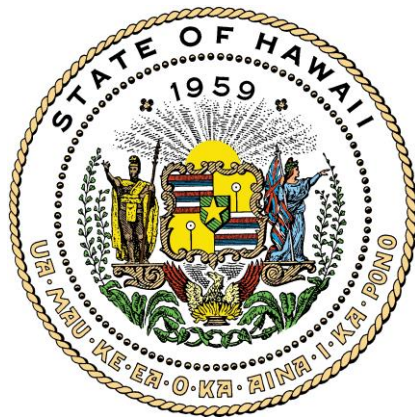


# **Employees' Retirement System of the State of Hawaii**

## **Request for Proposals Investment Consultant Services RFP 2022-05**



**Issued September 20, 2022**

**POTENTIAL OFFERORS WHO WISH TO RECEIVE ADDENDA TO THIS  
REQUEST FOR PROPOSALS MUST REGISTER WITH THE ERS AS POTENTIAL  
OFFERORS.**

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**Employees' Retirement System of the State of Hawaii**  
**Investment Consulting Services**  
**Request for Proposal**

**ADMINISTRATIVE OVERVIEW**

**I. Background**

The Employees' Retirement System of the State of Hawaii ("ERS") was established by Chapter 88, Hawaii Revised Statutes ("HRS") for the purpose of providing retirement allowances and other benefits for public employees. The statewide program has a contributory and a non-contributory defined benefit program with over 74,000 active and inactive vested members, as well as over 45,000 retirees and beneficiaries. There are five employers for the State and county employees, teachers, police officers, firefighters, judges and elected officials.

Administration of the ERS falls under the policy and executive direction of a Board of Trustees with certain areas of administrative control vested in the State of Hawaii Department of Budget and Finance.

The ERS investment portfolio is valued at over \$22 billion as of July 31, 2022, and is managed over 60 investment firms in a combination of separate and commingled accounts. Current asset classes include domestic equity, international equity, domestic fixed income, international fixed income, real estate, mortgage loans, alternative investments (including private placements, buyouts venture capital and restructuring loans) and timber farming. The Board of Trustees adopted a functional risk allocation framework in 2019 with current strategic targets as follows: Public Growth 32%; Private Growth 18 %; Real Assets 15%; Liquid Defensive 19%; Liquid Diversifying 12%; and Illiquid Diversifying 4%. The ERS anticipates achieving strategic target risk class allocations by 2023.

Additional investment information, regarding the ERS's investments, including the ERS's Investment Policy, Guidelines and Procedures manual, is available on the ERS website at: <http://ers.ehawaii.gov/resources/financials>.

The ERS's Comprehensive Annual Financial Reports from 2001 to 2021 are available at: <http://ers.ehawaii.gov/resources/financials>.

**II. Purpose**

The ERS is soliciting proposals from qualified firm(s) to provide domestic and international general investment consulting services to the Employees' Retirement System of the State of Hawaii. A more detailed description of these services is set forth in Paragraph VI of the Scope of Work section. When responding to this RFP we encourage you to describe the ways in which you believe your organization's service capability is unique or would add particular value. Please be succinct in your answers and, if certain services cannot be provided, please state where appropriate.

**III. Authority**

This RFP is issued under the provisions of Chapters 88 and 103D, Hawaii Revised Statutes, and the

implementing Administrative Rules. All prospective offerors are charged with presumptive knowledge of all requirements of the cited authorities. Submission of a valid executed proposal by any prospective offeror shall constitute a representation of such knowledge on the part of such prospective offeror.

#### **IV. Procurement Officer and Contract Administrator**

This RFP is issued by the Employees' Retirement System of the State of Hawaii. The individual listed below is the Procurement Officer and Contract Administrator for this procurement.

Mr. Thomas Williams, Executive Director  
Employees' Retirement System of the State of Hawaii  
City Financial Tower  
201 Merchant Street, Suite 1400  
Honolulu, HI 96813  
Phone: (808) 586-1700  
Fax: (808) 586-1677

#### **V. Procurement Timetable**

Listed below are the important actions and corresponding final dates by which the actions must be taken or completed. **Offerors are notified that these dates are estimated by the ERS and are subject to change at the discretion of ERS. The ERS reserves the right to change any date(s) as deemed necessary and in the best interest of the ERS.** If ERS decides to change a date for any reason, notification will be given via the addendum process described in Paragraph XIII of this section.

<b>Actions</b>	<b>Date</b>
RFP Available to Prospective Offerors	September 20, 2022
Closing Date for Submission of Questions	October 7, 2022 by 4:30 p.m., H.S.T.
ERS's Response to Offerors' Question	October 21, 2022
Closing Date for Receipt of Proposals	November 1, 2022 by 4:30 p.m., HST
Determination of priority-listed offerors	November 2-15, 2022
ERS Visits to Offerors' Facilities (optional at ERS's discretion)	January 9-13, 2023
Best and Final Offers Due	January 20, 2023
Oral Presentations (in Honolulu at ERS's discretion)	February 6-10, 2023
Contractor Selection and Award (approximately)	March 13, 2023

Priority-listed offerors selected in accordance with Paragraph V of the Proposal Evaluation section of this RFP will be required to make a presentation sometime during February 6-10, 2023 in Honolulu, Hawaii. Priority-listed offerors will be contacted by the ERS staff to arrange a specific time and location for the presentation.

## **VI. Communications and Questions**

Offerors and potential offerors (including agents of offerors or potential offerors) should **not** contact any member of the ERS Board of Trustees or any member of the ERS staff. An exception to this rule applies to firms who currently do business with ERS; provided that any contact made by any such firm should be related to that business, and should not relate to this RFP.

If additional information is required regarding this RFP requests for such information must be submitted in writing (fax and email are acceptable) to the Procurement Officer. The Procurement Officer, listed in Paragraph IV of this section, is the sole point of contact from the date of release of this RFP until the selection of the offeror or offerors to whom an agreement will be awarded.

Questions will be accepted until **4:30 p.m. (Hawaii Standard Time) October 7, 2022**. A written response to any questions will be provided by ERS via the addendum process described in Paragraph XIII of this section.

## **VII. Submission of Proposals**

Offerors must carefully examine the solicitation, amendments (if any), required contract forms, and other documents, laws and rules, as necessary, before submitting a proposal. The submission of a proposal shall be considered to be a warranty and representation that the offeror has made a careful examination and understands the work and the requirements of this solicitation.

Each qualified offeror may submit only one (1) proposal. Alternate proposals will not be accepted.

The proposal should be labeled "Employees' Retirement System of the State of Hawaii Investment Consulting Services RFP 2022-05." One hard copy unbound (marked "original") correlated with sectional dividers **and** one electronic copy unencrypted on a USB drive must be received no later than **4:30 p.m. (Hawaii Standard Time) November 1, 2022**.

The sealed package should be addressed to the Procurement Officer listed in Paragraph IV of this section.

The outside cover of the package containing the proposal shall be marked as indicated below:

Employees' Retirement System  
State of Hawaii  
Investment Consulting Services Proposal  
RFP 2022-05  
(Name of Firm)

**No faxed or e-mailed proposals will be considered or accepted.**

## **VIII. Receipt, Opening and Recording of Proposals; Late Proposals**

Proposals and modifications will be time-stamped upon receipt and held in a secure place by the Procurement Officer until the established due date.

Proposals may be modified or withdrawn, prior to the deadline for submission of proposals, by the following:

- Modifications - a written notice received by the Procurement Officer stating that a modification to the proposal is submitted; or a written notice by facsimile machine sent to the Procurement Officer stating that a modification to the proposal is submitted; and the written notice accompanying the actual modification securely sealed in a separate envelope or container.
- Withdrawal - a written notice received by the Procurement Officer; or a notice by facsimile machine to the Procurement Officer.

Proposals will not be opened publicly, but will be opened in the presence of two or more procurement officials. Proposals and modifications will be shown only to personnel having a legitimate interest in them.

After the date established for receipt of proposals, a register of proposals will be prepared which will include the name of each offeror and the number of modifications received, if any. The register of proposals shall be open to public inspection only after a contract has been awarded.

