

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION
REQUEST FOR PROPOSALS
Consulting Services for Investment Program**

The San Francisco State University Foundation (Foundation) requests proposals from qualified firms interested in providing consulting services related to its investment program, as further specified within this Request for Proposal (RFP).

Proposals are due no later than Friday, July 29, 2016 at 5:00 p.m. PST. Please submit responses to:

Venesia Thompson-Ramsay, Chief Financial Officer
San Francisco State University Foundation
1600 Holloway Avenue, ADM 151
San Francisco, CA 94132

Please provide one hard copy of your proposal. Please also provide one electronic copy in PDF format, submitted on a flash drive or via email to venesia@sfsu.edu.

Questions concerning this RFP must be submitted in writing by July 6, 2016 via email to Venesia Thompson-Ramsay at venesia@sfsu.edu. Answers to all questions received by the deadline will be posted to the Foundation's website at <http://sfsufdn.sfsu.edu/> by July 13, 2016.

I. Background and Overview

The Foundation is a not-for-profit, public benefit corporation. As an auxiliary to San Francisco State University (University), the Foundation encourages the solicitation and acceptance of private gifts, trusts, and bequests that will help the Foundation in the furtherance of its mission to foster private financial support for the University. As state funding continues to decrease and as the University embarks on a multi-million dollar comprehensive campaign, the Foundation will focus on fundraising and endowment management to generate the much needed funds to sustain and grow the University.

As a not-for-profit corporation, the Foundation has a board of directors that works closely with University leadership to reach out to alumni, friends, and businesses in the community to build commitment and funding for the University. The board is comprised of volunteers, community and business leaders, university administrators, faculty and students. The board meets quarterly, as do most of its committees.

Among the board's committees is an Investment Committee. The committee sets the Foundation's Investment Policy Statement (IPS), ensuring that it meets the requirements set by the California State University, as well as any applicable laws, regulations, and ordinances. The committee determines acceptable risks in the portfolio, monitors the performance of the investment portfolio, and advises the board of directors when changes are needed. Its role also includes setting appropriate benchmarks

and ensuring that the portfolio's asset allocation and liquidity are consistent with the Foundation's obligations to fund its ongoing programs.

The Foundation has an annual operating (discretionary) budget of approximately \$1.5 million and oversees the Foundation's endowments totaling approximately \$65 million. The endowments are invested in the market with a mix of domestic and international equity, fixed income and alternatives. The Foundation also holds funds in the Local Agency Investment Fund (LAIF) as well as in money market funds. For additional information on the Foundation's financial position, visit the Foundation website for audited financial statements: <http://sfsufdn.sfsu.edu/content/financial-legal-information>.

The Foundation has retained UBS Financial Services, Inc. (UBS) as its portfolio custodian. In addition to these custodial services, the Foundation has relied heavily on the expertise of its board members for portfolio analysis and modification, investment policy review and modification, and benchmark review.

The Foundation primary investment objectives are to achieve a reasonable rate of return on its funds, long-term capital preservation and growth in the overall portfolio, and sufficient liquidity to meet its operating and philanthropic needs. As such, the Foundation's objective is to achieve a reasonable rate of return on its investments, but will not take excessive risks in order to achieve this objective.

At this stage, after a study commissioned by the Foundation, the board has recommended that the Foundation retain the services of either an Outsourced Chief Investment Officer (OCIO) or an investment advisor (both referred to herein as Consultant) to serve in a fiduciary capacity and provide the Foundation with certain services, as described below. The Consultant will work closely with the Investment Committee and Foundation management to ensure the best possible investment outcomes for the Foundation.

