

**BOARD OF REGENTS, STATE OF IOWA**  
**INVESTMENT ADVISOR**  
**REQUEST FOR PROPOSALS**

**Executive Summary:**

The Board of Regents, State of Iowa, (the "Board") is soliciting proposals from qualified and experienced firms for selection as Investment Advisor to the Board and its universities.

The Board, an agency of the State of Iowa, is the governing body of the State University of Iowa at Iowa City, Iowa State University of Science and Technology at Ames, the University of Northern Iowa at Cedar Falls. Fall 2011 headcount enrollment at the three public universities totaled 73,948 students. The Board also governs the Iowa School for the Deaf in Cedar Falls and Iowa Braille and Sight Saving School in Vinton.

The Governor appoints members to the Board every two years subject to approval by two-thirds of the Senate of the General Assembly of the State of Iowa. The nine Board members serve for six-year over-lapping terms. Members can be reappointed and are selected on the basis of their qualifications to perform the duties required by the Board. Not more than five of the nine members may be of the same political party at any one time.

The Board establishes investment policy and objectives for the institutions in accordance with Chapter 12 of the Iowa Code. The Board retains several independent financial advisory firms in this regard, and has a practice of evaluating its advisors every five years, both current providers and those qualified firms that submit proposals for the Board's consideration. The Investment Policy and the most recent report to the Board are at: <http://www.regents.iowa.gov/Policies/Chapter%207/Chapter%207.pdf>; and [http://www.regents.iowa.gov/Meetings/DocketMemos/11Memos/September2011/0911\\_a&cITEM02.pdf](http://www.regents.iowa.gov/Meetings/DocketMemos/11Memos/September2011/0911_a&cITEM02.pdf)

The Board delegates to its Investment Committee the authority for monitoring the investment policies, practices, and performance of the institutions. It is the responsibility of the Treasurer of each institution to administer the Board's investment policy and to work closely with the Investment Advisor on matters related to compliance, risk management, manager selection, performance evaluation, and asset allocation. Board policy requires that the Investment Committee periodically review the performance of the investment advisor.

The Board Office, under leadership of the Executive Director of the Board of Regents, is responsible for reviewing investment reports provided by the institutions and by the investment advisor, and providing staff assistance to the Board in fulfilling their investment responsibilities.

The Investment Advisor will advise and assist the Board in assessing and developing an investment portfolio. In carrying out these responsibilities, the Investment Advisor will work closely with Board Office staff, the Regent universities, and other advisors in providing these services.

## Background:

The Regent institutions maintain two investment portfolios — operating and endowment/quasi-endowment. Both portfolios include restricted and unrestricted funds.

**Institutional Investment Portfolios**  
**Market Value (Thousands of Dollars)**  
**As of June 30, 2011**

	<u>Operating</u>	<u>Endowment</u>
University of Iowa <sup>1</sup>	\$1,312,133	\$368,740 <sup>2</sup>
Iowa State University	495,443	142,219 <sup>3</sup>
University of Northern Iowa	111,421	-
Iowa School for the Deaf	2,343	-
Iowa Braille and Sight Saving School	<u>1,513</u>	<u>-</u>
Total	\$1,922,853	\$510,959

<sup>1</sup> Includes University of Iowa Hospitals and Clinics.

<sup>2</sup> Includes UNI.

<sup>3</sup> Includes ISD and IBSSS.

### University of Iowa

The State University of Iowa, in Iowa City, Iowa, was established in 1847 as the State's first public institution of higher education. The University was the first public university in the nation to admit men and women on an equal basis and the first to accept creative work in theater, writing, music and art as theses for advanced degrees. The University is internationally known, among other things, for its Writers' Workshop, and its pioneering outer space research, with University-designed research instruments used in major missions since the 1950s. The University operates one of the nation's largest university-owned teaching hospitals. Approximately 800,000 visits are made to the State University of Iowa Hospitals and Clinics every year.

Fall 2011 headcount enrollment at the University totals 30,893 students.

The University has been accredited by the North Central Association of Colleges and Secondary Schools since the association's organization in 1913. The University is a member of the Association of American Universities. Various colleges and schools of the University are members of accrediting associations in their respective fields.