Any notice of withdrawal, notice of modification of a proposal with the actual modification, or any proposal received by the Procurement Officer after the time and date set for receipt and opening of proposals is late and will not be considered for award. A late proposal, late modification, or late withdrawal shall not be considered late if received before contract award and if it would have been timely but for the action or inaction of personnel within the ERS. A late withdrawal request shall be answered with a statement of the reasons for non-acceptance of the withdrawal.

An offeror may withdraw and resubmit a proposal prior to the final submission date. No withdrawals or re-submissions will be allowed after the final submission date.

## **IX. Best and Final Offer**

Priority-listed offerors will be given an opportunity to submit a best and final offer.

## **X. Mistakes in Proposals**

Mistakes shall not be corrected after award of contract. When the Procurement Officer knows or has reason to conclude before award that a mistake has been made, the Procurement Officer will request the offeror to confirm the proposal. If the offeror alleges mistake, the proposal may be corrected or withdrawn.

Once discussions are commenced or after best and final offers are requested, any priority-listed offeror may freely correct any mistake by modifying or withdrawing the proposal until the time and date set for



receipt of best and final offers.

If discussions are not held, or if the best and final offers upon which award will be made have been received, mistakes shall be corrected to the intended correct offer whenever the mistake and the intended correct offer are clearly evidenced on the face of the proposal, in which event, the proposal may not be withdrawn.

If discussions are not held, or if the best and final offers upon which award will be made have been received, an offeror alleging a material mistake of fact which makes a proposal nonresponsive may be permitted to withdraw the proposal if: the mistake is clearly evident on the face of the proposal but the intended correct offer is not; or the offeror submits evidence which clearly and convincingly demonstrates that a mistake was made.

ERS reserves the right to waive or permit cure for minor informalities, errors or omissions, and to conduct discussion with all qualified offerors in any manner necessary to serve the best interests of ERS.

## **XI. Costs for Proposal Preparation**

Expenses for the development and submission of responses to the RFP are the sole responsibility of the organization submitting the response. Travel and expenses to and from the State of Hawaii are also the sole responsibility of the organization submitting the response.

## **XII. Disqualification of Proposals**

The ERS reserves the right to consider as acceptable only those proposals submitted in accordance with all requirements set forth in this RFP and which demonstrate an understanding of the scope of work. Any proposal offering any other set of terms and conditions, or terms and conditions contradictory to those included in this RFP, may be disqualified without further notice.

An offeror will be disqualified and the proposal automatically rejected for any one or more of the following non-exclusive reasons:

- Proof of collusion among offerors, in which case all proposals and offerors involved in the collusive action will be rejected.
- The offeror's lack of responsibility and cooperation as shown by past work.
- The proposal shows any noncompliance with applicable law.
- The proposal is conditional, incomplete, or irregular in such a way as to make the proposal incomplete, indefinite, or ambiguous as to its meaning.
- The proposal has any provision reserving the right to accept or reject award, or to enter into an agreement pursuant to an award, or provisions contrary to those required in the solicitation.
- The delivery of the proposal after the deadline specified in the timetable.
- The offeror being in arrears on existing contracts with the State or having defaulted on previous contracts.
- The offeror's lack of sufficient experience to perform the work contemplated.
- The offeror's conflicts of interest or lack of independence in judgment.

### **XIII. RFP Amendments and Addendum**

ERS may modify any part of the RFP, prior to the date fixed for final submission of responses, by issuance of an addendum to all participating parties. ERS will respond to questions and inquiries via the addendum process. Addenda will be numbered consecutively.

### **XIV. Cancellation of Request for Proposals/Rejections of Proposals**

This RFP may be cancelled and any or all proposals may be rejected in whole or in part, when it is determined to be in the best interests of the ERS.

### **XV. Uncertainties Beyond the Control of the ERS**

The ERS recognizes that circumstances beyond the control of the ERS may arise that may significantly affect the ability of the contractor to provide the services described in this RFP or as proposed by the contractor. Accordingly, the ERS reserves the right to modify the agreement to address such circumstances.

### **XVI. Proposal Bonds; Performance and/or Payment Bonds**

No bid bond is required to be submitted with the proposal, and no performance or payment bond will be required for the contract awarded pursuant to this RFP.

### **XVII. Acceptance of Proposal and Execution of Contract**

Acceptance of a proposal, if any, will be made as provided in the Procurement Timetable. The offeror must have the ability to perform as called for in the RFP and in the contract. The ERS shall be the sole judge of capability. The successful offeror will be notified by letter that its proposal has been accepted and that the offeror is being awarded the contract.

ERS reserves the right to award a contract based upon the written responses received and without prior discussion or negotiations.

**Attachment A** is a sample contract used by the ERS for investment consulting services. In submitting a proposal, the offeror will be deemed to have agreed to each provision set forth in Attachment B unless the offeror identifies the provision to which objection is made and submits alternative language. The ERS reserves the right to further negotiate the terms and conditions of the contract with the successful offeror. The contract awarded pursuant to this RFP shall consist of the RFP and any amendments thereto, and the specific terms and conditions of the negotiated contract.

The ERS shall forward a contract to the successful offeror for execution. The contract shall be signed by the successful offeror and returned within ten days after receipt by the offeror or within such further time as may be allowed.

No contract shall be considered binding upon the ERS until the contract has been fully and properly executed by all parties thereto.

If the offeror to whom a contract is awarded shall fail or neglect to enter into the contract within ten

days after such award or within such further time as may be allowed, the Procurement Officer will consider the next highest ranked offeror or may call for new proposals, if it is deemed to be in the best interests of the ERS.

### **XVIII. Debriefing**

Nonelected offerors may submit a written request for debriefing to the Procurement Officer or designee within three working days after the posting of the award of the contract. If a debriefing is requested by one or more of the nonelected offerors, a combined debriefing will be held. The debriefing will be held by the Procurement Officer or designee, to the maximum extent practicable, within seven working days after receipt by the Procurement Officer or designee of the first request for debriefing; and may be conducted via teleconference at the sole discretion of the ERS. The debriefing will be held at:

Employees' Retirement System of the State of Hawaii  
City Financial Tower  
201 Merchant Street, Suite 1400  
Honolulu, HI 96813

### **XIX. Requirements for Doing Business in the State of Hawaii**

Section 3-122-112, Hawaii Administrative Rules ("HAR"), requires that, before award of contract may be made, the successful offeror must provide proof of compliance with the requirements of the following chapters of the Hawaii Revised Statutes ("HRS"):

- 1) Chapter 237, general excise taxes
- 2) Chapter 383, unemployment insurance
- 3) Chapter 386, workers' compensation
- 4) Chapter 392, temporary disability insurance
- 5) Chapter 393, prepaid health care

And one of the following:

- 1) Be registered and incorporated or organized under the laws of the State of Hawaii, or
- 2) Be registered to do business in the State of Hawaii.

Proof of compliance with the foregoing requirements can be provided through the Hawaii Compliance Express (HCE), which allows vendors, contractors and service providers doing business with the State to register online through a simple wizard interface at <http://vendors.ehawaii.gov> to acquire a "Certificate of Vendor Compliance." The HCE provides current compliance status as of the date the Certificate of Vendor Compliance is issued. The Certificate of Vendor Compliance indicating that offeror or contractor's status is compliant with the requirements of HRS Chapter 103D-310(c), will be accepted for both contracting purposes and final payment.

**If a Certificate of Compliance showing that the offeror's status is "Compliant" is not submitted on a timely basis for award of the contract, an offeror otherwise responsive and responsible may not receive the award.**

The contractor must maintain such compliance during the term of the contract and for final payment. The ERS may conduct periodic checks to confirm that a contractor maintains compliance with the foregoing requirements throughout the term of the contract, including any extensions. If a contractor's Certificate of Vendor Compliance shows that the contractor's status is "Not Compliant" or "Expired", the ERS has the right to withhold any and all payments to the contractor until the contractor's Certificate of Vendor Compliance shows that the contractor's status is "Compliant." Such withholding shall not be considered or constitute a breach of contract and shall not be a basis or excuse for nonperformance of the contract by the contractor or entitle contractor to claim interest for a late payment.

