

Questions: Endowment Bid #219-16

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.

- Do you view the search as an act of diligence or an actual effort to select a new consultant?
 - Governance and best practice
- What is the driving force in undertaking the search?
 - Governance and best practice
- Do you anticipate meaningful contributions or distributions from the endowment over the next 3 – 5 years?
 - Current spending policy is 4.5% on a rolling 12-quarter basis and reviewed annually. Distributions outside of this and/or material contributions may occur but are not known or planned at this time.
- Are you currently working with an investment advisor?
 - Yes
- If yes, can you provide the name of the firm and/or contact name?
 - Cambridge Associates LLC
- Is this current search for an investment advisory firm the result of an expiring contract with an incumbent advisory firm?
 - Governance and best practice
- Are you able to provide historical performance for the portfolio over training 1-, 3-, 5-, 10-years?
 - Based on annual NACUBO survey, 10-year returns have measured in the top decile in six of last 8 years and in top quartile for the last 8 years.
- Why are you seeking an investment consultant at this time?
 - Governance and best practice
- Upon completing this RFP, please list any immediate goals/projects the Investment Committee wants the new consultant to focus on first?
 - Continue increasing the allocation of Private Equity to its approved target.
- When was the last time an asset allocation was study done? Were any changes to the asset allocation made afterwards?
 - Completed annually. Recent material changes would be in relation to increasing of Private Equity allocation.
- We would like to submit two versions of our RFP response: one that contains all of the proprietary/confidential information requested and a second one to be used in FOIA requests that redact proprietary/confidential information. Is this ok?
 - It is the University's position that there are exemptions to FOIA that would allow for the non-disclosure of investment information i.e. returns, managers, amounts invested in companies. We do not believe that this exemption is extended to RFP information. Therefore, we will consider all RFP submissions subject to FOIA.
- What is the most important investment issue your fund is currently facing?
 - To assure continuous adequate returns to support annual spending.
- What prompted your desire to conduct a search at this time?
 - Governance and best practice

- Do you anticipate making any changes to the asset allocation of the fund? Are you considering any new asset classes (i.e., private debt)?
 - In October of 2017, the Endowment Investment Advisory Committee approved a 30% target allocation to private equity investments (25% private equity / venture capital, 5% private real assets). The University expects it will take approximately 6-7 years to build exposure to this target. No other material changes are considered at this time.
- What issues are under current consideration by the staff and/or committee? What strategic decisions are currently pending that the new consultant, should you determine to make a change, would likely become involved with?
 - Continued build towards target private equity allocation.
- What was your spending rate for the last two years? What percent of the operating budget is supported by the Endowment spending?
 - Current spending policy is 4.5% on a rolling 12-quarter basis and reviewed annually. This represents approximately 1.25% of operating budget.
- Who is your custodian? Does your custodian hold all of your assets? If no, what types of assets are not held at the custodian?
 - Custodial services are not currently utilized but we open to proposals that include custodial services.
- 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?
 - Yes – back office administration including filling out subscription documents and review of all associated documentation.
- Of the criteria listed in 5.5, which characteristics will you be emphasizing (i.e., historical performance track record, general and financial stability of the company, etc.)?
 - All criteria will be considered on a consistent basis across providers.
- 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 we are open to consideration.
- Is the Investment Committee different from the Investment Committee for the Operating Investment Pool?
 - Yes – two different committees
- How frequently will the consultant meet with the Investment Committee? Are the meeting dates different from the meeting dates for the Operating Investment Pool?
 - Yes. Endowment Advisory Committee meets at least twice a year, generally April and October with two or more interim teleconference calls with a sub-committee.
- Are you looking for the same consultant for the Endowment as the Operating Investment Pool?
 - Currently managed by separate consultants but open to combining under one but this is not required for proposal submission.
- Can you confirm the current year's spending rate, and expectations for future years?
 - Current spending policy is 4.5% on a rolling 12 quarter basis and reviewed annually