II. Scope of Services

The Foundation seeks a Consultant who will undertake the following:

- 1) Manage the Foundation's investments on behalf of the board.
- 2) Perform periodic (at least semi-annually) reviews of the progress of the Foundation's asset allocation plan, giving consideration to market conditions, manager performance, the financial condition of the individual funds under management, risk tolerance, and other relevant considerations, such as cash flow requirements and overall plan liability. The review would be expected to include a review of the objective for each asset class currently in the plan as well as others that may be considered.
- 3) Work with the Investment Committee, board of directors, and support personnel to review, and, if warranted, modify, the IPS, including governance and delegation of authority, performance objectives, and the tolerance for and management of risk. Provide assistance and recommendations in the periodic review of policies, procedures, and guidelines.
- 4) Examine the appropriateness of the investment benchmarks that are being used to assess investment

performance and review investment performance against appropriate benchmarks, including investment performance for each asset class.

- 5) Provide, on a quarterly basis and in a form acceptable to the Investment Committee, a review of the performance of the funds included in the scope above. The reports will consist of an executive summary for each fund, and an analytical review of the investment portfolios, including both returns and risks.
- 6) Perform specialized studies and produce reports on specific investment matters, within 10 business days, as may be requested by the Investment Committee or Foundation.

Performance of the required services will, at a minimum, necessitate the Consultant to attend and make presentations at approximately four to six Investment Committee meetings and four board of directors meetings each year. In addition, the Consultant's attendance may be requested at various meetings where specific investment management issues are discussed, including meetings with auditors, CSU personnel or others, as deemed appropriate and warranted.

III. Content of Proposal

Please respond to the following questions in your proposal:

- 1) Please provide a brief history, going back to inception, of your firm and your parent organization (if applicable). Within the past three years, have there been any significant developments in your organization, such as changes in ownership, restructuring, or personnel reorganizations? Do you anticipate future significant changes in your organization?
- 2) How long have you been providing OCIO/advisor services?
- 3) Please provide the number of Foundation and endowment clients for whom you provide OCIO/advisor services, and the total assets those clients represent. What is the average size of these portfolios? Of those clients, please indicate for how many you provide partial and how many full discretionary services and the proportional assets.
- 4) How many OCIO/advisor clients have you gained and lost in the past five (5) years?
- 5) What is your process for maintaining and providing a regular review of investment policy, asset allocation, and portfolio structure?
- 6) How would you assist the Foundation's Board and Investment Committee in meeting their fiduciary responsibilities?
- 7) The Foundation's current IPS and allocation reflect the institution's commitment to divesting from fossil fuel holdings. What is your experience in advising clients with respect to environmental, social and governance-minded investing? What analysis do you provide in this regard and how do you assist your

clients in weighing their commitment to fulfilling certain socially responsible investing goals with the vitality and stability of the portfolio?

- 8) Does your firm maintain an in-house database of investment managers? If not, from whom do you purchase the database? How many managers/products are contained in the database? Are managers required to pay a fee for inclusion in your database? If so, please describe the fee structure.
- 9) How does your firm evaluate and monitor investment managers? What key criteria does the firm consider in the review of an investment manager? If your firm also works in the capacity of a fund manager, how do you address potential conflicts of interest as an OCIO or advisor?
- 10) How many manager searches have you completed within the last 12 months? Detail some of the key issues you would examine in the process. Include an example of a manager search report with your response.
- 11) Do you custody assets as well or recommend a separate custodian? If you recommend a separate custodian, discuss your custodian/trustee search capabilities and procedures. How many of these searches have you done in the past three years?
- 12) Are there any circumstances specifically related to your investment consulting activities under which your firm, its officers, or employees receive direct or indirect compensation from investment managers? If so, describe in detail.
- 13) Does your firm, its parent, or affiliate sell information or any other services to investment managers? If so, describe in detail.
- 14) Discuss the portfolio analytics your firm is capable of providing. How can they be used in evaluating manager performance?
- 15) What is the basis for determining an investment manager's termination? What is the typical timeframe between firing one investment manager and hiring a replacement?
- 16) How often are performance reports produced and delivered? What quality control processes and written procedures do you have in place? Include a sample performance evaluation report with your response.
- 17) What amount of input may the client have in the content and format of an investment performance evaluation report? Is there flexibility in producing non-calendar period results?
- 18) Do you have a separate dedicated department for risk management? Please describe.
- 19) Describe your approach to managing risk in the asset allocation and portfolio selection process.
- 20) Comment on tactical versus strategic asset allocation.