**Employees' Retirement System of the State of Hawaii**  
**Investment Consulting Services**  
**Request for Proposal**

**PROPOSAL**

**I. Introduction**

The offeror shall prepare a written proposal that will fully describe the qualifications and availability of the offeror to provide the services requested and the compensation the offeror proposes in response to this RFP. The proposal shall include, without limitation, the following:

- Cover Letter
- Questionnaire Answers
- Form ADV (Parts 1 and 2)
- Code of Ethics
- References
- Fee Proposal
- Sample Reports (performance, research, manager search, asset/liability modeling, etc.)
- Financial Statement
- Mandatory Requirements Certification

**II. Cover Letter**

The RFP response must include a cover letter addressed to the Procurement Officer. The letter, which will be considered an integral part of the Proposal, must contain the following:

**i. Contact Information**

The cover letter shall include the offeror's name, address, telephone/fax numbers, and e-mail address.

**ii. Terms and Conditions of RFP**

A statement that the offeror fully understands and will comply with all terms and conditions contained in the RFP.

The offeror must include written acknowledgement of receipt of any and all amendments or addenda made to this RFP.

**iii. Legal Entity**

A statement indicating that the offeror is an individual, a partnership, a limited liability company or a corporation, and the legal entity name with whom the ERS will contract. If the offeror is

a corporation, a partnership, a limited liability company or other legal entity, include a statement indicating the jurisdiction where the offeror is organized.

**iv. Authorized Signature**

The cover letter must be signed by an individual or individuals authorized to legally bind the offeror (i.e., the firm that will contract with the ERS). If the offeror is a corporation, evidence in the form of a certified copy of a corporate resolution or certified copy of articles of incorporation or bylaws shall be submitted showing the individual's authority to bind the corporation. If the offeror is a partnership, the proposal must be signed by all the partners or evidence in the form of a certified copy of the partnership agreement shall be submitted showing the individual's authority to bind the partnership. Similar evidence must be submitted for an individual signing the proposal letter on behalf of any other kind of entity.

**v. Federal Tax ID No.**

The cover letter shall include the offeror's federal tax identification number.

**vi. Hawaii General Excise Tax ID No.**

A Hawaii General Excise Tax (GET) ID must be provided or a representation that a Hawaii General Excise Tax ID will be obtained prior to commencement of the work.

**vii. Current Licenses and Registration**

A statement that the offeror maintains the current licenses necessary to provide the services required. In addition, an offeror must provide evidence that the offeror is registered to do business in the State of Hawaii prior to commencement of the work. True and accurate copies of the offeror's license(s) and certificates must be provided.

**viii. Subcontracting of Services**

A statement by the offeror indicating that the work described in the RFP will not be subcontracted, except as described in the proposal, or assigned. The extent to which the work will be subcontracted and the qualifications of any subcontractor will be considered in evaluating the offeror's ability to perform the service referred to in the RFP.

**ix. Non-discrimination**

A statement of affirmative action that the offeror does not discriminate in employment and practices with regard to race, color, religion, age (except as provided by law), sex, marital status, political affiliation, national origin, handicap or disability.

**x. ERS Approval of Contractor's Recommendations**

A statement that the offeror understands that the ERS reserves the right to disapprove contractor recommendations without penalty when they conflict with the policy or fiscal interests of the ERS, as determined by the ERS Board of Trustees.

**xi. Terms and Conditions of Contract**

Affirm that the provisions of the sample contract in Attachment A are acceptable or state any proposed modifications. ERS reserves the right to decline or classify as “unresponsive” any substantive changes, modifications, or revisions to the provisions of the sample contract.

**III. Confidential or Proprietary Information**

The offeror shall designate those portions of the proposal that contains trade secrets or other proprietary data/information that the offeror wishes to remain confidential. This information must be clearly marked and readily separable from the proposal to facilitate public inspection of the non-confidential portions. Any request for public inspection is subject to the requirements of Chapter 92F, Hawaii Revised Statutes. The entire proposal CANNOT be considered confidential. The fee proposal CANNOT be considered confidential.

**Employees' Retirement System of the State of Hawaii**  
**Investment Consulting Services**  
**Request for Proposal**

**PROPOSAL EVALUATION**

**I. Introduction**

ERS seeks to retain the highest quality organization to provide investment consulting services in a fair and competitive process. Through the selection process, ERS reserves its sole discretion in awarding the contract. ERS reserves the right:

1. To not award the contract to the lowest cost offeror.
2. To not award the contract at all.

**II. Evaluation Process**

A committee selected by the Procurement Officer will review and evaluate all proposals submitted by the deadline specified in this RFP.

The evaluation process will be conducted in six phases:

Phase 1 - Evaluation of Minimum Qualifications and Mandatory Requirements  
Phase 2 - Establishment of Priority List of Offerors  
Phase 3 – Facilities Inspection (at ERS's discretion); Interviews with Priority-Listed Offerors  
Phase 4 – Best and Final Offers  
Phase 5 -- Final Evaluation of Proposals  
Phase 6 – Award

**III. Evaluation Criteria**

The evaluation criteria listed in sections V and VII below will be used to evaluate and rank offerors' proposals. ERS reserves the right to modify the evaluation criteria, or any other part of this RFP, prior to the date for final submission of responses.

**IV. Phase 1 – Evaluation of Minimum Qualifications and Mandatory Requirements**

The evaluation of the mandatory requirements shall be on a "pass/no pass" basis. The purpose of this phase is to determine whether an offeror's proposal is sufficiently responsive to the RFP to permit a complete evaluation. Each proposal will be reviewed for responsiveness. Failure to meet the minimum qualifications and mandatory requirements ("no pass") will be grounds for deeming the proposal nonresponsive to the RFP and rejection of the proposal. Only those proposals meeting the following mandatory requirements ("pass") of Phase 1 will be considered in Phase 2:

The minimum qualifications are:

- Offeror must be an investment advisor registered under the Investment Advisors Act of 1940.
- Offeror must have been in business for a minimum of seven (7) years.



- Offeror must provide investment consulting services to at least one public retirement system defined benefit client with assets greater than \$5 billion.
- Offeror must be based in the United States. “Based in the United States” means that offeror’s principal place of business is in the United States and that offeror is subject to service of process in the United States.
- The primary consultant assigned to the ERS account shall have a minimum of ten (10) years experience providing domestic and international investment consulting services to public pension plans.

The mandatory requirements are submission of:

- Cover Letter.
- Questionnaire Responses
- Form ADV (Parts 1 and 2)
- Code of Ethics
- References
- Financial Statement.
- Fee Proposal
- Sample reports (performance, research, manager search, asset/liability modeling, etc.)
- Minimum Qualifications Certification.

#### **V. Phase 2 – Establishment of Priority List of Offerors**

All offerors who pass Phase 1, Evaluation of Minimum Qualifications and Mandatory Requirements, shall be classified as "acceptable." If there are more than three "acceptable" offerors, the Evaluation Committee will evaluate all proposals and establish a priority list of no more than three (3) offerors who received the best preliminary evaluations. The order, priority and points to be applied to each evaluation criteria are as follow:

<b>CRITERIA</b>	<b>POINTS</b>
Ability, including resources, knowledge, and independence of judgment and avoidance of conflicts of interest, to perform the services referred to in the RFP	40
Stability and relevant history and experience of the firm and the individual consultants proposed for the ERS	25
Philosophy, process, soundness of approach and understanding of the needs of the ERS	25
Client references	10
Fees	0
<b>Total</b>	<b>100</b>

## **VI. Phase 3 – Site Inspections; Interviews with Priority-Listed Offerors**

During the course of this phase, the ERS Board of Trustees may conduct interviews with the priority-listed offerors in Honolulu during February 6-10, 2023.

The ERS may conduct inspections of priority-listed offerors' facilities January 9-13, 2023, or as can be conveniently scheduled.

## **VII. Phase 4 -- Best and Final Offerors**

The priority-listed offerors' best and final offer must be received by the Procurement Officer no later than 4:30 p.m. HST on January 20, 2023. If the Procurement Officer does not receive a best and final offer from a priority-listed offeror, the immediate previous offer will be construed as the priority-listed offeror's best and final offer.

