and communicate with the SIC, Staff and funds in the portfolio on an ongoing basis, in order to ensure the effective and successful administration of the portfolios.
7. Provide other consulting services consistent with or required in connection with the alternative asset portfolios and their goals, strategies and objectives.

Sourcing and Due Diligence

It is expected that investment fund opportunities will be sourced by both the Firm(s) and Staff. Sourcing and due diligence will include the following actions, at a minimum:

1. Develop a proactive, structured process to (i) analyze the full universe of available

investments and (ii) identify efficiently those investments most advantageous to the SIC for investment. This process will include detailed analysis of prospective investments identified by Staff.

2. Conduct investment due diligence on those prospective investments that Firm(s) or Staff recommend for consideration, as well as investments currently in the portfolio, as recommended by Staff. Due diligence will include evaluation of the prospective investment's strategy, track record, and team.
3. Conduct operational due diligence on those prospective investments that Firm(s) or Staff recommend for consideration, as well as investments currently in the portfolio, as requested by Staff. Due diligence will include evaluation of the investment manager's back office functions and capabilities, infrastructure, relationships with counterparties, compliance functions, and other areas of operation. Due diligence will also include on-site visits with prospective investment managers.
4. Present written recommendations to the Staff and SIC which will include (i) the results of Firm's/Firm(s)' due diligence, (ii) a discussion of strategic considerations, (iii) portfolio construction analysis and (iv) a detailed business review of the fund terms and fund documents.
5. Work with Staff and legal counsel in the negotiation of contract terms and conditions, including a full review of the limited partnership agreements with comments on the degree to which terms are "on market" given the strategy and profile of the manager

Monitoring of the Alternative Asset Portfolios

1. Take responsibility for the timely review and analysis of key events that may affect the portfolios. This review and analysis may cover market changes, changes in senior management, legal or governance issues, substantial reductions in portfolio or investment fund value, or uncharacteristic investments by fund managers. Monitoring will be conducted through the Firm's/Firm(s)' internal monitoring systems, surveillance of the media, communication with professional networks and the systematic review of the funds' reporting. Proactively notify Staff of any key events in a timely manner and provide a formal memo as appropriate or as requested by Staff.
2. Assist in any actions taken to protect the interests of the SIC as an investor, and interact, where necessary, with portfolio general partners to ensure individual fund compliance with contract terms. Assist Staff in attending partnership annual meetings, and, where appropriate, serve on advisory committees.
3. Proactively review and recommend courses of action for all fund document amendments with a written memo summarizing the context and the recommendation

Database Management

a) For Private Investment Asset Classes:

The Firm(s) will develop, maintain and provide access to a database, management of which will include, at a minimum, the following:

1. Records of all historical information on commitments, unfunded balances, cash flows, cost basis, net asset values, and fee structures on an investment- level basis.
2. Records of all performance data, including IRR and multiple calculations on a quarterly and historical basis, and measurement of the recorded data against relevant performance benchmarks on an investment and portfolio-level basis

b) For Absolute Return Investments:

The Firm(s) will develop and maintain a database that will, at a minimum, include the following information:

1. Performance Data
2. Market Exposures
3. Leverage
4. Assets Under Management
5. Fees (management, incentive, pass-through, hurdles, etc.)
6. Liquidity

Reporting

The Firm(s) will provide the following reports:

a) For Private Investment Asset Classes

1. Quarterly performance reporting, which will include, at a minimum:
 - a. On a portfolio level:
 - i. Allocation breakdown by geography, sector strategy
 - ii. IRR and multiple of invested capital for the current quarter and since inception
 - iii. Quarterly cash flows and new commitments
 - b. On a fund level:
 - i. Listing of each investment fund by strategy
 - ii. Date of commitment & commitment amount
 - iii. Drawdowns and distributions since inception
 - iv. Unfunded balance
 - v. Net asset value
 - vi. Since inception net IRR and multiple of invested capital

- vii. Summary of significant partnership events if applicable
- 2. Quarterly reconciliation with the custodian bank's reports and records for accuracy.
- 3. Quarterly investment manager fee reporting, including dollar amounts incurred for management fees, fund expenses and carried interest.