- The Endowment's current portfolio?
 - See exhibits C and D of the RFP.
- The Endowment's current payout policy?
 - Current spending policy is 4.5% on a rolling 12 quarter basis and reviewed annually
- The Endowment's current performance report
 - Based on annual NACUBO survey, 10-year returns have measured in the top decile in six of last 8 years and in top quartile for the last 8 years.
- In October 2017, the GVSU Investment Advisory Committee approved a 30% target to private investments (25% private equity / venture capital, 5% private real assets). Given the possible change in Investment Consultants, is GVSU committed to continue towards this 30% target to private investments or would that target be amended or revoked with the hiring of a new Investment Consultant?
 - GVSU is currently committed to target.
- Are the University Funds and its investment managers subject to the Freedom of Information Act (FOIA)?
 - As a public body, the University's records are generally subject to FOIA. It is the University's position that there are exemptions to FOIA that would allow for the non-disclosure of investment information i.e. returns, managers, amounts invested in companies.
- Is this RFP being issued as part of standard due diligence and fiduciary oversight, or is there a particular part of the investment guidelines that will be emphasized?
 - Yes, governance and best practice.
- What is the desired governance structure for the Endowment Investment Advisory Committee? You mention considering both non-discretionary and discretionary proposals so we are interested in learning how active the Committee has been in the manager selection process.
 - Currently operate under non-discretionary engagement. Committee is active in all manager selections. Discretionary engagements have not been considered in the past but are open to proposals for consideration.
- How often have manager changes occurred in the portfolio on an annual basis?
 - Changes occur as needed or as opportunities arise in the area of private equity as we build to our 30% target.
- How would you describe the Committee's investment philosophy? Any bias towards active/passive management and hedge funds?
 - Follow investment policy. See portfolio listing of hedge funds.
- Can you provide the names of your existing consultant and custodian(s)?
 - Cambridge Associates LLC. Currently no custodial services utilized.
- Can you provide the most recent performance report or portfolio statistics relative to NACUBO results as of June 30, 2018?
 - Based on annual NACUBO survey, 10-year returns have measured in the top decile in six of last 8 years and in top quartile for the last 8 years.
- Regarding the following RFP condition, does GVSU have a process through which bidders may identify portions of their proposals to be redacted in relation to public records requests? For example, is there a mechanism in place for bidders to ensure that their references' information will be omitted/obscured from copies produced for public records requests? If so, will you please provide instructions?

- It is the University's position that there are exemptions to FOIA that would allow for the non-disclosure of investment information i.e. returns, managers, amounts invested in companies. We do not believe that this exemption is extended to RFP information. Therefore, we will consider all submissions subject to FOIA.
- The final bullet point of the termination section appears to have been cut off. Will you please confirm the full text of the final bullet point?
 - Should read: The firm no longer is in compliance with the provisions of the Uniform Securities Act 265 of 1964.
- Will including custody of assets in our OCIO 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 OCIO 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.
- 4.60 How is a "stranded manager" defined? Is this illiquid alternative strategies that may have exit gates and may/may not continue to have capital calls?
 - Current manager(s) in the portfolio that you may not recommend.
- Has the University discussed or identified any specific issues or priorities like the following that it is trying to address when determining whether an OCIO (discretionary) or Consulting (non-discretionary) structure would be the best fit for the Endowment?
 - The investment interest and expertise of staff and committee
 - Available resources and or priorities of staff and committee
 - The willingness to give up discretion on part (or all) of the portfolio
 - Discretionary engagements have not been considered by the committee in the past but are open to proposals for consideration.
- 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?
 - Cambridge Associates LLC since 2003
- 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. Endowment Advisory Committee meets at least twice a year, generally April and October with two or more interim teleconference calls with sub-committee.

