February 25, 2020

ARIZONA STATE UNIVERSITY

ADDENDUM NO 1
RFP 332001
Operating Fund Investment Advisor

Please note the following answers to questions recently asked by a Bidder. The answers, plus any additional comments are now incorporated into RFP 332001.

1. I wanted to see why the search was being conducted – contract expiration of current provider, standard due diligence purposes, seeking additional services, influx of capital, etc.?

ASU vendor and supplier contracts are re-bid after five years. This a regularly scheduled RFP for this service.

2. I had Meketa Investment Group serving as the incumbent provider, but was not sure if that was still accurate. What firm currently provides the services?

Meketa Investment Group is the current investment advisor for the ASU Operating Fund and has provided these services since 2013.

3. Will the incumbent provider be invited to rebid?

Arizona State University is a public institution and must adhere to (Arizona Board of Regents and the State of Arizona) rules and regulations. Request for proposals are open to the public, any entity can submit a proposal and will be considered for the RFP.

4. What timeframe does the university expect to interview finalists and ultimately select a firm?

The plan is to complete the RFP process by May 1, 2020.

5. What prompted your desire to conduct a search at this time?

Please refer to question one.

6. Who is the current consultant? Is the current consultant being considered as part of this process?

Please refer to question two and three.
7. What are the annual fees for the existing contract that the Fund is paying to its current consultant? Are there project-related fees associated with the current arrangement that are not part of the base fee?

The current contract is for $90,000 per year. There are no other costs or fees associated with this contract.

8. Do you have any specific issues in regards to your current consultant?

Our policy is to not comment on current vendors or suppliers, unless they have requested we be listed as a reference for a particular purpose.

9. What do you think is the single most important characteristic of an investment consulting firm?

The RFP scoring criteria outlines the most important characteristics of an independent investment advisor for the ASU Operating Fund. Namely the ability to meet the specifications/scope of work as demonstrated with other similar size and type of operating funds and also the experience and expertise of the staff that will be assigned to ASU.

10. Do you have a preliminary schedule of the Committee meetings?

The spring meeting is prior to the award of the RFP and the fall meeting has not been scheduled.

11. What is the most important investment issue your Fund is currently facing?

Most important issues are to remain in compliance with applicable policies, balance liquidity needs vs. risk and return goals.

12. What are the main reasons for conducting a search at this time?

Please refer to question one.

13. What are the key challenges or concerns that you are currently facing?

Please refer to question 11.

14. Who do you use as your investment advisor today?

Please refer to question 2.

15. Can you describe the make-up of the investment committee?

The committee is comprised of the Executive Vice President, Treasurer and Chief Financial Officer (CFO), Senior Vice President for Finance, faculty from the W.P. Carey School of Business, and others as appointed by the CFO.

16. What are the internal staff resources dedicated to the oversight and management of the Operating Fund?

There are two internal staff assigned to the oversight and management of the fund.
17. How does the Investment Committee interact with, and make decisions with, internal staff and your current advisor.

Investment Committee decisions are made at formal investment committee meetings. There is limited interaction between the Investment Committee, internal staff and the investment advisor apart from the formal meetings.

18. Does the Investment Committee desire to retain discretion/approval where the investment committee delegates authority over implementation to the advisor?

Please refer to the RFP, Section V Specification/Scope of Work and attachment one, Investment Policy Statement, Page two Investment Consultant Responsibilities.

19. Are there any particular philosophical preferences among the Investment Committee (e.g., regarding asset allocation; active vs. passive management, etc.)?

Investment Committee members bring varied experiences, investment philosophies to the discussions and decisions of the Committee.

20. Can you help us better understand the long-term return objectives, risk tolerance, liquidity needs, and any other important considerations for the portfolio?

Please refer to the Attachment 1, Investment Policy Statement, page 3-6 (general investment objectives, diversification, permitted investments and prohibited investments).

21. What are the demands on the portfolio throughout the year?

The fund has recently ranged from a low of $850 million to a high of $1.3 billion at the beginning fall and spring semesters. The investment advisor assists with long term investment strategies as well as investment options each semester based on expected cash flows.

22. How does the asset base fluctuate throughout the year?

Please refer to question 21.

23. What are the most pressing concerns or areas of uncertainty regarding the portfolio?

Please refer to question 11.

24. Can you comment on the ST and LT performance? Have you been happy with performance?

The fund has performed well, exceeding its benchmarks each of the last three years.

25. Will you be able to share the current portfolio positioning and list of managers/funds for our analysis?

As of 12-31-2019, the Operating fund was 24% cash/cash equivalents and 76% fixed income. Current active managers are Income Research plus Management, Dimensional Fund Advisors, and Payden & Rygel.
26. Do you have a specific RFP and/or due diligence questionnaire that you require to be used for investment manager searches? If so, can you please provide a sample?

The investment advisor is responsible to manage the investment manager selection process in conjunction with the University and Investment Committee. The regularly scheduled rebid/RFP for investment managers is scheduled for next year.

27. What does your process and timeline for the search look like?

Please refer to question 4.

28. How many firms are you considering?

Please refer to the RFP, section IV, paragraph 9.

29. Can you please provide the reason for issuance of this RFP?

Please refer to question one.

30. How many meetings per year should the hired investment consultant expect to attend?

Two.

31. Is the meeting schedule for 2020 available? If so, can you please provide it?

Please refer to question 10.

32. How many manager due diligence meetings did the current consultant attend in 2019?

The advisor is responsible for developing and implementing a due diligence and oversight plan.

33. Is it known how many are expected to be attended in 2020?

Please refer to question 30.

34. Do you currently retain an investment consultant?

Please refer to question 2.

35. If so, can you please provide their name and the length of time they have been retained?

Please refer to question 2.

36. If possible, can you please provide the current fee being paid for investment advisory services?

Please refer to question 7.
37. Pertaining to the “Technology/Network Errors and Omissions Insurance” outlined on page 21 of the RFP, our firm carries $3 million in Cyber Liability coverage. We do not maintain or receive data at the participant level, thus we believe our coverage is sufficient and meets industry standards. With this as context, can you please advise if our level of insurance is acceptable for this mandate?

It is our preference to require Technology/Network Errors and Omissions $5MM each claim, we can accept the request for $3MM.

All posting for RFP 332001 can be found at https://cfo.asu.edu/commodities-bid-board.

Deliver your Bid to Purchasing and Business Services:
1551 S. Rural Rd., Tempe, AZ 85287-5212 or mail to P. O. Box 875212 Tempe, AZ 85287-5212, no later than 3:00 P.M., M.S.T. February 28, 2020.

Thank you,

Angelica Lopez
Supply Chain Management Buyer