b) For Absolute Return Investments

- 1. The Firm(s) will provide a Quarterly Performance Report: to include, at a minimum:
 - a. Updates on each fund at both a product and organization level
 - b. Performance Summary
 - c. Performance attribution
 - d. Fund allocations
 - e. Fund liquidity
 - f. Fund leverage
 - g. Risk attribution
- 2. The Firm(s) will provide a Monthly Report to include
 - a. Updates on each fund
 - b. Performance summary
 - c. Performance attribution
- 3. Allocation breakdown
 - a. The Firm(s) will reconcile the managers' monthly and/or quarterly capital account statements with the custodian bank's reports and records for accuracy.
 - b. Quarterly investment manager fee reporting, including dollar amounts incurred for management fees, fund expenses and carried interest.

Other

- 1. Provide educational workshops to SIC members on specific issues designated by the SIC and/or recommended by the General Consultant.
- 2. Provide comments and analysis on proposed federal and state legislation affecting the alternative investment portfolios.
- 3. Support Staff and the SIC through written and/or oral presentations with government agencies, legislative committees, auditors, etc.
- 4. Meet with Staff as necessary to review the portfolio, update Staff regarding the current market/ new issues and advise regarding improvements to the portfolio or the SIC's administration of the same.

MINIMUM QUALIFICATIONS

To be considered for the alternative investment consultant mandate described above, Firms must meet the following minimum requirements:

1. Firm must be a registered investment advisor under the Investment Company Act of 1940;
2. Firm must agree to be, with respect to the System, a "fiduciary" as defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974 ("ERISA"), and to perform the fiduciary duties imposed on an ERISA fiduciary under that act, regardless of the scope of ERISA's application to the System;
3. Firm must have provided at least five (5) years as of investment consulting services comparable to the Scope of Services contained in this RFP to at least three (3) defined benefit public retirement systems or comparable entities, each of which must have had at least \$5 billion in assets;
4. Firm must agree to disclose all potential conflicts of interest as such exist or occur, and annually disclose all sources of revenue and all affiliations;
5. Firm must agree to a hard dollar fee arrangement for its services, with such arrangement to be negotiated between the SIC and the Firm;
6. The individual assigned to the System as Primary Consultant must have a minimum of ten (10) total years of experience as (a) the Primary Consultant to, and/or (b) the Chief Investment Officer of, at least one public defined benefit pension fund. This individual must have at least five (5) years of experience as the Primary Consultant to or Chief Investment Officer of at least one public pension fund with at least \$5.0 billion in assets, whether that experience was included in or in addition to the ten-year requirement above. The term "Primary Consultant" shall refer to the lead, most senior consultant assigned to regularly provide direct investment consulting services in a consulting relationship.
7. Firm must carry adequate fiduciary liability insurance, errors & omissions insurance, and fidelity bond insurance.

The Firms have a continuing obligation to disclose information throughout the RFP process should any qualifications or situations change that might render the Firm an unqualified candidate.

INFORMATION REQUESTED

1. Provide the name, address, telephone and e-mail address of the Firm's representative to contact regarding all contractual and technical matters concerning the Firm's proposal.
2. Provide the address of the Firm's main corporate office, and location(s) by city of all other

offices that provide services similar to those requested in this RFP. Indicate which office will be the primary office in servicing the SIC, and any other offices that will be involved in providing services to the SIC. Provide the number of employees located at each office location, and describe the general function(s) of each office.

3. Please indicate whether the Firm intends to utilize any subcontractors in delivering the scope of services and provide the name and qualifications of any subcontractors that the Firm intends to use for this mandate.
4. Briefly describe Firm's history and current ownership structure listing the owners of the Firm from largest to smallest percentage of ownership. Include individuals and corporate owners, and indicate which individual owners are employed by your Firm. Please indicate whether the Firm is owned, in whole or in part, by a money management firm or firms.
5. Provide as Exhibit A an organization chart of the Firm and describe the relationship between the investment consulting group and any other components of the Firm. If the Firm offers asset management services or brokerage services, please describe any overlap in personnel between those components and the investment consulting group.
6. Describe any significant developments in the Firm organization such as changes in ownership, restructuring, or material personnel reorganizations within the past three (3) years. Please describe any anticipated significant structural changes to the Firm's organization within the next twelve (12) months.
7. Provide the percentage of total Firm revenues that came from the categories listed below for each year:
 - a. Consulting with the Plan Sponsors
 - b. Money Management Activities
 - c. Services to Money Managers/Payments from Money Managers
 - d. Soft Dollars
 - e. Other (Please describe)

Indicate whether the Firm accepts pay for referrals or finder's fees.

