

**STRS Ohio Request For Proposal**

**ATTACHMENT 3 – Due Diligence Questionnaire**

Respondents shall complete each section of this attachment. Responses should be clear, concise and complete.

Firm Name: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

This questionnaire is intended to provide STRS Ohio with specific information concerning the Investment Consultant’s ability to provide the services as described in this RFP. Please try to limit your responses to no more than one (1) page per question and type each response in the same order as listed in this questionnaire.

**A. FIRM**

1. Give a brief history and description of your firm including:
  - a. Year organized and history of investment consulting services
  - b. Country and state of incorporation, principal place of business and address of the office(s) that will be providing services to STRS Ohio
  - c. Ohio authorization(s) to conduct business or confirmation that none is needed
  - d. Date of initial U.S. Securities and Exchange Commission (SEC) investment adviser registration and/or any other regulatory agency registration. Please explain if exempted from registration.
2. Describe any predecessor entities and/or key management professionals.
3. Provide location of, function of, and number of employees in each of the firm's offices.
4. Describe the nature of your firm's ownership, including specific details with regard to affiliated companies, subsidiaries, or joint ventures. Please provide a chart showing the organizational ownership structure.
5. If your firm is employee owned, provide the ownership breakdown by individual. What are the criteria for an employee to become an owner?
6. What ownership or structural changes have occurred in the last five years? Are ownership or structural changes expected in the next five years?
7. If available, please provide a report, study, or assessment of the Investment Consultant, prepared by an unbiased independent third-party source, concerning client satisfaction and measures of your firm's strengths and weaknesses vis-à-vis your key competitors.
8. Please provide your most recent financial statements, including a statement of financial position, an annual income statement, and a balance sheet.
9. Briefly outline the firm's succession plan.
10. Discuss the overall business objectives of your firm with respect to future growth, including any limits to client / consultant ratio. Comment on present or planned areas of emphasis over the near future.
11. Describe your firm's key strengths, competitive advantages, and weaknesses and how these relate to your overall business objectives.
12. Does the firm have a business recovery plan in effect including plans for an alternative work site in the event of a business disruption? Provide a general description.
13. Please provide a description of your information technology security program and certifications.
14. Please describe the insurance coverage for your firm including coverage amount, deductibles, and A.M. Best rating of insurance carrier. Include the amounts of general errors and omissions liability insurance coverage and fiduciary liability insurance coverage against acts of fraud and dishonesty.

15. Provide a breakdown of your assets under advisement (\$ millions) by client type as of 12/31/2022.

	Total Assets Under Advisement		
	\$ Amount	% Total	# Accounts
Public			
Corporate			
Insurance			
Taft-Hartley			
Endowment/Foundation			
Mutual Funds			
Other Commingled Funds			
Sub-Advised Funds			
Other (Please Define)			
<b>TOTAL</b>			

16. List the services your firm provides and revenue to the firm (\$ millions).

	Total Revenue		
	\$ Amount	% Total	# Accounts
Consulting			
Asset Management			
Other			
<b>TOTAL</b>			

17. Who are the major outside suppliers you rely on to create your product? Please list your service providers for the following:

- a. Auditing
- b. Legal
- c. Accounting
- d. Consulting
- e. Actuarial
- f. Risk
- g. Research/Analysis
- h. Any others

18. Complete the following table with clients comparable in size and complexity to STRS Ohio for which your firm currently provides services like those described in Section 3.0 – Scope of Engagement. Use more space as required. Please provide the name and telephone number of a responsible official who may be contacted as a reference. STRS Ohio reserves the right to contact any of the client references and to conduct reference checks beyond that supplied by the

Respondents. Please provide a summary description of the scope of work demonstrating your relevant experience with similar projects.

- a. Use the following classification for Client Type - Public Pension Plan, Corporate Pension Plan, Taft-Hartley Plan, Endowment, Foundation, Family Office, Retail or Other.

Client	Client Type	Assets (\$ millions)	Client Mandate	First Year of Service

19. Complete the following table with clients for which within the last five years your firm formerly provided services similar to those you propose to offer. Use more space as required. Provide contact name, e-mail address and phone number.

- a. Use the following classification for Client Type - Public Pension Plan, Corporate Pension Plan, Taft-Hartley Plan, Endowment, Foundation, Family Office, Retail or Other.

Client	Client Type	Assets (\$ millions)	Client Mandate	First Year of Service	Last Year of Service

20. List the clients for which your firm has guided effective implementation of investment strategies.
21. Please describe in detail how your firm on-boards a new client from their former Investment Consultant.

