

Questions: Operating Pool Bid #219-17

Below is a comprehensive list of questions received in regards to this RFP with the University's associated responses. Please note that, at the University's discretion, a limited number of questions that were submitted were eliminated from the pool.

- Are you currently working with an investment advisor?
 - Yes
- If yes, can you provide the name of the firm and/or contact name?
 - Fund Evaluation Group
- Is this current search for an investment advisory firm the result of an expiring contract with an incumbent advisory firm?
 - Governance and best practice
- The Operating Investment Pool's current holdings?
 - PIMCO Short Bond Fund, Seix US Gov't Ultra Short Bond Fund, PNC Ultra Short Bond Fund, Vanguard Short Term Investment Grade, Western Asset Intermediate Bond, Doubleline Low Duration Bond Fund, JPMorgan Core Bond Trust, Doubleline Total Return Bond Fund, Vanguard Inflation Protected Securities. Various Money Market Accounts, Commercial Paper holdings, and T-Bills / Agencies.
- The Operating Investment Pool's cash flow history and/or projected cash flow?
 - Cash balances will fluctuate based on the cyclical nature of annual cash flows. Highpoints of cash occur during the months of August and January when tuition is received with the low point typically occurring in July.
- Areas that you seek to improve in the Operating Investment Pool?
 - No notable issues at this time.
- GVSU expects the new Investment Advisor to provide the following services as a part of the contract: 3.8 Conduct manager searches and make recommendations as required for new asset allocations or to replace existing managers. Would GVSU consider hiring an Advisor who also was the sole manager of the portfolios?
 - Open for discussion.
- Exhibit A lists several benchmarks that are no longer in existence (Merrill Lynch 91-Day Treasury Bill Index and Lehman Brothers' Long-Term Government/Credit Index). Have these Benchmarks been replaced and if so, what are the current benchmarks?
 - Policy statement needs to be updated. Long-term benchmark was changed to Barclay's Long-Term Government/Credit Index.
- What is the most important investment issue your fund is currently facing?
 - None at this time
- What prompted your desire to conduct a search at this time?
 - Governance and best practice
- Can you provide the asset allocation with the investment managers for the Operating Pool?
 - See previous listing of current holdings.
- Do you anticipate making any changes to the asset allocation of the fund? Are you considering any new asset classes?
 - Nothing under current consideration by subject to discussion.

- Does the Operating Investment Pool use separate accounts or mutual funds/commingled funds?
 - **Separate accounts.**
- Are the monies from tuition typically held in a cash account? What are the investments in the operating account (\$35 million)?
 - **Yes, mix of money market accounts, commercial paper, T-bills / Agencies.**
- Are there any particular philosophical preferences among the Operating Pool and Investment Committee (e.g., regarding asset allocation; use of alternative assets; direct vs. fund-of-funds; active vs. passive management; etc.)?
 - **Overall philosophy can be found in Statement Policy Statement provided with the RFP (Exhibit A).**
- In your review process, what discretionary characteristics will you be emphasizing (i.e., fund of funds approach, customized portfolio, lowest fees, best returns, etc.)
 - **All benefits / characteristics will be considered vs. current non-discretionary approach.**
- Who is your custodian? Does your custodian hold all of your assets? If no, what types of assets are not held at the custodian?
 - **Current custodian is PNC Bank. No – some liquid assets are not held by custodian (money market, commercial paper, T-bills / Agencies).**
- Does your current consultant assist you with the back-office administration (i.e., filling out subscription documents, facilitating transactions through your custodian)? If yes, can you describe the process?
 - **No**
- Does GVSU seek to implement any specific mission-related or socially responsible investment objectives? If so, what might those be and are you getting support from your current advisor to implement these investments?
 - **Currently not pursued but open to consideration.**
- Is the Investment Committee different from the Investment Committee for the Foundation?
 - **Yes – separate committees.**
- How frequently will the consultant meet with the Investment Committee? Are the meeting dates different from the meeting dates for the Foundation?
 - **Quarterly meetings. Yes, different dates (separate committee).**
- Are you looking for the same consultant for the Operating Investment Pool as the Foundation?
 - **We are open to proposals for both separate or combined engagements.**
- Will including custody of assets in our DCIO proposal be an issue for GVSU in evaluating us vs. the other bidders? Will you consider the scenario of bundling custody with the investment program?
 - **No. Bundling is open to consideration.**
- Does GVSU meet regularly with your managers today for routine presentations? In a DCIO scenario, would that be expected to continue or will GVSU allow that to be delegated to the consultant?
 - **No, this is currently delegated to the consultant and expected to continue.**
- Is it your intent to award the proposals for the Endowment and Operating accounts to the same firm, or will individual firms be considered for each RFP?
 - **Currently managed by separate consultants but open to combining under one but not required for proposal submission. Individual firms will be considered.**