8. Please describe the types of services the Firm provides to investment management firms and the fee arrangements that typically apply. Indicate whether the Firm directly or indirectly charges money managers to be included in the Firm's manager research database. Indicate whether the Firm receives revenues from money management firms for their attendance at conferences or meetings sponsored by the Firm. Indicate whether the Firm or a related company receives any form of compensation or revenue from money managers that your Firm recommends, considers for recommendation, or otherwise mentions to clients. Indicate whether the Firm receives any revenues from custodian banks.

9. Please indicate, and detail where applicable, whether the Firm, its principals, any primary employees, or any affiliate has ever:
 - a. been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization,
 - b. been involved in any litigation or other legal proceeding or government investigation involving fraud, negligence, criminal activity or breach of fiduciary duty relating to service provided to any clients, or
 - c. submitted a claim to your errors & omissions, fiduciary liability and/or fidelity bond insurance carrier(s).
10. Briefly describe any currently pending or threatened litigation involving the Firm.
11. Has the Firm ever received loans from any money management firms, their subsidiaries, or principals? If yes, please explain.
12. Does the Firm, its principals, or any affiliate, own any part of a money management firm, broker-dealer, or other organization that sells services to institutional investors and/or SEC registered investment advisors? If so, identify the firm(s) and describe the service and the relationship to the consulting group.
13. Does the Firm, its principals or any affiliate have any “strategic alliance” with any broker or investment management firm? If yes, please disclose with whom and describe the nature of the alliance.
14. Does the Firm offer a broker/dealer facility to plan sponsor clients to pay for or offset your fees? Are there additional services the Firm offers plan sponsors through its broker/dealer?
15. Does the Firm receive any soft dollar revenues from investment managers through an affiliate broker? If yes, what percentage of soft dollar revenues in each of the last three calendar years was due to client direction?
16. Identify any potential conflicts of interest that could exist between the SIC/System and (a) any other client interests, or (b) that may result from other investment products or services provided by the Firm or affiliated organizations. Describe the Firm’s policies and procedures designed to prevent conflicts from occurring. Provide as Exhibit B the Firm’s conflict of interest policy and Code of Ethics.
17. Provide the coverage amount and name of carrier for the following:
 - Fiduciary liability insurance

- Errors & Omissions insurance
- Fidelity Bond insurance
- Any other applicable insurance

18. Briefly describe the Firm's disaster recovery plan.

19. Provide as Exhibit C the Firm's most recently filed Form ADV – Part II.

Experience

1. Describe the Firm's relevant experience providing consulting services to large public fund clients in each of the following areas:
 - Asset Allocation and Portfolio Construction for alternative asset portfolios
 - Investment Policy development
 - Investment manager evaluation and monitoring, including both investment and operational due diligence
 - Risk budgeting and risk management
 - Hedge funds (if applicable)
 - Private Investments (private equity, private debt, real estate, infrastructure, etc)
 - Performance measurement of alternative asset classes
 - Investment education for clients
2. Explain how the team dedicated to the SIC would function. Identify the Primary Consultant, who will serve as the back-up consultant in situations when the Primary Consultant could not attend a meeting, and who will lead the analytical work on the relationship.
3. Provide as Exhibit D biographies of the personnel that will be assigned to the SIC relationship.
4. Provide as Exhibit E biographies of the Firm's other key investment consulting personnel (defined as any position including and above the senior associate level).
5. Provide as Exhibit F a table that lists all key personnel (defined as any position including and above the senior associate level) that have departed the Firm's consulting group in the past five (5) year period. Provide the following information: MM/YY of departure, name

of person, title, division or assigned group, length of employment with the Firm and the name of the person that replaced them. List key personnel by date of departure so that the most recent departure appears first on the list.