## **B. LEGAL / REGULATORY**

22. Provide a complete copy of your firm's most recent full Form ADV (Parts I and II and accompanying schedules).
23. Describe any lawsuits, orders, arbitration proceedings or other judicial, administrative or regulatory proceedings, investigations or settlements relating to the business activities of Investment Consultant, its individual principals, directors, or affiliates over the past ten years. Include the nature of the litigation, the parties, and the status of the litigation.

24. Please describe any material litigation to which your company is currently a party. In addition, please describe any material litigation that your company has been involved in over the last three years.
25. Please provide a list and describe litigation brought or threatened against your company by existing or former clients over the past five years.
26. Please disclose and describe:
  - a. Any significant findings by any regulatory agency that conducted an audit or review of the firm within the last ten years.
  - b. Any deficiency letter or similar report by any regulatory agency regarding an audit or review of the firm within the last ten years.
27. Did your firm receive any Paycheck Protection Program or other loan forgiveness from the U.S. Small Business Administration? What was the rationale for accepting the funds?

### **C. PERSONNEL**

28. Provide a list of all key personnel. Identify with an asterisk (\*) those who will be assigned to STRS Ohio's account. Please further identify with an (x) which professional will be designated as primary consultant (the professional who will be directly interfacing with STRS Ohio most of the time) and with a (y) the senior most investment professional assigned to STRS Ohio's account. Clearly identify and explain any instances where the firm's professionals have other business responsibilities outside of their employment with the firm. Use more space as required. Include the following for each:
  - a. Name and title
  - b. Location
  - c. Education and designations
  - d. Clients
  - e. Current responsibilities
  - f. Firm tenure
  - g. Industry tenure and background
  - h. Number and size of clients managed
29. Describe how you intend to service this account. Who is responsible for client communications?
30. Describe your firm's experience with internally managed mandates.
31. Describe all additions and departures of professionals over the past five years. Include name, area of responsibility, departure date, and reason for leaving. Was the position filled? If so, by whom?
32. Describe incentives used by your firm in obtaining and maintaining key personnel.

33. Provide an organizational chart for your firm. Show a separate organization chart of individuals involved in providing services to STRS Ohio.
34. Provide a summary of the reasons why the individual proposed to be assigned to the services on the account can provide STRS Ohio with the best assistance available.
35. Please describe your firm's procedures if a contact person assigned to this engagement leaves your firm during the term of the engagement.
36. Please estimate the proportion of available time that the primary consultant assigned to STRS Ohio will spend on this account and the number of other clients for whom they are/will be primary. Show the approximate assets under management for clients of the primary consultant.
37. Discuss your organization's employee compensation program and how this aligns interests with clients.

#### **D. CONSULTING SERVICES – GENERAL**

38. List all of the firm's standard services provided for a typical pension plan.
39. List special services that the firm has provided to meet other needs of the Investment Consultant's clients and / or services unique to the firm.
40. Briefly summarize the firm's philosophy relating to the Investment Consultant's relationship with retirement board members, the board's staff and investment managers.
41. Describe the firm's process for analyzing a client's existing investment policy. Describe the firm's method for recommending modifications to and monitoring of the investment policy and strategy.
42. Describe the firm's asset-liability modeling capability and portfolio structure analysis. Describe the manner in which the firm would assist the Board in recommending changes and monitoring asset mix.
43. Describe the firm's consulting process regarding internal investment management programs. Please list and describe similar clients.
44. Describe the Investment Consultant's process for evaluating a client's investment performance including determination and / or recommendation of benchmarks.
45. Provide your firm's most recent expected return, standard deviation and correlation matrix for major asset classes. How many asset classes (and subclasses) do you model?
46. How often do you update your capital market assumptions? Also, describe how this work is accomplished at your firm and the support for your results.
47. What are the pros and cons of mean-variance optimization as a method for allocating to assets? What other methods do you use and how? Describe and explain any constraints placed during your modeling process.
48. Describe any method by which you model Alternatives expected returns, volatility or other risk characteristics.