## **VIII. Phase 5 -- Final Evaluation of Proposals**

During this phase, the ERS will conduct final evaluations of the priority-listed offerors' proposals in accordance with the following criteria:

<b>CRITERIA</b>	<b>POINTS</b>
Ability, including resources, knowledge, and independence of judgment and avoidance of conflicts of interest, to perform the services referred to in the RFP	30
Fees * Lowest fee for first 3 years = 15 points **Lowest fee for 6 years = 10 points	25
Stability and relevant history and experience of the firm and the individual consultants proposed for the ERS	20
Philosophy, process, soundness of approach and understanding of the needs of the ERS	20
Client references	5
<b>Total</b>	<b>100</b>

### **\*Formula for determining allocation of points for fee for the first 3 years:**

**allocated points = (\$ amount of the lowest fee proposal x 15) ÷ \$ amount of the fee proposal being evaluated**

### **\*\*Formula for determining allocation of points for fee for six years:**

**allocated points = (\$ amount of the lowest fee proposal x 10) ÷ \$ amount of the fee proposal being evaluated**

## **IX. Phase 6 – Award**

The ERS Board of Trustees will make the final selection.

**Employees' Retirement System of the State of Hawaii**  
**Investment Consulting Services**  
**Request for Proposal**

**SCOPE OF WORK**

**I. Introduction**

The purpose of the agreement resulting from this RFP is to obtain comprehensive pension fund investment consulting services for the ERS.

The contractor must be an investment advisor registered under the Investment Advisors Act of 1940, as amended, and shall provide investment advisory and consulting services as described in this RFP.

The contractor will enter into an agreement in substantially the form set forth in **Attachment A** that will obligate the contractor to provide investment consulting services.

**II. Agreement Period**

The term of the agreement is three years with a three-year extension at the option of the ERS. The term of the agreement will commence on or around July 1, 2023. The ERS will determine in 2026 whether to extend the term of the contract. If the three-year contract extension is not granted, the contract will expire on June 30, 2026. If the three-year extension is granted, the contract will expire on June 30, 2029.

The last payment due to the contractor will be issued after the quarterly performance report and other contracted materials, for June 30 of the expiring year, have been received.

The term of the agreement may be extended by the ERS at the ERS's option to facilitate the completion of any investment manager or custodian bank searches in progress at the end of the then existing term. Such extension shall be solely for the purpose of completing the searches and shall be at no additional cost to the ERS.

**III. Compensation**

The annual fixed fee shall be paid in equal quarterly installments. The contractor shall submit to the ERS a quarterly statement for the work covered under the annual fixed fee.

Any work not covered by the annual fixed fee AND if approved in writing in advance by the ERS Administrator or his designee, shall be submitted for payment upon completion of the work. The contractor shall submit to ERS a statement upon completion of the work not covered by the annual fixed fee.

The statements shall include the work performed by the contractor in sufficient detail to justify payment. The ERS shall process the claim for payment in accordance with the standard operating procedures of the ERS.

Funds are not presently available for performance under this contract beyond the current fiscal year. The ERS' obligation for performance of the contract beyond the fiscal year is contingent upon the availability of funds from which payment for contract purposes can be made. No legal liability on the part of the ERS for any payment may arise for performance under the contract beyond the current fiscal year until funds are made available for performance of the contract.

#### **IV. Multi-Term Solicitation**

This solicitation is for a multi-term contract. The proposed annual fixed fee shall be the same throughout the contract, except to the extent that price adjustment may be provided in this RFP and the resulting contract. The multi-term contract will be cancelled only if funds are not appropriated or otherwise made available to support continuation of performance in any fiscal period succeeding the first; however, this does not affect the ERS's rights or the contractor's rights under any termination clause of the contract. The head of the purchasing agency must notify the contractor on a timely basis if funds are not available for the continuation of the contract for each succeeding fiscal period. Offerors must submit prices for the entire time of performance only. In the event of cancellation, the contractor will be reimbursed unamortized reasonably incurred nonrecurring costs, if applicable.

#### **V. Liaison and Authorization to Proceed**

The ERS Chief Investment Officer will serve as the primary liaison with the contractor during the term of the agreement. The Chief Investment Officer will chair status meetings, assist in scheduling, and monitor and assess the contractor's performance.

The ERS does not encourage, and will not in any way be bound by, work performed on behalf of the ERS without written approval by the ERS Administrator or his designee. Any work performed by the contractor prior to written approval by the ERS to proceed is done at the contractor's own expense.

#### **VI. Scope of Services**

The contractor shall not bind or purport to bind the ERS for any contractual commitment in excess of the contract period. Contractor shall comply with all applicable ERS policies and procedures and familiarize themselves and be conversant with the Board of Trustees' Investment Policy, Guidelines and Procedures manual.

For the purposes of this RFP, the term "public market manager" refers to any firm that manages the following types of assets: domestic equity, international equity, global equity, equity index options, domestic fixed income, international fixed income and global fixed income whose securities normally trade on public exchanges under a traditional long, buy-and-hold strategy; and where the ERS investment size is of sufficient capacity, managed under a separate account.

The term "alternative investments" refers to any firm that manages the following types of assets: real estate, private equity/credit (buyout, venture capital, special situations, mezzanine debt, direct lending, unitranche debt and distressed debt), timberland, hedge funds, options, futures, global inflation linked securities, energy, infrastructure, commodities and currency. Alternative investments may include publicly traded or unlisted securities that are offered in a private investment legal structure (e.g., limited partnership or limited liability corporation).

The contractor will provide the following services:

A. Investment Policies and Procedures

Upon selection, on an annual basis, and when requested by ERS on an ad hoc basis, review and update the Board of Trustees' Investment Policy, Guidelines, and Procedures manual ("Manual"), and if necessary, make reasoned recommendations for amendment. The contractor will maintain and update the master copy of the Manual and furnish a master soft copy to the ERS as requested.

Assist in developing individual public markets manager investment guidelines for inclusion in the Manual or in the managers' contracts.

B. Asset–Liability Study

Work with ERS actuary and staff to prepare a comprehensive asset-liability study that requires an analysis of the funded status and projected contributions under various return environments and different asset mix scenarios. ERS generally has an asset-liability study conducted every three to five years, or when major changes warrant a review of investment activities.

C. Annual Asset Allocation Optimization

On an annual basis, prepare and present a written report containing an evaluation and optimization analysis of the portfolio's asset allocation, manager structure, and recommendations to achieve the goals of that analysis during the next fiscal year beginning on July 1 for all asset classes in the ERS portfolio.

D. Policy Analysis

Review and analyze investment initiatives proposed by the Board of Trustees, Investment Committee or Chief Investment Officer to ensure overall consistency with ERS investment policies.

E. Portfolio Analysis

On an annual basis, prepare and present a report containing (1) an evaluation of the effectiveness of the current portfolios and investment manager structure; and (2) a review of ERS's needs for any additional asset classes or strategies that should be considered for the overall portfolio.

Provide annual pacing plans for the Global Credit and Illiquid Diversifying Strategies portfolios and/or other assets classes as requested by ERS.

Provide information and comprehensive research regarding significant changes in the public market investments and alternative investments, including best practices, trends, and major events and ESG.

F. Performance Analysis

Provide quarterly written performance analysis for each ERS liquid market portfolio the ERS private markets investments portfolio, as well as the aggregate of all of the ERS portfolios. The quarterly performance analysis should include return attribution characteristics, style and factor analysis, risk analysis, peer universe comparison and holdings analysis relative to the benchmarks, and ESG analysis for all public market managers and, to the extent possible, alternative investment managers.

Provide access to risk analytical software.

G. Manager Oversight

Provide investment manager oversight and maintain on-going intelligence of both quantitative and qualitative attributes of all public markets and alternative investment managers including (but not restricted to) changes in manager philosophy, process, key staff, and material events that may include regulatory investigations and litigation.

Notify the ERS in writing when such changes or material events occur.

Review investment strategies, policies and annual tactical plans of ERS alternative investment managers; provide concurrence memos including concerns regarding staff recommendations of alternative investment managers as requested; assist with the coordination of annual meeting of alternative investment managers and staff; and presentation of multi-year strategic plans and annual tactical plans for the Board of Trustees.

Provide analysis and advice on questions or issues that arise in the course of overseeing the investment managers. For example, advise ERS on appropriate benchmarks, investment guidelines, performance-based fees, risk metrics, etc.

