



OFFICIAL POLICY

Investment Procurement Policy		
Policy Register Part: VI – Investments		Policy Number: 6.3
Approval Authority: Board of Trustees		Originating Department: Investments Responsible Executive Staff Member: Chief Investment Officer
Version:	Effective Date:	Description of Changes and Link(s) to Earlier Version(s):
1	March 9, 2018	N/A – Original
2	March 8, 2019	Clarified that the Quiet Period applies to RFP process, reorganized existing language regarding specialty consultants, and clarified that specialty consultant is required to satisfy procurement diversity requirements
3	September 13, 2019	Updated procurement exceptions to match Pension Code Section 1-113.14(b) and to clarify staff involvement in strategic allocation and periodic search updates to Board
4	June 5, 2020	Added a new section detailing procurement requirements for Opportunistic Investments

5	January 29, 2021	Amended to permit Staff to authorize Specialty Consultant recommendations for commitments of \$50 million or less, to remove requirement of General Partner presentations of follow-on funds, and to require commitments to new General Partners in excess of \$50 million to be presented to the Investment Committee
6	September 15, 2022	<p>Formatted into template and amended as follows:</p> <ul style="list-style-type: none"> • In Section 5.A., Applicability of RFP Procedures, added 5.A.1.d and e as allowable exceptions per statute • Amended Section 5.B.8 to raise the mandate limit requiring manager appearance before the Board from \$50 million to \$100 million • In section 5.B., deleted 5.B.9 to reflect expansion of definition of investment committee to include entire board • Added language to Section 5.E., Procurement Requirements for Recommendations by Specialty Consultant, to document desire to seek emerging firm representation • In Section 5.E, increased size of mandate coming to the Board from \$50m to \$100m. Same change made to 5.E.2.d related to RFPs with the Specialty Consultant

1. Policy Statement

This policy (the “Policy”) addresses the general procedures of the State Universities Retirement System (“SURS”) in soliciting bids and surveying the market for Investment Services. The selection and appointment of firms to provide Investment Services shall be made and awarded in accordance with the Illinois Pension Code (the “Code”), 40 ILCS 5/1-101 *et seq.*, and all other relevant authority under the Illinois Compiled Statutes.

2. Departments and/or Staff Positions Required to Comply with Policy:

All Investment Department employees are required to read and comply with this Policy.

3. Directives

Is Policy internal only?	Does Policy Include any reporting requirements for Stoplight Report?	Citation to Statutory Mandates, if applicable
No	Procurement Policy must be posted to SURS website and filed with the Illinois Procurement Policy Board	Pension Code, 40 ILCS 5/1-113.14(b)

4. Definitions

As used in this Policy, the following term(s) shall have the meanings indicated.

- A. **“Board”** - The Board of Trustees of SURS, or the Investment Committee of the Board exercising the authority of the Board pursuant to the Board’s bylaws, as the context may indicate.
- B. **“Consultant”** - 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 discretionary Investment Advisers or 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” is a consultant who specializes in one or more investment areas of expertise and is selected by the Board pursuant to a Request for Proposal (“RFP”) process. Also included in the definition of a consultant is a **“General Investment Consultant.”** A “General Investment Consultant” is a consultant selected by the Board pursuant to an RFP process to provide general investment consulting services, including investment manager search and selection, among other things.
- C. **“Chief Procurement Officer”**- 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.

- D. **“Investment Adviser”**- Any person or firm who: (1) is a fiduciary appointed by the Board in accordance with Section 1-109.1 of the Code, 40 ILCS 5/1-109.1; (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; and (4) is either 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, 15 U.S. C. 80b-1 *et seq.* and 40 ILCS 5/1-113.14(b)
- E. **“Investment Services”** - Services provided by an Investment Adviser or a Consultant pursuant to Section 1-113.14 of the Code, 40 ILCS 5/1-113.14
- F. **“Opportunistic Investment”** - An investment opportunity resulting from dramatic market mispricing due to atypical external forces, which is time-sensitive in nature and would be expected to produce either: 1) risk-adjusted investment returns exceeding those found in more typical market environments or 2) enhanced downside protection of SURS assets.
- G. **“Quiet Period”** - A period of time during which an RFP 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.

5. The Policy

A. Applicability of RFP Procedures

1. The RFP procedures in this Policy apply to, but are not limited to, hiring of Consultants, Investment Advisers, custodians, proxy voting service providers and defined contribution recordkeepers, other than:
 - a. sole source procurements,
 - b. emergency procurements,
 - c. 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 \$20,000.00. All exceptions granted under this section must be published on the SURS website, shall name the person authorizing the procurement, and shall include a brief explanation of the reason for the exception, and,
 - d. in the discretion of the retirement system contracts for follow-on funds with the same fund sponsor through closed-end funds or limited partnerships.