The University is organized into the following colleges: the College of Liberal Arts and Sciences, the Henry B. Tippie College of Business, the College of Education, the College of Engineering, the College of Public Health, the Roy J. and Lucille A. Carver College of Medicine, the College of Nursing, the College of Dentistry, the College of Law, and the College of Pharmacy. The Graduate College supervises graduate study offered by the University's various departments, schools and colleges, and confers master's degrees and doctorates.

### Iowa State University

Iowa State University of Science and Technology, Ames, Iowa, was chartered by the State General Assembly in 1858. Iowa was the first state to accept the terms of the Morrill Land Grant Act of 1862 and in March, 1864, the General Assembly awarded Iowa's grant to the University, known then as the Iowa Agricultural College. The first

class of 26 was graduated in 1872. Since 1959, the University has been known as Iowa State University of Science and Technology.

The University pioneered in the establishment of agricultural curricula and was the first state institution to found a veterinary school. Experimentation and research have been integral parts of the University from its beginning, first in agriculture, and later in home economics, engineering, science and veterinary medicine.

Fall 2011 headcount enrollment at the University totals 29,887 students.

The University is accredited by the North Central Association of Colleges and Secondary Schools as well as by appropriate professional organizations. It is also a member of the Association of American Universities.

The University is organized into the following undergraduate colleges: the College of Agriculture and Life Sciences, the College of Business, the College of Design, the College of Engineering, the College of Human Sciences, and the College of Liberal Arts and Sciences. These colleges each grant bachelor's degrees. The Graduate College administers the graduate programs of the colleges and confers the master's degree and doctor of philosophy. The College of Veterinary Medicine awards the doctor of veterinary medicine degree.

#### University of Northern Iowa

The University was established in 1876 and opened on September 5, 1876, as the Iowa State Normal School. In 1909, it was renamed the Iowa State Teachers College and attained a national reputation as a leading institution in the field of teacher education. In 1961, the institution's name was changed to the State College of Iowa and degree programs were added for those not planning to teach. The change to the University of Northern Iowa was effected in 1967. The University now offers courses covering a broad spectrum of curriculum on both the undergraduate and graduate level.

Fall 2011 headcount enrollment at the University totals 13,168 students.

The University of Northern Iowa is a member of the American Association of State Colleges and Universities (AASCU), the American Association of Colleges for Teacher Education (AACTE), and the Council of Graduate Schools in the United States. The University is accredited through the master's degrees, the specialist's degrees and the doctorate (Doctor of Education and Doctor of Industrial Technology) by the North Central Association of Colleges and Secondary Schools (NCA). Individual programs are accredited by several national accrediting agencies

According to Iowa Code §262.9 (18), 681 IAC §8.8, and Regent Policy Manual §7.03(G), the Board is required to issue Requests for Proposals (RFP) to select an investment advisor. The Iowa Administrative Code policy requires that this be done every five years.

## **Scope of Services to be Provided:**

The Board is seeking an Investment Advisor to provide a comprehensive range of investment advisory services, focusing primarily upon the investment of Endowment Funds. The following section identifies the scope of services to be provided. The listing is not intended to be exhaustive, but rather illustrative of the types of services required by the Board and by the universities.

The investment advisor shall regularly communicate with the Investment Committee and advise the Investment Committee on:

- Investment policy and investment opportunities and strategies that include:
  - periodic review and evaluation of investment objectives and asset allocation of institutional investment pools and specific recommendations with regard to maintaining or modifying investment strategies.
  - recommendations and advice on matters regarding investment manager selection, retention, and termination.
  - development of written investment guidelines specific to each investment manager.
  - recommended performance benchmarks for individual investment managers and for institution investment pools.
- Investment performance that include:
  - on-going reports on the performance of the institutional fund investment pools and performance of individual investment managers.
  - periodic evaluation of investment manager ability to exceed the established benchmark over a full market cycle in comparison with investment markets and other investment managers, including recommendations with regard to continuing or terminating contracts with investment managers.
  - evaluation of investment manager adherence to the terms and conditions of the investment manager agreement, including investment manager compliance with Board investment policy and the specific guidelines and standards provided to each investment manager.
  - monitoring of investment manager soft dollar policies and practices to ensure an appropriate relationship to the management of the Board's investment account.
  - review of investment and management fees and report on reasonableness.
- Custodial services that include:
  - periodic evaluation of Custodian's capabilities and fees as requested.
  - research and recommend custodial and trust providers as needed

The investment advisor shall provide immediate notification to the Investment Committee of any major change in its confidence in a particular asset class or individual managers or funds. Issues of losses or imminent losses shall be addressed and shall progress toward speedy resolution as soon as practicable.