At the contractor's own expense, conduct on-site due diligence site inspections as requested by the ERS. Approximately ten (10) routine manager oversight due diligence site inspections per year are anticipated (some site visits may be grouped together due to geographic proximity). For each investment manager due diligence review conducted, the contractor will provide the ERS with a written report of the findings within a reasonable time period.

Provide annual analysis on public market manager's trading costs, including comparison of each equity manager's commission costs to peers and the marketplace; the relationship of each equity manager's commission costs to the quality of "execution" obtained; and the utilization of ERS trading dollars for purposes other than "execution" such as the direct or indirect purchase of services or research. The contractor will work with the ERS's bank custodian to obtain reports containing trading costs paid by the ERS's public market managers to facilitate this analysis.

Assist with the monitoring and verification of capital calls and distributions and provide confirmation to ERS.

## H. Manager Search and Selection

Maintain or otherwise provide ERS with access to a broad database of public market and alternative investment managers including their philosophies, process, styles, fee structure, organizational structures, firm characteristics, performance, assets under management, and client base. Manager information should be available for a wide range of investment managers including active and passive domestic, international, and global equity managers; active and passive domestic, international and global fixed income managers; alternative investment managers including those who specialize in private equity, private credit, real assets and hedge strategies; managers with specialized strategies, including currency overlay, options, , futures, and cash equitization; as well as small and emerging managers.

For ERS Public Growth portfolio, Private Credit Portfolio and Diversifying Strategies portfolio, assist the ERS in conducting searches for investment managers as directed by staff. These services may include:

- i. Development of requests for information, including evaluation factors and methods.
- ii. Development of search-related advertisements and, at contractor's own expense, placement of these advertisements in widely read investment industry publications.
- iii. Screening of prospective managers.
- iv. Conducting due diligence desk reviews and onsite inspections of finalist candidate's primary (or investment) offices at contractor's own expense. The contractor will provide the staff with a written report of the findings prior to candidate interviews.
- v. Assisting in the interview of finalists.
- vi. Providing written concurrence to investment staff recommendation concerning manager selection and appropriateness of strategy.

Two (2) to four (4) investment manager searches are anticipated during each year of the contract term for which the ERS may expect advice from the contractor.

## I. Environmental, Social, and Governance (ESG) Integration

Identify, assess, and integrate financially relevant ESG factors into capital market research, analysis, return assumptions and portfolio design. Matters may include but are not limited to climate change, demographic trends, and technological innovation.

Assist in the assessment and monitoring of public markets portfolio and alternative investments portfolio ESG integration risks and opportunities, consistent with ERS's investment policy.

Conduct specialized research on ESG topics and integration strategies as requested.

## J. Custodian Bank Search and Selection

Maintain or otherwise provide ERS with access to a broad database of custodian banks including their services, fee structure, organizations, firm characteristics, performance, client base, and other relevant attributes. Assist the ERS in conducting searches for a custodian bank to provide custodial, performance, risk analysis, compliance and securities lending services. Services relating to the custodian bank search and selection process include:

- i. Development of requests for proposals, including evaluation factors and methods.
- ii. Development of search-related advertisements and, at contractor's own expense, placement of these advertisements in widely read investment industry publications.
- iii. Screening of prospective custodian banks and recommendation of finalists.
- iv. Preparation of all necessary background material for ERS including rating and evaluation documentation necessary to meet ERS procurement requirements.
- v. Conduct due diligence desk reviews and onsite inspections of finalist candidates at contractor's own expense. A written summary of these due diligence findings must be developed and presented to the Board of Trustees prior to finalist candidate selection.
- vi. Assist in the interview of finalists.
- vii. Providing seasoned analysis and recommendation concerning custodian bank selection.

One custodian bank search is anticipated during the contract term, for which the ERS may expect advice from the contractor.

#### K. Attendance at Board and Investment Committee Meetings

Attend meetings of the ERS Board of Trustees and Investment Committee in Hawaii, at the contractor's own expense. The meetings will take place after the end of each calendar quarter and will require approximately eight (8) to ten (10) trips to Hawaii by one or more members of the contractor's key staff.

#### L. Trustee and Staff Workshops

Conduct one (1) trustee and staff full-day, educational workshops annually at contractor's own expense on specific issues designated by ERS.

#### M. Work with staff to coordinate investment manager meetings and asset class roundtable discussions.

#### N. General Research and Analysis

Provide ongoing research, analysis and advice on specific matters related to portfolio management, specific investments, pension issues, or on any related topic that ERS requests.

In addition, the contractor will be asked to perform such other duties or activities as may be required provided they are consistent with the foregoing.



**Employees' Retirement System of the State of Hawaii**  
**Investment Consulting Services**  
**Request for Proposal**

**QUESTIONNAIRE**

*Your answers should be numbered consecutively as listed below, including the restatement of the questions followed by your firm's responses.*

**A. Organization**

1. Provide your company's headquarters name and address, and the primary RFP contact's name, phone number, address (if different), fax number, and e-mail address. Provide the address of the office that will service this account.
2. Provide the legal entity name that will be represented on the contract should your organization be awarded this consulting mandate.
3. How many offices does the firm currently have? Where are the offices located? Please provide the address and phone number. What Specified Services are provided by each office?
4. List all owners of the firm and describe the ownership structure by percentage. In addition, please state the name or entity of any one owner who controls more than 50% of the firm. Indicate any owners who are not involved with the ongoing management or daily affairs of the firm. Include an organizational chart with names, titles, and reporting relationships in [Exhibit A](#).
5. Provide a brief history of your firm's involvement in the general consulting business, including the year of organization, current ownership structure, affiliations and any recent changes. Are ownership changes planned or anticipated at this time?
6. Does your firm also provide real estate consulting and private equity consulting services?
7. Was the firm founded primarily by principals and/or staff from another general consulting equity organization(s)? If "yes," provide the name of the organization(s) from which these individuals came and the names of individuals from each organization(s). How many employees were there when the firm was founded? How many of the employees are still actively employed by the firm today and what are their roles or functions?
8. How many years has the firm provided general consulting services to public pension plans?
9. What do you consider to be your firm's consulting specialties, strengths, and limitations? What services, if any, does your firm (or any subsidiary) offer in addition to general consulting services? Describe the services of your organization that distinguish your firm from other general consultants, and discuss how your firm's strengths would add value to our Fund.

10. What percentage of your total firm (i.e., the contracting entity and parent, if applicable) revenues come from outside your general consulting services?
11. Describe your present and future business plan/strategy as it relates to ownership structure and general consulting services.
12. Is your firm a registered investment advisor with the SEC under the Investment Advisers Act of 1940? If not, what is your fiduciary classification?
13. Does your firm act as a fiduciary when serving as a pension fund general consultant? Please elaborate if your firm does not and why.
14. Does your firm or affiliates provide investment management, brokerage or other services for clients? If yes, please describe the service and the percentage of your total firm revenues that come from it.
15. Do you subcontract or outsource any parts of your investment consulting business? If “yes,” please describe in detail which parts are performed externally and the reason for doing so. Please provide the name(s) of the providers, their office location, how long they have been in business, and the qualifications of the specific people who will be working on our account.
16. Describe the levels of coverage for errors and omissions insurance or bonding and any other fiduciary or professional liability insurance the firm carries. List your insurance carriers.
17. If your firm maintains errors and omissions insurance coverage, or any fiduciary or professional liability coverage, have any claims been filed in the last five years? If so, provide an explanation and indicate the current status.
18. Provide (1) an organizational chart diagramming the relationship between the professional staff and if applicable (2) the parent-subsidary, affiliate, joint venture entities, or sub-advisory relationships. Attach as [Exhibit B](#).
19. Provide a copy of your most recent Form ADV (Part I & II). Attach as [Exhibit C](#).

## **B. Firm Experience**

1. Are there any investment asset classes or strategies currently used in the ERS portfolio or those we may be contemplating that your firm is not advising other clients? (Contemplated assets classes and strategies may include hedge funds, master limited partnerships, energy, infrastructure, commodities, dedicated non-US country funds, frontier markets, futures, synthetic exposure, non-US currency overlay). Please describe any strategies used by your other clients that are not currently being used by ERS.
2. What is your approach to client servicing and what distinguishes this approach from other investment consulting service providers?
3. Describe your firm’s overall business strengths, weaknesses and competitive advantages.