- e. Procurement exception (40 ILCS 5/1-113.24) for contracts with emerging investment managers provided through a qualified manager of emerging managers
2. If in any case an “emerging investment manager” (as such term is defined in the Code) submits an 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.

B. Procurement Procedures and Schedule

The following are the general procurement actions that shall be taken by SURS when considering procurement actions. 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.

1. Staff is authorized to issue RFPs as necessary to implement, or maintain, the strategic policy targets established by the Board.
2. 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 and applicable policy.
3. Following initial due diligence, Staff shall prepare the RFP. The RFP shall contain all information statutorily required, as well as such information as necessary for, or related to, any potential procurement action. Staff shall provide the Investment Committee with a tentative timeline for all actions relating to the RFP. Such timeline 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 issuance of an RFP.
4. At a minimum, Staff shall post the RFP on the SURS website, and advertise the RFP in a nationally circulated investment publication and any other publication deemed appropriate by Staff or as required by law. Staff additionally may:
 - a. contact potential respondents in order to notify them of the issuance of the RFP, and,

- b. disseminate such RFP to potential respondents.
5. 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 provide an update with respect to the RFP process and include such report in Investment Committee materials.
6. Staff and/or Consultants shall meet or conduct telephone or videoconference 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.
7. Following the interview process, Staff and/or Consultants shall identify qualified firms to recommend to the Investment Committee for possible engagement by the Board. If in any case an "emerging investment manager" (as such term is defined in the Code) submits an 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.
8. Following Staff's and/or Consultant's recommendation, if the amount of the contemplated investment or commitment will exceed \$100 million, the Investment Committee shall interview the respondents recommended or direct that additional respondents be invited for interview. If the contemplated investment or commitment is \$100 million or less, the recommended respondents shall be invited to make final written submissions to the Investment Committee, but live interviews shall not be required unless the Investment Committee so directs. The Investment Committee shall approve a recommendation to the Board for selection of a respondent. 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 or terminate the search entirely.

9. Staff and/or Consultants shall, in conjunction with their legal counsel, negotiate the contract with the approved 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, 40 ILCS 5/1-113.14. Staff shall promptly provide a report to the Investment Committee in the event Staff is unable to negotiate contract terms with the approved respondent that meet the requirements of the Code. The Quiet Period concludes with the completion of successful contract negotiations. See also, Section 5.C.7 hereinafter.
10. 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.

C. Other RFP Requirements

1. The RFP process shall comply with all relevant sections of State and Federal law, including the Pension Code and applicable case law.
2. 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.
3. SURS shall not enter into a contract with a Consultant that exceeds five (5) years in duration. 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.
4. Any report, documentation, or list compiled or received by Staff or a Consultant relating to an RFP or procurement action shall be promptly made available to the Board upon request.
5. 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.

6. 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:
 - a. has any direct interest in the income, gains or profits of the investment vendor through which the investment transaction is made or,
 - b. 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.

7. Quiet Period Policy

- a. A Quiet Period will commence upon issuance of an RFP and end once a selection has been made by the Board and contract negotiations with the selected respondent are completed
- b. Initiation, continuation and conclusion of the Quiet Period shall be publicly communicated to prevent inadvertent violations;
- c. All Board members, and Staff other than those directly involved in the search or 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;
- d. 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;
- e. 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;
- f. 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;

- g. The provisions of this Policy shall apply throughout the Quiet Period and shall be communicated to respondents in conjunction with any search; and
- h. A respondent may be disqualified from a search process for a violation of the Quiet Period or any portion of this Policy.

D. Procurement Requirements for Opportunistic Investments

1. The Board will not be required to fulfill the RFP procurement requirements of this Policy when considering Opportunistic Investments as defined at Section 4.F of this Policy, if the requirements of this Section 5.D are complied with.
2. The following are the general procurement requirements for an Opportunistic Investment recommended by any Investment Consultant hired by the Board; provided, however, that any procurement or due diligence requirement in the contract between such Investment Consultant and the Board, and any specific directive from the Board to such Consultant regarding a proposed Opportunistic Investment takes precedence over the general requirements of this Section.
 - a. In recommending any Opportunistic Investment to the Investment Committee/Board for consideration, the Investment Consultant shall develop and utilize a consistent and uniform competitive process for analyzing and vetting potential Opportunistic Investments that shall be substantially similar to the competitive process outlined in Article 35 of the Illinois Procurement Code, 30 ILCS 500/35-1 *et seq.* if required by the Code.
 - b. The Investment Consultant shall ensure that any potential Opportunistic 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 Investment Consultant shall conduct such competitive process in a transparent and streamlined manner to ensure potential Opportunistic Investments are recommended to the Board in a timely manner.
 - d. In recommending any Opportunistic Investment to the Investment Committee/Board, the Investment Consultant shall prepare a detailed report for the Investment Committee/Board outlining the utilized competitive process and its due diligence on the potential investment. As part of the recommendation process the Investment

Consultant and Staff will secure and review all statutorily required disclosures and provide those disclosures to the Investment Committee/Board for consideration prior to taking action on the recommendation.