6. Describe the Firm’s compensation and incentive program for its consultants and other professionals including incentives that are provided to attract and retain superior individuals, how the Firm factors client performance and satisfaction to a consultant’s compensation and what percentage of a consultant’s annual compensation is based on client performance or satisfaction.
7. Provide the number of institutional clients and the total assets under advisement of the Firm’s full-service retainer investment consulting relationships for each of the last five (5) years. (Performance evaluation services or project-based work alone are not considered full-service retainer investment consulting relationships.)
8. For each calendar year beginning in 2012, provide the name and dollar amount of assets of all full-service retainer investment consulting clients that terminated their relationship with the Firm. Provide the reason for each termination. Please also identify and describe any client terminations since 2012.
9. List the number of full-service retainer investment consulting clients by category as of June 30, 2017:

| | All | Public DB Plans |
|-----------------------|-----|-----------------|
| Less than \$1 Billion | | |
| \$1-5 Billion | | |
| \$5 – 15 Billion | | |
| Over \$15 Billion | | |

10. Provide as Exhibit G a list of the Firm’s investment consulting clients (excluding defined contribution plan relationships) as of June 30, 2017. For each client, provide the type of client (public, corporate, Taft-Hartley, private, etc.), the approximate size of the relationship (market value of assets), the number of years the Firm has provided services to the client, the asset class(es) for which the services are provided and the type of relationship (retainer or special projects only).
11. Provide references for three (3) current defined benefit public pension fund or comparable clients that have utilized the Firm’s investment consulting services for at least five (5) years each. Include the name of the client, contact person and telephone number. Provide the same information for three (3) former defined benefit public pension plan clients that terminated the Firm in the last five (5) years.

Philosophy & Processes

1. Identify the Firm's consulting specialties, strengths, and limitations.
2. Please describe how a client should measure its investment consulting firm's "performance". Please explain and furnish any relevant information regarding the Firm's performance record for clients similar to the System.
3. Describe the Firm's manager search process for large public fund clients. What key criteria should be emphasized in a search?
4. What is the appropriate time period for evaluating hedge fund manager's performance? At what point would the Firm recommend terminating a hedge fund investment manager? What are the appropriate long-term alpha targets for active managers within asset classes?
5. Provide as Exhibit H the Firm's current long-term asset allocation assumptions, including forecasts for the expected return and risk for each asset class, as well as a table indicating the assumed correlations between asset classes.
6. Describe the Firm's recommended process for assisting clients with policy guideline development and review. What specifically would the Firm do to develop or review the policies of the System? How frequently would this process occur?
7. Describe the Firm's capabilities in providing performance measurement at the manager and asset class level. Is the Firm's database(s) proprietary or purchased? How is data input and verified? Does the client have access to the database?
8. Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can the Firm provide custom benchmarks, style benchmarks, and/or normal portfolios?
9. Describe the Firm's recommended process for providing investment and fiduciary education of trustees and staff.
10. Describe the Firm's view of Economically Targeted Investment (ETI) programs and of Emerging Manager programs. Describe the Firm's view of Environment, Social, Governance, and Impact criteria as they apply to investing. Explain how these programs meet the tests of fiduciary responsibility.
11. Describe the Firm's capabilities and experience negotiating hard dollar fee arrangements with investment managers on behalf of clients. Does the Firm believe that such arrangements are worthwhile? If yes, what key principles should be incorporated into any fee arrangement?

12. Describe the Firm's approach to sourcing investment opportunities and establishing the ability to access capacity constrained managers.
13. Describe the Firm's process in conducting operational due diligence on an investment manager. Please include a description of the following:
 - a. Staffing
 - b. Investment analysis
 - c. Utilization of third party resources
 - d. Legal review
 - e. On-going monitoring – how often is ongoing due diligence conducted and how often are site visits made?
14. ERSRI has increased the target to private equity from 7% to 11.25%. If this is an asset class in the scope of your bid, provide a short pacing plan that helps answer the questions: How many years should we take to reach our target? How many funds and what commitment size should we be targeting in those “ramp up years”? Please attach as an Exhibit if necessary.
15. Comment on minimum track record and fund size requirements for fund managers including possible mitigating factors.
16. Should venture capital be included in a private equity allocation? If so, what weighting? How can a public pension like Rhode Island effectively implement a venture portfolio?
17. Many investors have allocated to value-add and opportunistic strategies in real estate and infrastructure to avoid the expensive prices in the core markets due to low interest rates. Please comment the Firm believes this is an appropriate strategic shift.
18. Describe the Firm's views on operators vs allocators in private real estate.
19. Given RI's existing real estate portfolio, comment on any recommendations the Firm would make.
20. In private assets does the Firm have any biases such as small vs. large funds size, sector focused vs. generalists, focused one strategy firm vs. multi-strategy/fund families firm, and tenured vs. “hungry” senior management?
21. What qualities does the Firm like to see in a private fund's deal sourcing practice? How does the Firm verify these practices in diligence?
22. Hedge funds have received criticism for underperforming recently and continuing to charge high fees for the relative performance. Please comment on what strategies remain

interesting in hedge funds.

