

**STATE UNIVERSITIES RETIREMENT SYSTEM
OF ILLINOIS**

*INVESTMENT PROCUREMENT
POLICY*



Adopted by the Board of Trustees

March 9, 2018

1. Introduction

This policy addresses the general procedures of the State Universities Retirement System (“SURS”) in soliciting bids and surveying the market for investment advisers, consultants and other investment services (the “Policy”). The selection and appointment of firms to provide advisory, consulting and other investment services by the Board shall be made and awarded in accordance with the Illinois Pension Code (the “Code”) and all other relevant authority under the Illinois Compiled Statutes.

2. Definitions

“Board” means the Board of Trustees of SURS.

“Consultant” means any person or entity retained or employed by the Board to make recommendations in developing an investment strategy, assist with finding appropriate investment advisers or monitor the Board’s investments. “Consultant” does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting services, services used to track compliance with legal standards and investment in fund of funds where the Board has no direct contractual relationship with the investment advisers or partnerships. A Consultant must be registered as an investment adviser under the federal Investment Advisers Act of 1940 or as a bank, as defined in the federal Investment Advisers Act of 1940. Included in the definition of a Consultant is a “Specialty Consultant”. A “Specialty Consultant” means a Consultant selected by the Board pursuant to a RFP process that specializes in one or more investment areas of expertise.

“Chief Procurement Officer” is an individual designated by SURS to oversee and monitor the procurement process consistent with the requirements of this Policy, the Code and all other relevant authority under the Illinois Compiled Statutes.

“Expenditure” means any investment, expense, or cost relating to Investment Services.

“Investment Adviser” is any person or firm who: (1) is a fiduciary appointed by the Board in accordance with Section 1-109.1 of the Code; (2) has the power to manage, acquire or dispose of any asset of SURS; (3) has acknowledged in writing that he or she is a fiduciary with respect to SURS; (4) is registered as an investment adviser under the federal Investment Advisers Act of 1940 or as a bank, as defined in the federal Investment Advisers Act of 1940.

“Investment Committee” means a duly authorized committee of the Board formed to assist the Board in the development of investment strategies and the review of prospective investments with the goal of supporting the Board in the prudent investment of SURS’ assets. The “Investment Committee Chair” shall mean the Chairman of the Investment Committee duly appointed pursuant to the Board’s by-laws and Investment Committee Charter.

“Investment Services” means services provided by an Investment Adviser or a Consultant pursuant to Section 1-113.14 of the Code.

“Quiet Period” means a period of time during which a search for a potential Consultant, custodian, Investment Adviser or vendor is underway and during which a set of guidelines governs any communication by the Board, Consultant or Staff with such parties.

“RFP” means a request for proposal.

“SURS” has the meaning given in Section 1 (Introduction).

“Staff” means the investment staff at SURS, including the designated Chief Investment Officer (the “CIO”).

3. Applicability of RFP Procedures

a. General applicability.

The RFP procedures in this Policy apply to all Expenditures, including but not limited to, hiring of Consultants, Investment Advisers, custodians, proxy voting service providers and defined contribution service providers other than (i) emergency procurements, and (ii) at the discretion of the Board, contracts that are nonrenewable and one year or less in duration, so long as the contract has a value of less than \$20,000. All exceptions granted under this section must be published on the SURS web site, shall name the person authorizing the procurement, and shall include a brief explanation of the reason for the exception.

b. Additional Expenditures Covered by this Policy

Unless specifically waived by the Board, effective July 1, 2018, the following Expenditures shall be subject to this Policy as proscribed below:

- i. fund-of-funds investments shall be subject to the procurement requirements of this Policy at least once every five years; and
- ii. follow-on funds that are managed in distinct entities from prior investments shall be subject to the procurement requirements of this Policy. For the avoidance of doubt, any follow-on fund shall not be subject to the procurement requirements of this Policy if such follow-on fund is recommended by a Specialty Consultant consistent with Section 3(c) of this Policy.

c. Expenditures Exempt from the Procurement Procedures of this Policy

Notwithstanding anything provided in this Section, the Board will not be required to fulfill the RFP procurement requirements of this Policy for a follow-on fund or any investment if the follow-on fund or investment is specifically recommended by a Specialty Consultant and if such Specialty Consultant has adhered to the procurement requirements specifically outlined in this Policy for a Specialty Consultant.

4. Procurement Procedures and Schedule

The following are the general procurement actions that shall be taken by SURS when considering Expenditures. SURS shall develop and use uniform documents for the solicitation, review and acceptances of all Investment Services. References to actions by the Staff in this Policy shall mean the Staff in consultation with any applicable Consultant retained by SURS.