E. Procurement Requirements for Recommendations by a Specialty Consultant

1. The Board will not be required to fulfill the RFP procurement requirements of this Policy for any investment if the 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 in formulating the recommendation.
2. The following are the general procurement requirements for any investment recommended by a Specialty Consultant; provided, however that any procurement or due diligence requirement in the contract between such Specialty Consultant and the Board 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. Firms meeting the definition in the Code as an "emerging investment manager" are to be actively sought for potential investment in keeping with SURS' utilization goals.
 - 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. As part of the recommendation process, the Specialty Consultant and Staff will secure and review all statutorily required disclosures

and provide those disclosures to the Investment Committee/Board for consideration prior to taking action on the recommendation. If the contemplated investment or commitment is \$100 million or less, the recommended respondents shall be invited to make final written submissions to the Investment Committee, but live interviews shall not be required unless the Investment Committee so directs. The Specialty Consultant can recommend a follow-on fund commitment. The General Partner of any follow-on fund previously approved by the Board will not be required to present to the Investment Committee.

- e. Where appropriate, 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.

F. Reporting and Other Compliance Requirements

- 1. Must be posted to SURS website
 - a. Procurement Policy (40 ILCS 5/113.14(b))
 - b. Procurement exception (40 ILCS 5/113.14) for follow-on commitments with the same fund sponsor
 - c. Procurement exception (40 ILCS 5/113.24) for contracts with emerging investment managers through a qualified manager of emerging managers
 - d. Diversity disclosure (40 ILCS 5/1-113.21) No contract for investment services, consulting services, or commitment to a private market fund shall be awarded without an appropriate disclosure.
- 2. Investment Procurement Reporting
 - a. Per 40 ILCS 5/1-109.1(8) SURS shall submit a report to the Governor and the General Assembly by January 1 of each year that includes the following: (i) the emerging investment manager policy adopted, including the names and addresses of the emerging investment managers used, percentage of

the assets under the investment control of emerging investment managers for the 3 separate goals, and the actions undertaken to increase the use of emerging investment managers, including encouraging other investment managers to use emerging investment managers as subcontractors when the opportunity arises; (ii) the policy adopted setting forth goals for increasing the racial, ethnic, and gender diversity of SURS' fiduciaries, including its consultants and senior staff; (iii) the policy setting forth goals for utilization of businesses owned by minorities, women, and persons with disabilities for all contracts and services; (iv) the policy adopted setting forth goals for increasing the utilization of minority broker-dealers, including specific actions undertaken to increase the use of minority broker-dealers; and (v) the policy adopted setting forth goals for increasing the utilization of minority investment managers.

- b. Per 40 ILCS 5/1-113.22, no later than January 1 annually, each consultant retained by SURS shall disclose to its board of trustees: the total number of searches for investment services made by the consultant in the prior calendar year; the total number of searches for investment services made by the consultant in the prior calendar year that included (i) a minority-owned business, (ii) a women-owned business, or (iii) a business owned by a person with a disability; the total number of searches for investment services made by the consultant in the prior calendar year in which the consultant recommended for selection (i) a minority-owned business, (ii) a women-owned business, or (iii) a business owned by a person with a disability; the total number of searches for investment services made by the consultant in the prior calendar year that resulted in the selection of (i) a minority-owned business, (ii) a women-owned business, or (iii) a business owned by a person with a disability; and the total dollar amount of investment made in the previous calendar year with (i) a minority-owned business, (ii) a women-owned business, or (iii) a business owned by a person with a disability that was selected after a search for investment services performed by the consultant.
- c. Per 40 ILCS 5/1-113.23, no later than January 1 annually, a consultant retained SURS shall disclose to its board of trustees all compensation and economic opportunity received in the last 24 months from investment advisors

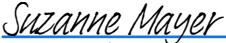
retained by the board of a retirement system, board of a pension fund, or investment board. Additionally, each consultant must be disclosed to the Board any compensation or economic opportunity received in the last 24 months from an investment advisor that is recommended for selection by the consultant. A consultant shall make this disclosure prior to the board selecting an investment advisor for appointment.

5. Exhibits

Attached hereto and incorporated herein are the following Exhibits:

N/A

6. Approval

Name	Suzanne Mayer
Title	Executive Director
Signature	 <small>Suzanne Mayer (Sep 22, 2022 11:08 CDT)</small>
Date	Sep 22, 2022

THIS POLICY WAS APPROVED BY THE SURS BOARD OF TRUSTEES

on

SEPTEMBER 16, 2022.