23. Given Rhode Island's absolute return hedge fund portfolio, what risk factors would the Firm monitor, and what modifications would the Firm make, if any?
24. Describe the Firm's preferential approach to implementing a direct/co-investment portfolio. Please expand on the Firm's expertise in this area.
25. Describe the content and format of the Firm's quarterly performance reports for illiquid alternative strategies. Describe the quality control procedures in place to assure accuracy and timeliness of reports. Are the Firm's performance reports and attribution analysis tools available on-line?
26. Does the Firm have capabilities to assume the back office execution of partnership investing on behalf of clients (capital calls, distributions, account statement reconciliation, etc.)? Give a summary of the qualitative and quantitative analysis included in your due diligence reports.

Research & Technology

1. Indicate if the Firm develops regular or ad hoc investment research reports for its clients. If so, describe the types of investment topics and frequency of reports, and identify who performs the research.
2. Describe how the Firm conducts research on investment management firms and their products. How many research analysts are dedicated to this function? How often will a representative of the Firm's manager research group typically perform an on-site visit to an investment management firm? How are product classifications arrived at? Does the Firm maintain a "buy list" of managers for specific product classifications?
3. Indicate if the Firm maintains a manager research database and indicate if the database is proprietary or purchased. If the Firm has an in-house database, please indicate if it is sold to third parties and if the Firm receives compensation for selling it. Indicate whether clients have access to the database and whether the access is included in the retainer fee. Describe any advantages that the Firm's database has over its competitors. How often are managers in the Firm's database reviewed? Under what circumstances are managers added to or deleted from the Firm's database? Describe how the Firm gathers, verifies, updates, and maintains the data collected on managers for the database. Indicate if the Firm surveys or meets with managers.
4. Describe the Firm's information technology capabilities and resources. Further describe how the Firm uses the technology to share and leverage information resources across the organization.

5. Describe the Firm's capabilities as it relates to monitoring and recording investment manager fees and expenses on behalf of its clients.

SECTION IV: PROPOSED FEE

1. For each of the asset classes in the Firm's bid please provide the flat hard dollar annual fee the Firm would charge for providing all of the services described above. If there are fee reductions for winning multiple asset classes please clarify. Please provide a flat hard dollar annual fee for each of the services (to the extent awarded separately). The fee quoted should include all travel, preparation of memoranda and/or presentations to the SIC, and other out-of-pocket expenses.
2. Please identify other expenses (not identified above), if any, that the Firm intends to charge.
3. Please describe the approach the Firm will take to control costs, including any discounts.

Fees are a material element in awarding the contract pursuant to this RFP. The Treasurer and/or the SIC reserves the right to negotiate fees and request best and final offers. Fees, however, are only one of several factors used to evaluate proposals and the Treasurer and/or SIC may rely on factors other than the lowest level of fees in awarding the contract pursuant to this RFP.

SECTION V: SELECTION PROCESS

SCHEDULE

| | |
|--|--------------------------|
| RFP Issued | November 14, 2017 |
| Deadline for proposers to submit questions | November 20, 2017 |
| Response to questions | November 27, 2017 |
| <i>RFP Responses due</i> | December 11, 2017 |
| Evaluations/interviews/site visits* | December - January 2018 |
| Consultant Recommendation & Selection* | January 2018 |
| Contract Negotiations and Execution* | January – February 2018 |

*Indicative schedule

Firm Questions

If a Firm has any questions, it should submit its questions using the online portal at <http://treasury.ri.gov/rfp-calendar/rfps/> no later than 5:00 P.M. Eastern on November 20, 2017. All questions will be aggregated and posted publicly on the RFP section of www.treasury.ri.gov. Questions will not be answered verbally or individually during the RFP process.