Responsibilities include:

- notice of any regulatory actions against the investment manager firms, its principals, owners or employees.
- recommend corrective action to avoid imminent losses, to prevent further losses, or to correct a substantial policy violation.

**Format and Content of Proposal:**

The proposals should be presented in a clear and concise manner, yet include sufficient detail to enable evaluation of the firm's suitability for the assignment and probability of success. Firms with multiple offices may utilize expertise from more than one office in their proposal. Each proposal should be limited to 25 pages, exclusive of attachments.

**Six paper** copies and an electronic version of each proposal should be submitted to:

Board of Regents, State of Iowa  
11260 Aurora Ave  
Urbandale, IA 50322-7905  
Attention: Patrice Sayre, Chief Business Officer  
(515) 281-3934; [psayre@iastate.edu](mailto:psayre@iastate.edu)

**One** paper copy and an electronic version should be submitted to each of the following:

Cynthia S. Bartels  
Director, Treasury Operations  
University of Iowa  
7 Jessup Hall  
Iowa City, IA 52242-1316  
[cynthia-bartels@uiowa.edu](mailto:cynthia-bartels@uiowa.edu)

Joan Piscitello  
Treasurer  
Iowa State University  
122 Beardshear  
Ames, IA 50011  
[joanp@iastate.edu](mailto:joanp@iastate.edu)

Gary Shontz  
Treasurer and Controller  
University of Northern Iowa  
204 Commons  
Cedar Falls, IA 50614  
[gary.shontz@uni.edu](mailto:gary.shontz@uni.edu)

Copies of the proposal must be received at the above addresses **not later than 4:30 p.m. Central Daylight Time on October 31, 2011.**

All questions concerning this Request for Proposals are to be directed to Patrice Sayre in writing to [psayre@iastate.edu](mailto:psayre@iastate.edu) by noon (CST) October 14, 2011. Responses to all questions received will be posted on the Board of Regents web site at <http://www.regents.iowa.gov/rfp/rfpcover.html> no later than October 21, 2011.

Information provided by Investment Advisors in response to this Request for Proposals will be considered confidential by the Board throughout the selection process, to the extent permitted by law. The Board expressly reserves the right to reject any or all

proposals received and to waive any irregularities or informalities in proposals if such waiver does not substantially change the offer or provide a competitive advantage to any company.

While the overall format is at the discretion of the respondents, each proposal should contain the following information at a minimum:

- Provide an overview of the firm's history in the investment advisory profession.
- Describe the organization of the firm and the range of services it provides, its underlying philosophy or mission statement as investment advisory consultant, and any organizational aspects that uniquely qualify the firm for this assignment.
- Is your firm, its parent, or affiliate a registered investment advisor with the SEC under the Investment Advisors Act of 1940? If not, what is your fiduciary classification?
- Within the last five years, has your organization or an officer or principal been involved in any business litigation or other legal proceedings relating to your consulting activities? If so, provide an explanation and indicate the current status or disposition.
- How many analysts, responsible solely for investment manager research are employed by your organization? How many analysts are responsible for performance valuations, performance attribution analyses, manager searches, etc?
- List senior staff hires and departures over the last three years. For departures, indicate the reason for termination.
- List personnel who would be assigned to work for the Board, including name, title, and resume. In addition, telephone/fax number of the principal contact.
- Describe relevant investment advisory service experience with higher education, the public sector, and other entities in Iowa.
- Describe the process that would be used for review and assessment of existing Board investment policy, procedures, and current portfolio status.
- Describe in detail the type and frequency of research that would be provided by your firm and the media utilized.
- Provide the titles of all recent research reports provided within the last 24 months to your clients. Include with your response three research reports on special topics generated by your firm. If you have recently reviewed international equity investments, please include in your response.
- Describe the process that would be used to analyze and recommend appropriate asset allocation strategies.
- Describe the risk assessment capabilities and experience of your firm.
- Describe the process that would be used to evaluate investment performance.