- 21) Comment on the use of index funds/passive management.
- 22) What is the typical role of alternatives in portfolios you manage?

- 23) Describe how benchmarks are chosen or developed. Can your firm provide custom benchmarks? Style benchmarks?

- 24) Please present a sample portfolio for a fund that you advise (without revealing its name), which is similar in objective to ours. This sample should show actual manager and fund selections available to us, and may utilize both active and passive strategies. We recognize the actual strategy and asset allocation may not be what you would propose for our fund, but we would like a framework to better understand your approach.

- 25) Please specify all fees associated with your OCIO/advisor services. Aside from the explicit fee you charge the client for OCIO/advisor services, please describe any other actual or potential revenue your firm might receive as a result of working with us. Are there any fees for governance, training for foundation directors and staff, etc?

In addition to the specific questions above, those submitting proposals should also provide the following information in their proposals:

- 1) Your firm's complete name, address, and telephone number. Include the name and title of your proposed primary consultant and the location from which the consulting work will be done.
- 2) Biographies of the key individuals within each functional area. Explain how the dedicated staff/consultant(s) would function, including lead person, back-up, quality control procedures and support services.
- 3) An Executive Summary of not more than three pages identifying and substantiating the basis of the proposer's contention that it is best qualified to provide the requested services for the Foundation. Please address what your firm offers that competing firms cannot offer.
- 4) A representative client list, along with three references (at least two should be present clients). Please include contact information.
- 5) Please provide a description of any litigation or disciplinary action in which your firm is presently engaged or was subject to in the past five years that involved a sum of \$100,000 or more or for which you are subject to any professional disciplinary action.
- 6) Please describe any current situation about which you reasonably believe may present a conflict of interest or create the appearance of a conflict of interest in the event that your firm is selected to perform the services called for under this RFP.
- 7) The proposal should include all additional appropriate business terms and conditions that the Foundation needs to consider including in its agreement.

IV. Qualifications

The Foundation's objective in considering the engagement of a Consultant to provide these services is to ensure that its investment program meets or surpasses prevailing industry standards. Accordingly, the Consultant selected must demonstrate considerable knowledge of investment management programs and their organizational structure, market performance, and asset allocation strategies. The Consultant should also have extensive experience in reviewing and providing advice with respect to investment programs at organizations of comparable size and complexity.

All Proposers must have the following minimum qualifications:

- 1) Be a registered Investment Adviser as defined and regulated by the Securities and Exchange Commission (SEC). The firm must share the Foundation board's fiduciary duty.
- 2) Have a minimum of five years of experience in providing the services requested to public agencies in a similar investment advisory capacity.
- 3) Have a minimum of \$5 million coverage in errors and omissions insurance or investment adviser professional liability insurance along with a minimum of \$1 million in additional coverage through a fidelity bond.
- 4) Have no record of unsatisfactory performance as evidenced by complaints filed with the SEC or any federal or state agency with jurisdiction over the services provided by the firm.

V. Proposal Evaluation

The Investment Committee will review all submitted RFPs. Interviews will be conducted with a short list of finalists. Information and/or factors gathered during interviews, negotiations, and any reference checks, in addition to the evaluation criteria rankings, shall be the sole and exclusive property of the Foundation. The Foundation reserves the right to contact references other than, and/or in addition to, those furnished by your consulting firm.

Proposals will be evaluated based on the following criteria:

- a) Organization and capabilities
- b) Credentials, experience and reputation of the consulting team working with institutional clients
- c) Background and quality of the investment research and methodology
- d) Competitiveness of management and advisory fees for our non-profit organization
- e) Performance reporting capabilities
- f) Quality of existing client relationships and references
- g) Fee/revenue transparency and potential conflicts of interest