Proposal Submission

Firms should submit two (2) electronic copies: (1) in PDF format and (1) MS Word format to the online portal at <http://treasury.ri.gov/rfp-calendar/rfps/> no later than 5:00 P.M. Eastern on

December 11, 2017. Proposals received after that deadline will not be considered. Telephoned or faxed submissions will not be considered. If you have any IT issues please contact Chris Cate at 401-462-7659.

The Treasurer and/or SIC reserves the right to request and consider supplements to proposals or to particular proposals after the deadline for initial proposals, until such time as a contract with a particular Firm is finalized.

EVALUATION OF RESPONSES

The Firm will be selected based upon an assessment of the Firm's ability to provide the services as described above and the Firm's proposal. The selection process will consider the relevant experience of the Firm, the strength of the proposal, the demonstrated ability and willingness of the Firm to structure the best possible delivery of services, and the cost of the proposed services.

During the evaluation process the Treasurer, Issuing Officer, and/or the SIC staff reserve the right to request additional information or clarification from those submitting responses. Firms may be asked to participate in a telephonic interview, an in-person interview in Rhode Island or an on-site visit at the Firm's place of business.

The RFP does not commit the Treasurer or the SIC to make any selection or to pay any costs incurred in the preparation of the responses or attendance at interviews. The Treasurer and/or the SIC in his/their sole discretion, reserves the right to accept or reject any or all, or part thereof, responses received as a result of this RFP, to waive any nonconformity with the provisions hereof, to waive or not waive any immaterial technicality or irregularity, deviation, or defect in a proposal, to negotiate with any qualified source, to cancel or withdraw this RFP at any time, with or without cause or whenever it would be in the best interest of the Treasurer or the SIC to do so, and to accept the proposal it considers most favorable to the SIC/System. Any waiver of an immaterial deviation or defect shall in no way modify the RFP or excuse the Firm from full compliance with the requirements of the RFP. All proposals shall become the property of the Treasurer/SIC.

Evaluation Criteria

The criteria for evaluation and weight assigned to each are summarized below.

A. Organizational Characteristics 25 points

1. Organizational Stability
2. Depth of Service Team
3. Experience with Public Plans
4. Experience with Plans of Comparable Size

B. Program Administration and Recordkeeping Services 30 points

1. Reporting/Performance Measurement Capabilities
2. Quality of data processing & administrative support
3. Ability to monitor fees
4. Ability to assist in Legal Negotiations

C. Investment Capabilities

30 points

1. Breadth of Platform and Investment Offering
2. Manager Research Capabilities

E. Fees

15 points

1. Fees for Advisory Services
2. Potential Fee Savings from Manager Relationships

SECTION VI: OTHER CONSIDERATIONS AND RESTRICTIONS

CONFIDENTIALITY

The Treasurer and/or the SIC shall treat all documents submitted by a Firm in response to this RFP as public record upon the selection of a Firm. The release of public records is governed by Rhode Island General Laws §38-2-1 *et seq.* (“APRA”). Firms are encouraged to review this law before submitting a proposal.

By submitting a proposal, the Firm agrees that the Treasurer and/or the SIC may reproduce Firm’s proposal for purposes of facilitating the evaluation of the proposal or to respond to requests for public records. The Firm consents to such reproduction by submitting a proposal and further warrants that such reproduction does not violate its rights or the rights of any third parties.

Any request by the Firm that records submitted by it be exempt from being considered public records must be included in the cover letter with the Firm’s proposal. In addition, Firm must enumerate the specific grounds upon which the APRA or other applicable law supports treatment of the documents as exempt from being considered a public record, and further, the factual basis, if any, upon which they rely in asserting that the documents should be exempt. Any request for treating records submitted as being exempt must also include: the name, address, and telephone number of the person authorized by the Firm to respond to any inquiries by the Treasurer and/or the SIC regarding such an assertion.

Any proposals submitted which contain non-public records must be conspicuously marked on the outside as containing non-public information, and each page upon which non-public information appears must be conspicuously marked as containing non-public information. Identification of the entire proposal as being non-public records may be deemed non-responsive and may disqualify the Firm.