4. Explain how your firm controls the quality of service and implements quality control of reports and other written documents provided to your clients.
5. How are consultant's recommendations to clients reviewed and monitored by your firm? Does your firm adhere to a level of consistency in consultant recommendations? Describe any benchmarks the firm has developed to evaluate the firm's performance and the performance of the proposed primary consultant.
6. How is a servicing team structured around clients?
7. What is the typical workload of your client servicing/relationship manager? Is there a limit on the number of accounts that a consultant may handle?
8. Do any of the client-servicing personnel proposed for the ERS have responsibilities other than providing consulting services? If awarded this contract, will they continue to maintain those responsibilities? If not, which ones will be relinquished or what new role may be added?
9. What is the last three (3) years' (ending 8/31/2022) turnover rate of the client servicing staff?
10. Provide the names and bios of the proposed client servicing team members for ERS. Provide the percentage of the time each of those people listed spend traveling and how many other clients each of them are assigned to.
11. How will this team be structured to best serve the needs of ERS?
12. Who has ultimate oversight for the investment consulting, back-office operations, and administrative support activities within your organization? What percentage of the time does this person spend traveling? Who is the back-up for this person (i.e., second in command)? What percentage of the time does this person spend traveling?
13. Does your organization subcontract any of the services (or key staff) required by ERS? If so, list the contract vendor and subcontracted service functions as well as how long you had the subcontract relationship with the named vendor. Also describe the skills and qualifications of the subcontractor and its employees who will be providing services for ERS.
14. Describe your firm's back-up procedures in the event the key personnel assigned to this account should leave the firm or become disabled for an extended period of time.
15. Provide a brief description of your firm's compensation arrangements. What incentives are in place to encourage key professionals to remain at the firm?

16. Complete the table below for the proposed client servicing team.

Name	Location	Responsibility	Number of Client Relationships	Years with Organization	Years Experience and Credentials

17. Personnel turnover in the past 5 years (ending 8/31/2022) - Complete the table below, include any staff additions or losses throughout the consulting department of the organization. Place an asterisk next to the name of any staff member who has left the firm.

Name/Position	Joined/Left the Firm	Years with Firm	Replacement	Reason for leaving

18. Do any of the client servicing personnel proposed for ERS service other Public Fund clients? If yes, specify the client names, contacts and telephone numbers.
19. Provide an estimate of the percentage of the Primary Consultant's time, as well as the time of other dedicated consultants, to the ERS account.
20. List the Primary Consultant's current clients and engagements by asset size, type of client and type of engagement.
21. Describe the work environment and corporate culture that your firm promotes. Do any of your employees work from remote locations?
22. Will the Primary Consultant who is responsible for the ERS account be available by phone and email during the ERS's normal operating hours from 7:30 am to 5:30 pm (Hawaii Standard Time)?

## C. Clients

1. Provide the number of your organization's clients as categorized in the following matrix. Report aggregate values of their total asset market value in US\$ millions for periods specified. Additionally, provide a list of current clients and attach as [Exhibit D](#).

### Total Tax Exempt Investment Consulting Clients Only

	Total Number of Clients	Asset Value (US\$ millions)
2017		
2018		
2019		
2020		
2021		
8/31/2022		

2. Provide the number of your organization's clients as categorized in the following matrix. Report aggregate values of their total asset market value in US\$ millions for periods specified.

### Public Fund Investment Consulting Clients Only

	Total Number of Clients	Asset Value (US\$ millions)
2017		
2018		
2019		
2020		
2021		
8/31/2022		

3. Provide the number of **investment consulting accounts** gained and/or lost for the periods listed in the following matrix. For clients lost, please indicate why. Report corresponding market values in US\$ millions as of initiation date for clients gained and termination date for clients lost. (YTD: 8/31/2022)

**Total Tax Exempt Investment Consulting Clients Only**

	<b>Clients Gained (Number)</b>	<b>Clients Gained (US\$ millions)</b>	<b>Clients Lost (Number)</b>	<b>Clients Lost (US\$ millions)</b>
<b>2017</b>				
<b>2018</b>				
<b>2019</b>				
<b>2020</b>				
<b>2021</b>				
<b>2022 YTD</b>				
<b>2022 YTD</b>				

**Public Fund Investment Consulting Clients Only**

	<b>Clients Gained (Number)</b>	<b>Clients Gained (US\$ millions)</b>	<b>Clients Lost (Number)</b>	<b>Clients Lost (US\$ millions)</b>
<b>2017</b>				
<b>2018</b>				
<b>2019</b>				
<b>2020</b>				
<b>2021</b>				
<b>2022 YTD</b>				

Provide your organization's client distribution as specified in the following table. Report aggregate market values of total assets in US\$ million as of 8/31/2022..

### Tax-Exempt Client Asset Size Distribution

Distribution	Number of Clients	Number of Plans/Pool of Assets	Aggregate Market Value (US\$ millions)
<i><b>Taft Hartley-Union</b></i>			
<b>Below \$500 million</b>			
<b>\$500 million to \$1 billion</b>			
<b>\$1 billion to \$5 billion</b>			
<b>\$5 billion and Up</b>			
<i><b>Corporate</b></i>			
<b>Below \$500 million</b>			
<b>\$500 million to \$1 billion</b>			
<b>\$1 billion to \$5 billion</b>			
<b>\$5 billion and Up</b>			
<i><b>Public Fund</b></i>			
<b>Below \$500 million</b>			
<b>\$500 million to \$1 billion</b>			
<b>\$1 billion to \$5 billion</b>			
<b>\$5 billion and Up</b>			
<i><b>Endowments &amp; Foundations</b></i>			
<b>Below \$500 million</b>			
<b>\$500 million to \$1 billion</b>			
<b>\$1 billion to \$5 billion</b>			
<b>\$5 billion and Up</b>			
<b>TOTAL</b>			

5. Provide a list of at least three public fund client references. The list, attached as [Exhibit E](#), should include the following information:

- a. Fund Name
- b. Contact Name
- c. Contact Title
- d. Address
- e. Telephone Number(s)
- f. E-mail Address

## **D. Personnel**

1. State the total number of professionals assigned to providing professional-level general consulting services within your organization and how many of those professionals who would have direct responsibility for the ERS account. Please define your definition of “professional” in terms of functions and responsibilities. Please complete the table below for all professionals within your organization providing general consulting services.

### Team Experience

Name	Title	Job Function	Education, Credentials, Professional Designations	Years in General Consulting	Years in General Consulting

2. Provide biographies of your key professional personnel. ([Exhibit E](#))
3. List the name and location of primary individual(s) and the names and locations of personnel who directly support the primary individual(s) and backup personnel who would be responsible for our account and provide brief biographies including titles, functions, academic credentials, relevant experience and number of years in their current position on job functions and in private equity consulting, how many other accounts for which they currently have responsibility, and a profile of their current clients. Identify and explain the role of back-up personnel. ([Exhibit E](#))
4. List the office location (primary and secondary) from which the work is to be delivered. Will any of the key staff or support staff working on the ERS account work from a location other than an office (e.g., from home, remote facilities)
5. List the personnel who share an equity stake in the organization and describe any other provided incentives to retain your most talented staff.
6. Explain how junior level staff are trained or developed to assume more senior level positions in your firm and cite the criteria used to promote them.
7. List and describe how many support staff including (but not limited to) research analysts and other technical personnel that the primary consultant has access to in servicing ERS account.
8. What policies are in effect to control the workload as it relates to the number of clients serviced by each consultant? Is there a limit on the number of accounts that a consultant may handle?
9. Describe the turnover in key professional personnel in each of the last five (5) years (ending 8/31/2022). Indicate the number of people gained/lost in the following categories:
  - a. Client consultants
  - b. Key technical personnel

Name/Position	Joined/Left the Firm	Years with Firm	Replacement	Reason for leaving

10. Describe your firm's efforts to encourage and embrace diversity as it relates to staff. What initiatives, if any, does your firm have in place to encourage diversity throughout the organization?