- Question 4.25 in the Investment Advisory Services Endowment Funds RFP asks, 'For University operating pools of similar size, what types of investments do you typically recommend and what other investment strategies are utilized to enhance the rate of return?' Should this reference 'endowment funds' rather than 'operating funds'?
 - Yes, should read "endowment funds."
- The Operating Pool includes a Proposal Form. Is this a required submission? Is there a Proposal Form for the Endowment Fund, too?
 - Not required.
- 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?
 - Yes, includes private real estate. Committee decision with consultation from consultant to set 30% target.
- 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?
 - Yes, approximately 1.25% of operating budget.
- Has the endowment been the recipient of fundraising proceeds and do you expect future capital contributions to the endowment?
 - Yes
- 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.
- Does the portfolio incorporate tactical asset allocation positioning? The current allocation targets appear relatively close to targeted weightings.
 - Asset allocation reviewed annually by the committee.
- Can you please provide additional clarification around the three portfolio classifications (Equity Fund, Diversifying Assets Fund, Fixed Income Fund)? Is there a dedicated risk profile or liquidity profile for each portfolio category? Is each category assigned a benchmark as well?
 - Each category has its own benchmark.
- What characteristics have you historically found attractive when reviewing alternative investments (asset size, type of strategy, liquidity, etc.)?
 - Due diligence and proper fit to the portfolio.
- Are there restrictions on fixed income credit quality within the Endowment, or is that limited only to the Operating Investment Pool?
 - Limited to Operating pool. No policy for endowment but quality is reviewed.
- Is Grand Valley State University open to changing custodians?
 - No custodial services currently engaged but open are to consideration.
- Are you looking to hire the same firm for both pools of assets? Or different firms?
 - We are open to proposals for either separate or combined engagements.
- Have there been any discussions around, or any interest in, ESG investment strategies?
 - Currently not pursued but are open to consideration.

- Referencing Section 2.3: As of November 30, 2018, the University's endowment fund contains assets of approximately \$124 million. The assets are currently allocated 51% to public equity, 16% to alternative assets, 12% to fixed income, 8% to private equity, 8% to public assets, 3% to private real assets, and 2% to cash. The 51% allocated to public equity is the sum allocation of 21% to US equity, 16% to developed markets, 8% to emerging markets, and 6% to global equity. See Exhibit C for detailed allocation.
 - Just for confirmation, and comparison to Exhibit C, fixed income is 12% and US equity is 21%?
 - Correct, an addendum to the RFP was issued clarifying.
- The reason for issuing the RFP?
 - Governance and best practice
- Who is the current investor advisor?
 - Cambridge Associates LLC.
- How long has the current advisor been working with Grand Valley State University?
 - Since 2003
- Is the incumbent welcome to rebid on this RFP?
 - Yes
- What are the spending needs? Scholarship distribution frequency and amount?
 - Current spending policy is 4.5% on a rolling 12-quarter basis and reviewed annually.
- Can you provide the IPS, asset allocation and benchmarks?
 - Provided as exhibits in the RFP.
- Can you provide the last two full quarterly performance reports?
 - No
- What is the organizational structure and who are the individuals that comprise of the endowment or investment committee?
 - Currently operate on a non-discretionary basis. Composition of the Investment Advisory Committee is provide in Appendix 1 of the Statement of Investment Guidelines and Objectives (Exhibit B of the RFP).
- Can you provide current financial statements?
 - Annual audited financial statements can be found on University web site: www.gvsu.edu
- 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?
 - Continued returns to support annual spending.
- Can you describe the make-up of the investment committee?
 - Composition of the Investment Advisory Committee is provide in Appendix 1 of the Statement of Investment Guidelines and Objectives (Exhibit B of the RFP).
- 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.)?
 - See allocation provided in RFP. 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?
 - Can be found in Exhibit B of the RFP – Statement of Investment Guidelines and Objectives.
- What are the demands on the portfolio (i.e., 5% spending, debt covenants, etc.)?
 - Current spending policy is 4.5% on a rolling 12-quarter basis and reviewed annually. No associated debt covenants.
- What are the more pressing concerns or areas of uncertainty regarding the portfolio?
 - Continued returns to support annual spending.
- Can you comment on the ST and LT performance? Have you been happy with performance?
 - Based on annual NACUBO survey, 10-year returns have measured in the top decile in six of last 8 years and in top quartile for the last 8 years.
- What is the committee's current thinking regarding the use of alternatives in the portfolio?
 - Open to use.
- 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 in RFP
- What services are you receiving today?
 - Non-discretionary services with back office support.
- What are the key decision criteria? What is most important in selecting a new advisor?
 - Provided in RFP
- 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