If the Firm designates any portion of the proposal as being a non-public record, the Firm must submit one (1) copy of the proposal from which the non-public record is deleted or redacted. This copy shall be submitted in addition to the number of copies requested in Section V of this RFP. The non-public records must be excised in such a way as to allow the public to determine the general nature of the information redacted and retain as much of the proposal as possible.

The Treasurer and/or the SIC will treat the records marked as non-public as being confidential information to the extent such information is determined confidential under the APRA or other applicable law or by a court of competent jurisdiction. **The Firm's failure to request records submitted as being non-public records will be deemed as a waiver of any right to confidentiality, which the Firm may have had.**

RESTRICTIONS ON GIFTS

State ethics laws restrict gifts which may be given or received by employees and directors and requires certain individuals to disclose information concerning their activities with State government. Firms are responsible to determine the applicability of these laws to their activities and to comply with the requirements. In addition, it is a felony offense to bribe or attempt to bribe a public official.

STATE CODE OF ETHICS

The State of Rhode Island and Treasurer are committed to maintaining the highest standards of ethics in the awarding of contracts. Firms should be familiar with and abide by the State Code of Ethics, as set forth in Rhode Island General Laws §36-14-1 *et. seq.*, and any additional regulations as provided on the State Ethics Commission website <http://www.ethics.ri.gov/code/>.

NON-DISCRIMINATION

All proposals shall be considered on their merit in accordance with the criteria specified herein and shall not exclude any person, firm, or other entity, from consideration on the grounds of race, color, religion, sex, sexual orientation, gender identity or expression, age, national origin, or disability. For more information, see the State of Rhode Island Office of Diversity, Equity & Opportunity website at <http://odeo.ri.gov/offices/eoo/>. Further, see the Treasury's Equal Opportunity Report for 2016 at <http://data.treasury.ri.gov/dataset/eeop-utilization-report>.

PLACEMENT AGENT DISCLOSURE CERTIFICATE

It is the Treasurer's policy to prohibit the use of placement agents with respect to work performed for the Treasurer and/or SIC, and to require disclosure regarding vendors use of placement agents in other aspects of their business.

CODE OF CONDUCT INVESTOR PLEDGE

The Treasurer has a strict policy with regard to political contributions and the adherence to the rules and laws drafted by the Securities and Exchange Commission (SEC), including the Investment Advisers Act of 1940 CFR Part 275, Rule 206(4)-5 and the Municipal Securities Rulemaking Board (MSRB), including Rule G-37. The successful Respondent will be required to comply with said policy and to complete and sign an appropriate disclosure statement.

TRANSPARENCY IN GOVERNMENT AGREEMENT

The Treasurer and the SIC recently adopted policies addressing transparency in government. The transparency in government agreement can be found at <http://investments.treasury.ri.gov/investment-philosophy/>.

The placement agent disclosure certificate, the code of conduct investor pledge can be referenced at: <http://data.treasury.ri.gov/dataset/investment-manager-and-consultant-policies-and-pledges>.

All forms will be required to be signed upon engagement, where applicable.

DATA SECURITY

Failure of the vendor or any of its subcontractors to employ commercially reasonable measures in accordance with industry standards to protect against unauthorized access, use or disclosure of participant data held directly by the vendor, or such subcontractor (as the case may be), must agree to have no limitation of liability.

LIMITED LIABILITY AND INDEMNITY

Neither the Treasurer nor the SIC will enter into limited liability clauses of any type.

The Firm agrees to indemnify, defend and hold harmless the Treasurer and the SIC, his/its directors, officers, employees and agents from any and all claims made including, but not limited to, claims for salaries, liability for tax withholding, workers' compensation, disability or miscellaneous employment benefits, whether based on tort, contract or other theories of recovery arising out of injury, disability, or death of the vendor's employees or independent contractors.

The Firm shall perform a background investigation on all contract employees working for the Firm under an executed agreement.

GOVERNING LAW

The executed agreement shall be interpreted and construed under the laws of the State of Rhode Island without reference to its conflicts of laws principals.

SUBCONTRACTORS

No subcontractors or collateral agreements shall be permitted without the prior written consent of the Treasurer/SIC. Upon request, the Firm must submit to the Treasurer/SIC a list of all subcontractors to be employed in the performance of any services or other contract arising from this RFP.