Prior to the Issuance of a RFP

- a. Prior to issuance of a RFP, Staff shall compile a list of potential respondents for such Expenditure. Staff is expected to consult with third parties and potential respondents prior to the proposed RFP as necessary to address any inquiries and encourage participation in the procurement process. Members of the Board may communicate with third parties and potential respondents consistent with applicable law.
- b. Following initial due diligence by Staff and/or members of the Board, Staff shall prepare the RFP for the Expenditure. The RFP shall contain all information statutorily required, as well as such information as necessary for, or related to, any potential Expenditure. Staff shall provide a form of the RFP, specifically including a list of questions to be included in the RFP, to the Investment Committee or the Board, as may be applicable. The Investment Committee/Board shall recommend or approve the issuance of the RFP; provided, however, that the Investment Committee/Board may conclude that the issuance of the RFP is not in the best interest of SURS and may decline to approve its issuance. Staff shall also provide the Investment Committee with a tentative time-line for all actions relating to the RFP. Such time-line shall include, but not be limited to, the RFP issuance date, the date all responses are due and the date of the expected final decision. The Quiet Period is initiated with the approval to issue an RFP.
- c. Staff, in consultation with the Board, shall establish a date on which a formal RFP shall be publicly announced following approval of the RFP by the Board. In general, such date shall be established not less than ten (10) days or more than thirty (30) days following the Board's formal approval of the RFP.

Following Approval of the RFP

- d. At a minimum, Staff shall post the RFP on the SURS website, advertise the RFP in a nationally circulated investment publication and any other publication deemed appropriate by Staff or as required by law. Staff is expected to: (i) contact a reasonable number of potential respondents in order to notify them of the issuance of the RFP and (ii) disseminate such RFP to a reasonable number of potential respondents.
- e. The RFP shall provide that questions regarding the solicitation shall be submitted in writing by respondents to the designated point of contact and by the date stated in the RFP. SURS shall post responses to all questions on its website.

- f. The deadline for submission of proposals shall be not less than fourteen (14) days following the posting of the RFP. RFP responses received by the deadline stated in the RFP shall be recorded and receipted by Staff. Staff shall review and analyze the responses to the RFP as expeditiously as reasonably practical within the RFP specifications. Staff shall verify information submitted and resolve or confirm any discrepancies. Staff will eliminate any response that fails to conform to the minimum qualifications outlined in the RFP. Staff will periodically throughout the procurement process prepare an analysis outlining how all RFP responses conform to these categories and provide an update with respect to the RFP process and make such report available to Members of the Board for review
- g. Staff and/or Consultants shall meet or conduct phone interviews with representatives of the respondents selected as semi-finalists by Staff and/or Consultants to obtain an independent assessment of the firm's capabilities.
- h. Following the interview process, Staff and/or Consultants shall identify one or more qualified firms and recommend to the Investment Committee one or more RFP respondents, with a goal of presenting no less than three qualified firms, for possible engagement by the Board.
- i. Following Staff's recommendation, the Investment Committee shall interview the respondents recommended by Staff or direct that additional respondents be invited for interview. The Investment Committee shall approve a recommendation to the Board for selection of a respondent for the Expenditure. The Investment Committee may, in good faith, decline to recommend any respondent following such interviews. The Investment Committee may recommend a recommencement of the RFP process for such potential Expenditure, or terminate the search entirely.
- j. The Board may approve or disapprove the recommendation of the Investment Committee with respect to any proposed Expenditure. If practical, at the time of selection the Board shall identify a second-choice respondent in the event that the Staff cannot negotiate terms with the first-choice respondent that are, in the opinion of Staff and the Board, prudent and in the best interests of SURS and consistent with the requirements of the Code.
- k. Staff and/or Consultants shall, in conjunction with its legal counsel, negotiate the contract with the first-choice respondent. If required by the Code, such contract must at a minimum contain the specific requirements found in Section 1-113.14 of the Code. Staff shall promptly provide a report to the Investment Committee in the event Staff is unable to negotiate contract terms with the first-choice respondent that meet the requirements of the Code before engaging in negotiations with the second-choice respondent. The Quiet Period concludes with the completion of successful contract negotiations.
- l. SURS shall post the name(s) of the successful respondent(s) on SURS' web site, along with a disclosure including the total amount applicable to the contract, the total fees paid

or to be paid, and a description of the factors that contributed to the selection of the respondent consistent with the requirements of the Code.