49. Describe your process for performing a comprehensive asset allocation and liability study.
50. Explain any innovative recommendations your firm has made relating to asset allocation and liability studies.
51. Describe your philosophy for achieving a top-performing investment program at a large public pension plan.
52. What is your view of active management versus index management?
53. Explain your philosophy on the role of policies within a large public pension plan investment program.
54. Explain your philosophy for establishing investment strategies within a large public pension plan.
55. Please provide at least one specific example of your firm proactively advising a client of a new investment vehicle or technique and how the client implemented it.
56. Do you provide any customized computer services for clients (databases, models, research websites, training, etc.)?
57. Explain your firm's views on manager fee schedules (flat versus performance-based, what are appropriate fee structures for AUM-constrained strategies, the usefulness of breakpoints, the usefulness of MFN clauses, comments on how plans with STRS Ohio's scale can control fees and expenses, etc.).
58. Describe your firm's approach to creating a cost-effective investment program at a large public pension plan.
59. Describe your firms' consulting process regarding internally managed direct and co-investment programs. Please list and describe similar clients.
60. What strategies do you recommend beyond traditional long only investing?

#### **E. DUE DILIGENCE**

61. Explain your philosophy and methods for evaluating external managers, including systems for collecting and analyzing data, process for filtering, due diligence procedure, process for scoring or recommendation, and criteria and procedure for recommending watch-listing or termination.
62. For external manager searches, what manager database systems are you currently using, are these systems available for client use, and are manager evaluation reports accessible online?
63. Provide a copy of your most comprehensive type of external manager due diligence report resulting in a recommendation and investment.
64. Provide a sample operational due diligence manager report.
65. Discuss the key factors on which you rely in assessing manager skill. What criteria do you use in evaluating managers?

66. What is your process for reviewing asset classes and internal public market managers?
67. Describe the process that is or will be used to conduct investment manager searches.
68. Please provide a copy of your approved manager list.
69. How many managers do you maintain on your manager search database? Describe any advantage that you perceive your database has versus your competitors. If you meet with managers, how often do you do so? What is the nature of those visits?
70. If you have an in-house database, do you sell it to third parties? How do you receive compensation for selling it? What fees or other consideration, if any, do you receive from managers who wish to be maintained in your database?

#### **F. RISK MANAGEMENT**

71. Please describe your firm's risk management capabilities as they apply to a client's investment portfolios.
72. What risk management systems and methods do you use and what are their benefits and limitations?
73. How do you measure risk for Alternatives? What risk management systems and methods do you use and what are their benefits and limitations?
74. Please describe your organization's methods for safeguarding client data and for disaster recovery of your operations.

#### **G. DEFINED CONTRIBUTION**

75. Please provide a brief description of your experience consulting to defined contribution plans on design of their investment options.
76. Describe the scope of the consulting work you provide to defined contribution plans.
77. Describe how you would help STRS Ohio evaluate its current defined contribution plan design and structure an improved model.
78. Describe any major trends within defined contribution plans you are currently discussing with clients.
79. Do you have a dedicated defined contribution plan support unit? If not, what resources does your firm dedicate to supporting defined contribution plans?
80. Provide a description of relevant experience you have assisting a defined contribution plan client with recordkeeper searches, including the resulting transition process and outcomes.

#### **H. CONFLICTS OF INTEREST**

81. How does the firm identify and manage potential conflicts of interest? Describe any actual or potential conflicts of interest that exist between the firm, clients, Alternatives partnerships, and other entities and how they are mitigated.



82. Describe any potential conflicts of interest your firm might encounter if selected to provide the services described in this RFP and how these will be mitigated.
83. Please describe any relationships that your company has with any potential or existing investment managers and/or service providers of STRS Ohio, including any potential fees or other remuneration your company may receive for recommending their products or services.
84. Disclose any known personal or pecuniary interest, direct or indirect, in the services contemplated by this RFP held by any officer, member, employee or agent of STRS Ohio.
85. Provide a list of and describe your firm's professional relationships involving STRS Ohio, the State of Ohio or its political subdivisions in the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest.
86. Provide the names of any individuals who will be providing a service to STRS Ohio who were employed by STRS Ohio in the last three years.
87. Does your firm offer discretionary products? If so, describe your process in detail, including personnel, differences in their compensation, etc.
88. Has your firm adopted the CFA Code of Ethics and Standards of Professional Conduct?
89. Provide a copy of your Conflict of Interest Policy.
90. Provide a copy of your Ethics Policy.
91. Provide a copy of your policy that controls employees' personal investment transactions.
92. Describe your firm's internal compliance monitoring.

#### **I. OTHER**

93. Provide a list of published research originating with your firm, including date, and show frequency and inception period of any routinely prepared commentaries, and provide sample research papers that demonstrate investment strategies.
94. Provide a sample performance report for a client assessing performance and allocations at the fund, asset class and manager levels.
95. Describe any education programs your firm has conducted or makes available to clients.

#### **J. ADDITIONAL INFORMATION**

The Investment Consultant should provide any other information it believes relevant to the engagement.