- What is the frequency of funds movement in/out of the Cash Investment portfolio? Is the current portfolio maintained at the same institution as the operating DDA's, or are funds transferred in/out of the investment portfolio by wire/ACH?
 - Funds are held at various institutions and transferred via wire transfer. Funds are transferred on as needed based on seasonality of tuition receipts.
- Instead of submitting RFP on USB Flash Drive, can a copy be sent to you with a link via encrypted e-mail for electronic delivery?
 - Yes
- What is prompting the RFP for the Endowment and Operating funds?
 - Governance and best practice
- Who is the current consultant and how long have they been the consultant?
 - Fund Evaluation Group since 2008
- Is the same consultant retained for both funds?
 - No
- Is the desire to choose one consultant for both funds?
 - We open to either separate or combined engagements.
- Are the quarterly meetings with the Endowment Investment Advisory Committee and the Operating Cash and Investment Committee generally scheduled around the same time? Can you provide the 2019 committee meeting schedule?
 - Separate committees. Operating cash meets quarterly with flexible scheduling.
- The RFP states that the current asset allocation includes an 8% target to private equity, but that you are about to increase that to 25% plus an additional 5% to private real assets. Does either of these categories include private real estate (e.g., value added, opportunistic)? How did you reach the updated 30% target to private investments?
 - This asset allocation target is for the endowment fund. Not applicable to the operating pool.
- Does the annual spending (e.g., 4-5% of the 12 quarter average endowment value) go to support the University's operating budget? If so, can you tell us what percent of that budget is supported by the annual spending dollars?
 - This spending policy is for the endowment fund. Not applicable to the operating pool.
- Has the endowment been the recipient of fundraising proceeds and do you expect future capital contributions to the endowment?
 - Not applicable to operating pool.
- The RFP references operating reserves and endowment assets. Can you please clarify whether the consultant selected from your search will be working with one or both pools of assets? It appears that the asset allocation included is just for endowment assets, while two policy statements were included.
 - Two separate RFPs have been issued, each with its respective investment policy provided. Currently managed by separate consultants but open to combining under one but this not required for proposal submission
- Can you please provide the reason for the issuance of this RFP?
 - Governance and best practice
- How many meetings per year should the hired investment consultant expect to attend? Is the meeting schedule for 2019 available? If so, can you please provide it?
 - Operating cash meets quarterly with flexible scheduling.
- Are there any investment initiatives being planned for the next 12-16 months?
 - None currently planned.

- How many manager searches have been conducted each year, over the last 3 years?
 - Average two / three searches.
- Has a pacing program been established for the growth of the PE / private real assets portfolio? If so, can you share expected commitment amounts over the next several years?
 - PE / private real assets are not part of the portfolio or allowed per policy.
- Would future commitment bite sizes be consistent with the post 2018 commitment sizing?
 - PE commitments are not part of this portfolio.
- Does the portfolio have PE sub-asset class target allocations?
 - PE assets are not part of the portfolio.
- Can you please provide the name and the length of time the incumbent advisory consultant has been retained?
 - Fund Evaluation Group since 2008.
- Is the scope outlined in the RFP consistent with the incumbent advisory consultant's contract? If not, what items are different?
 - Scope is consistent but discretionary options will be accepted.
- How are allocations determined? The intermediate-term and long-term segments collectively cannot exceed 90% of the balances, but they are currently approximately 46%.
 - Reviewed annually.
- How often would rebalancing be required to ensure the appropriate balances/allocations between operating cash vs. short-term investments vs. intermediate-term investments vs. long-term investments?
 - Reviewed quarterly.
- In Section 2.3 of the RFP document, is the \$35 million held in the operating account included in the 54% allocation to short-term?
 - Yes
- Referencing Section 2.3: As of December 31, 2018, the University had operating cash and investments of approximately \$285 million. Of this \$285 million, \$35 million was held in the University's operating account and approximately 54% of the pool was considered short-term, 29% intermediate-term and 17% long-term. Investments were allocated as 40% cash or cash equivalents and 60% fixed income.
 - Are the percentages given for short, intermediate, and long-term inclusive of the \$35 million held in the operating account or is the \$35 million excluded from those percentages?
 - The \$35MM is included in the 54% allocation to short-term pool.
 - The RFP states: investments were allocated 40% cash or cash equivalents and 60% fixed income. Is this referring to the entire \$285 million in the operating pool as of 12/31/2018?
 - Yes - refers to the entire \$285MM operating pool
- What are the main reasons for conducting a search at this time?
 - Governance and best practice
- What are the key challenges or concerns that you are currently facing?
 - None at this time.
- Can you describe the make-up of the investment committee?
 - Committee consists of University staff and advisor.
- How does the Investment Committee interact with, and make decisions with, internal staff and your current advisor?
 - Committee meetings – Internal staff and advisor are part of committee.

- Does the Investment Committee have a preference for either retaining or delegating discretion/approval of investment decisions?
 - Discretionary engagements have not been considered by the committee to date but are open to proposals for consideration.
- Are there any particular philosophical preferences among the Investment Committee (e.g., regarding asset allocation; use of alternatives; direct vs. fund-of-funds; active vs. passive management, etc.)?
 - Follow Investment Policy Statement. Any potential changes subject to discussion.
- Are there any connections (Board, Investment Committee, alumni) to any of the existing managers in the portfolio that we need to be aware of?
 - No
- Can you help us better understand the long-term return objectives, risk tolerance, liquidity needs, and any other important policy considerations for the portfolio?
 - Overall philosophy of operating cash and investments can be found in the Investment Policy Statement provided with the RFP (Exhibit A).
- What are the demands on the portfolio (i.e., 5% spending, debt covenants, etc.)?
 - Cash balances will fluctuate based on the cyclical nature of annual cash flows. Highpoints of cash occur during the months of August and January when tuition is received with the low point typically occurring in July.
- What are the more pressing concerns or areas of uncertainty regarding the portfolio?
 - None at this time.
- What is the committee's current thinking regarding the use of alternatives in the portfolio?
 - Not allowed per policy.
- Does the University seek to implement any specific mission-aligned or socially-responsible investment objectives? If yes, please elaborate.
 - Currently not pursued but open to consideration.
- Will you be able to share the current Investment Policy Statement and portfolio?
 - Provided with RFP – Exhibit A.
- What services are you receiving today?
 - Non-discretionary services.
- What are the key decision criteria? What is most important in selecting a new advisor?
 - Provided in RFP.