5. Procurement Requirements for a Specialty Consultant

The following are the general procurement requirements for any investment recommended by a Specialty Consultant hired by the Board; provided, however that any procurement or due diligence requirement in the contract between such Specialty Consultant and the Board and any specific directive from the Board to such Specialty Consultant regarding a proposed investment takes precedence over the general requirements of this Section.

- a. In recommending any investment to the Investment Committee/Board for consideration, the Specialty Consultant shall develop and utilize a consistent and uniform competitive process for analyzing and vetting potential investments that shall be substantially similar to the competitive process outlined in Article 35 of the Illinois Procurement Code, if required by the Code.
- b. The Specialty Consultant shall ensure that any potential investment and its terms are in compliance with the Code and any applicable law, regulation or directive of the Board, including SURS' Investment Policy and approved asset allocation.
- c. The Specialty Consultant shall conduct such competitive process in a transparent and streamlined manner to ensure the Specialty Consultant is recommending potential investments to the Board in a timely manner.
- d. In recommending any investment to the Investment Committee/Board, the Specialty Consultant shall prepare a detailed report for the Investment Committee/Board outlining the utilized competitive process and its due diligence of the potential investment.
- e. The Specialty Consultant should endeavor to recommend one or more qualified firms to the Investment Committee/Board on a quarterly basis, if consistent with SURS' Investment Policy, asset class pacing plan and approved asset allocation.

6. Other RFP Requirements

- a. The RFP process shall comply with all relevant sections of State and Federal law, including the Code and applicable case law.
- b. It shall be the goal for Staff to recommend at least three respondents to the Investment Committee/Board for interviews by the Investment Committee/Board. If in any case an "emerging investment manager" (as such term is defined in the Code) submits a RFP response that meets the requirements for a specific search then the "emerging investment manager" shall receive an invitation to present to the Investment Committee/Board. In the case where multiple "emerging investment managers" meet the criteria of the search, the most qualified firm or firms shall be selected to present to the Investment Committee/Board.

- c. Fees are an important factor when evaluating procurement for Investment Services and will be given full consideration in the procurement process. If a recommended RFP respondent's fees are materially different from other respondents presenting to the Investment Committee, Staff will include the rationale for considering the higher cost option in supporting materials provided to the Investment Committee.
- d. SURS shall not enter into a contract with a Consultant that exceeds five (5) years in duration, unless approved by the Board and consistent with the requirements of the Code. No contract to provide consulting services may be renewed or extended. At the end of the term of a contract, however, the Consultant is eligible to compete for a new contract as permitted in the Code.
- e. Any report, documentation, or list compiled or received by Staff or a Consultant relating to a RFP or Expenditure shall be promptly made available to the Board, or an individual Board member, upon request.
- f. Nothing in this Policy is meant to prohibit or discourage any Board Member from being involved in any part of the procurement process; provided that such Board Member provides prior notice of his/her intent to participate to Staff in order to ensure such participation is in compliance with applicable law. It is expected that staff and consultants shall each provide independent recommendations to the Board regarding all such procurements.
- g. No Board member, SURS employee or SURS vendor shall knowingly cause or advise the Board to engage in an investment transaction with a vendor when the Board member, SURS employee, SURS consultant or any of their spouses (i) has any direct interest in the income, gains or profits of the investment vendor through which the investment transaction is made or (ii) has a relationship with that investment vendor that would result in a pecuniary benefit to the Board member, SURS employee or SURS vendor or any of their spouses as a result of the investment transaction. References to the "investment vendor" include an employee or agent of such firm who has greater than 7.5% ownership of the consulting firm.
- h. Quiet Period Policy
 1. A Quiet Period will commence upon Board authorization and end once a selection has been made by the Board and the completion of successful contract negotiations with a respondent;
 2. Initiation, continuation and conclusion of the Quiet Period shall be publicly communicated to prevent inadvertent violations;
 3. All Board members, and Staff other than the Chief Procurement Officer or their designee, shall refrain from communicating with respondents regarding any product or service related to the search in process. All Board members and Staff shall refrain from accepting meals, travel, hotel, or other value from such respondents;

4. Throughout the Quiet Period, if any Board member is contacted by a respondent, the Board member shall refer such party to the [Chief Procurement Officer](#);
5. All authority related to the search process shall be exercised solely by the Investment Committee or Board as a whole, and not by individual Board members;
6. The Quiet Period does not prevent Board approved due diligence, client conference attendance or communications with an existing vendor; provided, however, that discussions related to the procurement and pending selection shall be avoided during those activities;
7. The provisions of this Policy shall apply throughout the Quiet Period and shall be communicated to respondents in conjunction with any search; and
8. A respondent may be disqualified from a search process for a violation of the Quiet Period or any portion of this Policy.