11. Who at the firm has named accountability for assessing ESG-related risks and opportunities, if any?

## **E. Standard Consultant Services**

1. List all standard services provided in a typical general consulting and performance monitoring relationship. List the special services that you have provided to meet other needs of your clients including any service mentioned or referenced in this RFP and Questionnaire (and which of those mentioned or referenced in this RFP and Questionnaire that you will not do). Which of those services are in addition to (or not mentioned in) the Scope of Services described in this RFP?
2. Please elaborate on the approach, delivery frequency, and staffing assigned to the following *Specified Services* offerings (a portion or all) for a non-discretionary general consultant engagement.
  - a. Asset/Liability Studies and portfolio optimization.
  - b. Asset allocation and investment portfolio structure.
  - c. Policy development and updates of client manual.
  - d. Manager search and selection process.
  - e. Benchmarking and analysis.
  - f. Manager monitoring and style factor analysis.
  - g. Performance measurement and attribution of portfolio and investment managers.
  - h. Research and education.
  - i. Cash flow modeling.
  - j. Strategic and tactical planning.
  - k. Special education.

## **F. General Consulting Services**

### **PHILOSOPHY AND APPROACH**

1. Please describe your investment consulting philosophy. Please address the decision-making process and the titles and responsibilities of the various individuals involved at each stage of the process.
2. How does your firm implement this philosophy? How would you implement this philosophy with respect to ERS?
3. What approaches does your firm use to communicate with your clients? What should a client expect from you in terms of client service? What is your availability to meet with the Investment Committee and staff for investment policy review, manager searches, review of individually managed account-related matters, and other issues that may arise?
4. Discuss the firm's views on active vs. passive management and when it is appropriate to use each and how to determine the optimal mix.
5. Discuss the firm's views on performance-based fees, flat fees with or without performance bonuses, or any other fee structures the firm may recommend. Provide recommendations on other methods for appropriately aligning investment managers' economic interests and for lowering investment management costs.

## **POLICY**

6. Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can the firm provide custom benchmarks? Style benchmarks? Indicate whether the firm has ever developed benchmarks and, if so, provide a description of the benchmarks developed.
7. Discuss the firm's views on appropriate benchmarks for global public investment and alternative investment portfolios. Please include examples using market indices, style-related benchmarks and custom blended indices.
8. Discuss the firm's experience and capability for providing advice on establishing investment guidelines.
9. Discuss in detail the firm's overall experience and expertise in global public market investments and alternative investments, including emerging markets, hedging, derivatives and trading.
10. Describe the firm's experience and capabilities in analyzing and monitoring global managers, including currency effects, the use of hedging, authorized countries, emerging markets and appropriate benchmarks.
11. Discuss your experience in working with the client's actuary and how the findings of their study are integrated into the asset allocation policy.
12. Describe the firm's ESG Policy, if any.

## **PERFORMANCE**

13. Discuss in detail the firm's performance attribution analysis. How does it handle global stock and bond portfolios containing derivative instruments such as futures and options?
14. Describe the firm's methodology and sources of data for analyzing and evaluating your client's portfolio performance, including the incorporation of illiquid assets such as real estate and alternative investments.
15. Describe the firm's process for monitoring investment managers that will be utilized during the proposed relationship with ERS. Relate the process to a client's goals, objectives and investment policy. Specifically, describe the monitoring of performance, risk, style integrity, contract compliance, account restrictions, activities creating potential conflicts of interest, reporting requirements, and trading costs (including foreign exchange).
16. Describe the firm's internal system for monitoring manager compliance with the client's Investment Policy Statement and specific manager guidelines, as well as style consistency.
17. Provide one sample each of the following reports that your firm will generate for the ERS as [Exhibit F](#):
  - a. Performance Attribution (Quarterly)
  - b. Risk Analysis (Quarterly)
  - c. Style and Factor Analysis (Quarterly)

d. Trading Cost Analysis (Annually)

**RISK**

18. Discuss any other systems or mechanisms you provide that helps monitor or control manager risk.
19. Describe the firm's criteria for recommending an investment manager to be placed on probation, removed from probation, or replaced.
20. Discuss any experience of the firm in helping the client manage and control its cash flow and liquidity over long periods of time (i.e., 10 years horizon or longer).

**OPERATIONS AND ADMINISTRATION**

21. Describe your firm's experience in evaluating and making changes to a client's policy and procedure manual. What experience do you have in drafting and formalizing individual manager guideline documents?
22. Describe how the firm would advise a client regarding minimizing trading costs (including foreign exchange) both on an ongoing basis and during a manager transition. Include a discussion on crossing and aggregating trades among internal and external accounts. What is the firm's position on the use of a client's commission dollars to purchase research or services for the use of the money manager?
23. Does your firm offer training of plan fiduciaries and staff as it relates to their investment responsibilities? If so, describe the type of training available and the qualifications of individuals assigned to conduct the training. Is this training included in the proposed fee?
24. Describe the firm's technology capabilities and relate them to the consulting services or products. Does the firm provide any customized computer-based analytical tools to your clients? If so, include in the description the computer language in which the programs are written. Describe the services the firm provides over the internet that are accessible by clients on-line. Include a description of client account analysis and performance reporting that is available on-line.
25. Do you conduct period due diligence site visits of the investment managers of your clients? If not, will you participate at a specific client's request, and will there be an additional charge for this service?
26. Discuss your experience in advising clients on transition management.
27. Discuss your experience in advising clients on commission recapture programs.
28. Discuss your experience in analyzing and evaluating securities lending programs. Have you recommended to your clients that they reduce their risk exposure with this type of program?
29. Discuss your philosophy on proxy voting as it pertains to allowing the investment managers vote proxy ballots versus uses a proxy voting agent? What experience do you have drafting proxy voting policy customized for the client? Comment on other forms of corporate governance activism that you believe add value to plan assets.

30. Discuss the kinds of education and training you provide to clients. What five educational topics do you believe are relevant for Boards and staff over the next five years?
31. Does your firm utilize, or otherwise interact, with placement agents? What value is derived from these relationships?

## **G. Asset Allocation**

1. Describe your firm's asset allocation and liability modeling process. Is this modeling function included in the proposed fee? Do you conduct this modeling or do you sub-contract this service out? If sub-contracted, please name that vendor and related organizational information.
2. Discuss in detail the theory and methodology of the asset allocation models the firm employs. How does the firm develop input data for the models employed? At a minimum, discuss for public equity fixed income, and alternatives, the derivation of expected returns, risks, correlations, use of constraints, or scenario forecasting. How are the liability structure, funding level, and changes in the contribution level incorporated? Discuss your capabilities for analyzing liabilities.
3. Please present your current capital market assumptions, including the expected return for major asset classes, anticipated correlations between asset classes, expected asset class standard deviations, inflation and any associated commentary as [Exhibit G](#).
4. Describe the portfolio level risk management, or risk budgeting, analysis that your firm conducts for its clients. Describe how frequently this analysis is conducted and the various factors that are considered as part of the analysis. Attach a sample risk management or risk budgeting report that your firm would provide to ERS as [Exhibit H](#).
5. Does your firm assist clients with creating Fund level cash flow models to assess their overall liquidity? How is cash flow analysis integrated into the asset allocation model?

## **H. Performance Measurement Reports**

1. How frequently are client reports generated?
2. How soon after each reporting period are the reports distributed?
3. Describe the qualitative factors, if any, that are included in your reports?
4. Discuss the differences you see in performance measurement using market indexes versus peer rankings.
5. How flexible is the format of your client reports? Do you have the ability to deliver electronic versions of your client reports?
6. Are there additional costs associated with customizing the client report format? If so, how are these customizations priced?
7. Please provide the following and attach as [Exhibit I](#):

- a. Sample performance reports that your firm will generate for ERS.
  - b. Material describing the rate of return calculation methodology used for individual and composite accounts.
  - c. Glossary or terminology definitions used by the consultant (if not already in your provided sample performance report).
8. Describe the quantitative measures used to assess ESG, if any.