- Discuss the international equity, international fixed income, and emerging markets capabilities of your performance evaluation system. Do you have the capability of handling currencies other than the U.S. Dollar, and how many clients use this capability?
- Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can your firm provide custom/style benchmarks and universes? List all available universes against which performance and other attributes can be measured. Are the returns in your universe actual client returns or composite returns as reported by managers?
- Describe how you would monitor the style adherence of our investment managers. Specifically, what types of reports would you use?
- Describe your process of reviewing investment manager compliance with investment objectives and guidelines.
- What do you require of the client custodian bank in terms of time and information in order to provide performance measurement and attribution services.
- Describe the process that would be used to periodically evaluate Custodian's capabilities and fees and research and recommend custodial and trust providers.
- Describe the process that would be used to provide recommendations for selection of external investment managers. How many managers are included in your database? Are managers required to pay your firm either hard dollar or soft dollar fees to be included in your database? If so, how do you control conflicts of interest? In addition to performance information, what other types of data are available on your database?
- Do you charge investment managers any direct or indirect fees when they are successful in manager searches that you conduct on behalf of your clients? What are the fees? How do you prevent conflicts of interest?
- Certify that the firm is an independent financial advisor, neither engaged in the sale of services to investment managers nor sale of investments to fund sponsors. *(Notes from last RFP say this needs to be reworded; please suggest phrasing)*
- Are there any circumstances specifically related to your investment consulting activities under which your firm, its officers, or employees receive direct or indirect compensation from investment managers. If so, describe in detail.
- Provide details of the proposed fee structure, including expenses. Indicate specifically if there are any costs to be borne by the Board outside the basic fee structure.
- Discuss the turnaround time for relaying financial indices and preparation of quarterly reports on manager performance.

- Enter the number of institutional retainer clients by asset size in each of the following categories:

Size (\$ Millions)	Corporate Funds	Endowments/ Foundations	Public Pension Funds	Other
\$0 - 50				
51 - 500				
501 - 1,000				
1,001 - 5,000				
Over \$5,000				

- Provide a list of current clients that may be contacted as references.
- Provide the names of all clients who have terminated your firm's services in the last three years. In each case, detail the reason for termination.
- If your firm is currently for sale or involved in any transaction to expand or to become acquired by another organization, please explain. If your firm has been involved in any reorganization, acquisition, or merger within the last three (3) years, please explain.
- Include any other relevant information the Board should consider in evaluating the investment advisor's qualifications.

**Additional Materials Requested**

- Form ADV
- Most recent audited financial statements
- Annual report if available

## **Selection Process:**

Representatives of the Board Office and universities will screen the written proposals. Finalists will be invited to an oral interview with representatives of the Board and Regent universities. Each Investment Advisor selected for final interview should be prepared to fully discuss and substantiate any aspects of their firm's proposal. The Board of Regents will select the entity that it believes will best meet the needs of the Board and the Regent institutions.

Preference shall be given to purchasing services from Iowa-based businesses if the price, qualifications, and experience reflected in the bids submitted are comparable to proposals submitted by out-of-state businesses that otherwise meet the required specifications.

The successful proposal will demonstrate a clear understanding of Board investment requirements, a well-reasoned strategy for success, and a proven capability to perform the required services with distinction. Evaluation of each Investment Advisor will include, but not be limited to the following:

- Overall quality of the firm's proposal as an indicator of its probability for success.
- Relevant investment advisory experience with higher education and the public sector.
- Familiarity with the State of Iowa, the Board of Regents, and the Regent institutions.
- Experience and demonstrated success as indicated in its listing of current major clients.
- Professional reputation of the firm.
- Independence from any activities which could result in a conflict of interest.
- Professional qualifications and experience of principal employees who will work for the Board.
- Commitment to fair and equitable employment practices.
- Significant consideration will be given to the proposed fee structure and estimated costs, but price will not be the sole determining factor.

Candidate interviews are tentatively set for early January, 2012, with presentation of the selected finalist to the Board of Regents for approval in February, 2012.

The laws of the State of Iowa require that at the conclusion of the selection process, the contents of all proposals will be placed in the public domain and be open to inspection by interested parties. Trade secrets or proprietary information that are recognized as such and are protected by law may be withheld if clearly identified as such in the proposal. Pricing and financial arrangements are not considered proprietary. Failure to list all proprietary sections of the submitted proposal shall relieve Board of Regent personnel from any responsibility, should such information be viewed by the public, a competitor, or be in any way accidentally released.