## **I. Manager Search Process**

1. Describe your manager search process from sourcing until manager is hired and contracted by the client
2. Does the firm maintain a database of investment managers and advisors? If your firm does not maintain an in-house database, what vendor do you purchase the database from? How many managers and advisors are contained in the database? What fields are tracked (e.g., name, style, AUM, capitalization, benchmark, etc.)? How often is the database updated?
3. Describe how the firm gathers, verifies, updates, maintains and analyzes the data collected on managers for the database. Describe the screening variables and capabilities of the database. Describe the capability of providing custom client reports. Describe the peer groups included in the database.
4. Is a fee charged, or other valuable consideration requested, to investment managers to be included in the database?
5. What expenses in the manager search process are not included in the proposed consultant fee? (e.g., travel expenses to conduct due diligence, RFI investment manager advertisements)
6. Describe the firm's process for the evaluation and selection of investment managers for a client. Include how the firm evaluates a manager's personnel and organization, investment philosophy, investment style(s) and products, research and/or modeling capabilities, financial condition, assets under management, type of clients, client service, and fees. Relate the process to a client's goals, objectives, investment policy and fiduciary responsibility. Include a sample copy of your firm's Manager Due Diligence Checklist or template as [Exhibit J](#).
7. Describe your firm's methodology and sources of data for analyzing and evaluating a potential manager's performance. Discuss how the firm verifies the accuracy and appropriateness of a manager's performance history submitted by a manager in response to a request for proposal.
8. Discuss the firm's knowledge of and expertise in applying GIPS/AIMR performance presentation standards. Does the firm act as a third-party vendor to independently verify that manager's performance returns are accurate and were calculated according to GIPS/AIMR standards?
9. How does ESG factor into your manager search process both at the business/organizational level and the strategy level?
10. What do you believe sets your manager search services apart from other consultants?

## **J. Research**

1. Describe the internal structure and organization of your firm's research department. If no separate department exists, describe how this function is structured or addressed. What percent of the firm's revenues are annually reinvested in the firm's research function?
2. Describe the manner in which internal and external resources and sources of information are used in the research process. How does the firm integrate internal and external research?
3. Describe in detail the type and frequency of research that would be provided to ERS. Through what media is it provided? Does the firm provide research reports other than those specifically requested by the client? If so, please describe. What research and analytical resources (including databases) does the firm possess that will be provided to ERS?
4. Attach as [Exhibit K](#) two samples of the firm's recent research reports. Provide a list of research generated during 2021 and 2022. For each report, include the title of the research, date of issue, author and single line description of the subject.
5. Does your firm perform topical research on investment trends, inflation, geo-political events, products, strategies, etc.?
6. Outline the process for monitoring and reporting on market trends. Describe the capabilities for reporting and tracking international trends and influences.

## **K. Custodian Bank Search Process**

1. Describe the firm's expertise and experience in advising clients in custodial services and securities lending programs.
2. Describe your custodian bank search process. Please include details such as criteria used for selecting and evaluating a custodian.
3. Does your firm maintain an in-house database of custodian banks? If not, from what vendor do you purchase the database? How many banks are contained in the database?
4. Do you charge direct or indirect fees for custodian banks to be included in your firm's database? If so, describe the fees.
5. If you have an in-house database, do you sell it to third parties? How do you receive compensation for selling it?
6. How often are custodian banks in your database reviewed? Under what circumstances are custodian banks added to your database? Deleted?
7. Describe any advantages that you perceive your custodian bank database has over your competitors.

## **L. Litigation and Investigations**

1. Has there been any investigation, litigation (including any settled out of court) or regulatory action by regulatory agencies against the firm or any of its principal/owners, officers within the past five (5) years (ending 8/31/2022)? If so, please provide a synopsis, the current status, and a comment on the action's merits.
2. Has any senior management or principal level employee or staff member been convicted of a misdemeanor or felony in the past five years? Please describe.

## **M. Compliance and Conflicts of Interest**

1. Does the firm, or parent company, currently engage in any other business activities other than general consulting? If "yes," describe the nature of the other business activities, what percentage of the general consulting business makes up the total revenue of the overall firm, and how you mitigate conflicts of interest among various parts of the business where such conflict exists or is *perceived* to exist.
2. Does your firm have a dedicated, full-time compliance officer? If not, who manages conflicts?
3. State whether or not the employees comply with the Code of Ethics and Standards of Professional Conduct of the Association of Investment Management and Research (AIMR).
4. Does your firm maintain a code of ethics? If so, attach as [Exhibit L](#).
5. Does the firm currently manage, or plan to offer, any investment management or Fund of Funds products? If "yes," describe how the firm avoids any conflicts of interest with these offerings.
6. Describe any financial relationships that exist with other organizations such as brokerage firms, insurance companies, commercial banks, investment banking firms, investment management firms, etc.
7. Describe your firm's gift acceptance policy.
8. Please disclose the nature of any business relationship that the firm has now, or has had, in the past ten years with any current or past ERS Board member, consultant, or staff.
9. What is your firm's position on third-party placement agents and do you currently engage or do business with such service providers? Where do they add value (if any)?

## **N. Miscellaneous**

1. Based on what you know about the ERS, please write a one-page general consultant advisement plan briefly describing what recommendations or areas you would like to address with the Board of Trustees during the first year of an engagement. Include this recommendation write-up in [Exhibit M](#).

2. What impact has FASB 157 had on your business and its ability to report performance back to the client on a timely basis? Please describe some of the issues that your firm has addressed with complying with FASB 157 especially as it relates to your US public pension plan clients. What issues have your clients raised with your organization on this matter?
3. Describe the firm's policy or position regarding FOIA (Freedom of Information Act) requests and other public disclosure laws. What are some of the issues that have been confronted by your other public pension clients?
4. Does the firm provide clients with an online web site or client portal? How long has this site been in use? Describe in detail the information that is available on this website.
5. The ERS is currently a member of NASRA, NASIO, and the ILPA. What other investment organizations would you recommend we join and why?
6. Describe the nature of your written Business Recovery Plan.



**Employees' Retirement System of the State of Hawaii  
Investment Consulting Services  
Request for Proposal**

**MINIMUM QUALIFICATIONS CERTIFICATION**

The undersigned Offeror hereby represents and warrants to the Employees' Retirement System as follows:

1. Offeror is an investment advisor registered under the Investment Advisors Act of 1940.
2. Offeror has been in business as an investment consultant for a minimum of seven years.

Date business commenced (please provide commencement date for each of the areas covered by the proposal): \_\_\_\_\_

3. Offeror provides investment consulting services to at least one public retirement system defined benefit client with assets greater than \$5 billion.

Name(s) of client(s): \_\_\_\_\_

4. The primary consultant assigned to the ERS account has a minimum of seven years of experience providing domestic and international investment consulting services to public pension plans.

Name of the primary consultant: \_\_\_\_\_

Number of years of experience: \_\_\_\_\_

5. The Offeror's principal place of business is in the United States. Offeror is subject to service of process in the United States.

Location of Offeror's principal place of business: \_\_\_\_\_

\_\_\_\_\_

6. If awarded the contract, the Offeror will serve as a "fiduciary" with respect to the ERS.

**OFFEROR'S NAME:** \_\_\_\_\_

**Signed:** \_\_\_\_\_ **Date:** \_\_\_\_\_

## FEE PROPOSAL

**If an offeror is submitting a proposal covering more than one type of consulting services, the offeror should submit a separate fee proposal for each type consulting service, as well as an aggregate fee proposal for all services covered by the proposal.**

As the term of the contract is expected to be three (3) years with a three (3) year extension issued at the discretion of the ERS, the Fee Proposal should be guaranteed for a period of not less than five (5) years from the effective date of the contract. The services detailed under Paragraph VI of the Scope of Work Section of this RFP should form the basis for the proposed fees and should be referred to for a detailed description of the services required of the successful offeror. Proposed fees must include travel, taxes and all expenses.

Offerors should submit an all-inclusive annual fee for all services as follows:

All-inclusive flat fee – year 1	\$ _____
All-inclusive flat fee – year 2	\$ _____
All-inclusive flat fee – year 3	\$ _____
Sub Total (Years 1-3)	\$ _____
All-inclusive flat fee – year 4 (if extension is issued)	\$ _____
All-inclusive flat fee – year 5 (if extension is issued)	\$ _____
All-inclusive flat fee – year 6 (if extension is issued)	\$ _____
Total Fees (Years 1-6)	\$ _____

The method of payment is described in Paragraph III of the Scope of Work section.

The final contract fee should represent the only compensation received by the consultant for services provided to ERS. There should not be any other benefit, monetary or otherwise, that results from this relationship between the consultant and ERS.

**Attachment A**  
**Sample Contract**

**(Refer to the Attached File)**