# TECHNICAL PROPOSAL

In this section, the bidder shall describe its approach and plans for accomplishing the work outlined in Section 3.0 Scope of Work. The bidder must set forth its understanding of the requirements of this RFP and its ability to successfully complete the contract. This section of the proposal should at a minimum contain the information identified below, including bidder’s answers to the questions presented.

The questions below shall be included in the proposal followed by its corresponding answer. For convenience, the questions in this section are included as an MS Word attachment to this RFP.

## 5.1 OVERVIEW

Provide a summary statement of no more than three (3) pages stating why the bidder is most able to provide the services listed herein to the DOI, including how the bidder meets the minimum qualifications to bid.

The summary should address the bidder’s overall technical approach and plans to meet the requirements of the RFP in a narrative format. This narrative should demonstrate to the State that the bidder understands the objectives that the contract is intended to meet, the nature of the required work, and the level of effort necessary to successfully complete the contract. It should also demonstrate that the bidder’s general approach and plans to undertake and complete the contract are appropriate to the tasks and subtasks involved.

## IMPLEMENTATION PLAN AND CONTRACT MANAGEMENT

* + 1. Provide a time table for implementation of the contract beginning with the date of notification of contract award.
    2. Describe the bidder’s plan to communicate with DOI including, but not limited to, communication with the DOI Contract Manager, status meetings and status reports.
    3. Describe the bidder’s plan for the use of subcontractor(s), if any, on this contract. Emphasis should be on how any subcontractor identified will be involved in the mobilization and implementation plan.

## ORGANIZATION

* + 1. Provide a brief history of the firm, including the year organized and the year the firm began providing investment consulting services to public fund clients.
    2. Provide the firm’s mission statement.
    3. Describe the ownership structure of the firm, giving specific details with regard to any parents or affiliates. Describe any changes over the last five (5) years. Include an organizational chart and a description of the firm’s distribution of ownership interest.
    4. Describe the firm’s lines of business and affiliates and the amount of revenue generated by each line of business and each affiliate.
    5. Indicate what percentage of its asset consultancy is derived from consulting for:
    6. Private Equity Consulting
    7. Private Credit Consulting
    8. Hedge Fund Consulting
    9. Real Estate Consulting
    10. Real Asset and/or Infrastructure Consulting
    11. Explain whether the firm exercises discretionary investment authority along with investment consulting services for any clients. If so, describe how the firm addresses potential conflicts. What percentage of the firm’s revenue comes from discretionary versus non-discretionary services?
    12. Discuss the overall business objectives of the firm with respect to future growth. Comment on any present or planned areas of emphasis over the near future. Be sure to include in your response:
  1. Total assets or client relationships that will be accepted.
  2. Maximum limits on asset amounts or number of clients per consultant.
  3. Plans to develop and expand resources, merge or acquire other firms, or spin- off subsidiaries.

## PERSONNEL

* + 1. Identify the total number of clients by type (e.g., corporate plan or public plan), the average client to consultant ratio, and the maximum number of clients assigned to a consultant.
    2. Provide a contract organization chart, with names showing management, supervisory, research and other key personnel to be assigned to the contract.
    3. Provide the number of clients gained and number of clients lost in each of the last three (3) years, and identify the five (5) largest clients lost over the last five (5) years, including the reason(s) for termination. Provide five (5) largest clients gained.
    4. State whether or not the employees comply with the Code of Ethics and Standards of Professional Conduct of the CFA Institute. If not, indicate whether the firm maintains a code of ethics. Provide a copy of the firm’s Code of Ethics.
    5. Describe all licenses held and maintained by the firm, its directors, officers, and principals, and any of the individuals who will be responsible for providing the services described in this RFP that are required in order to do business with the State or elsewhere. Provide a listing of any and all suspensions or expulsions of the firm or any of its personnel by any regulatory agency during the past five (5) years with an explanation of the reason for such suspensions or expulsions and the time period for such actions.
    6. Complete the following table regarding consulting staff who left or joined your firm within the last three (3) years. Include anticipated personnel changes for the next year.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name & Title | Joined or Left | Date Joined | Date Left | Reason |
|  |  |  |  |  |
|  |  |  |  |  |

* + 1. Briefly describe the firm’s compensation system for principal staff, and indicate what specific incentives are utilized to ensure key professionals do not leave the firm either as a group or individually. Explain how the firm ties client performance and satisfaction to a consultant’s compensation.

## LOCATION

* + 1. Identify the location of the main offices of the bidder.
    2. Identify the location of the office(s) of the bidder from which services would be provided to the State of New Jersey.

## FINANCIAL CAPABILITY OF THE BIDDER

* + 1. Please submit certified financial statements which include a balance sheet, income statement and statement of cash flow, and all applicable notes for the most recent calendar year or the bidder’s most recent fiscal year.
    2. Has the audit opinion on the bidder’s financial statements been "unqualified" for the last three years? If not, please explain. Has the bidder had a change in auditors over the last three years? If so, explain why.
    3. A bidder may designate specific financial information as not subject to disclosure when the bidder has a good faith legal/factual basis for such assertion. A bidder may submit specific financial documents in a separate, sealed package clearly marked “Confidential-Financial Information” along with the proposal.

The State reserves the right to make the determination to accept the assertion and shall so advise the bidder.

## 5.7 POTENTIAL PROBLEMS

Provide a summary of any and all problems that the bidder anticipates during the term of the contract. For each problem identified, the bidder should provide its proposed solution.

## hEDGE fUNDS iNVESTMENT CONSULTING SERVICES

### 5.8.1 Investment philosophy and process

1. Describe the firm’s philosophy regarding Hedge Fund investments and the Hedge Fund market. Describe the factors that influence the Hedge Fund market.
2. Briefly describe the firm’s philosophy with respect to investment consulting mandates, and the nature of the service that you provide. What key strengths and competitive advantages does the firm possess that generate superior performance and service for your clients?
3. Briefly discuss the firm’s investment philosophy with respect to portfolio construction and diversification when considering investment opportunities.
4. How does the firm view the use of direct Hedge Fund investments versus fund of fund investments? What role should fund of fund investments play in a portfolio?
5. Describe the firm’s approach to the investment selection/due diligence process, including the criteria for investing in Hedge Funds and the relative importance of each criterion, the objective and subjective standards used to evaluate investment opportunities and fund managers, and the firm’s internal approval process. Does the firm review the fund manager’s Environmental Social and Governance (ESG) policy and practices? Provide an example of two full due diligence reports that have been submitted to a client for a Hedge Fund investment (redaction of fund name is acceptable).
6. Identify and discuss the firm’s tracking system for prospective Hedge Fund investments. How many funds and fund managers are tracked? How many years of performance data are on the system?
7. Describe the firm’s expertise in and coverage of domestic and international hedge fund investments.
8. Discuss how the firm performs an independent analysis of each investment opportunity and attempt to validate (or not) the general partner’s claims and assumptions. When risks of a highly technical nature are involved or key risks in a niche strategy or niche market need to be identified, describe how the firm identifies, engages, and interacts with the appropriate specialists. What factors determine whether the appropriate technical, niche strategy, or niche market specialist has been identified?
9. Discuss if the firm has performed due diligence on separate account structures or funds of one. Provide a brief of overview of the structure and diligence process.
10. Provide a copy of the firm’s due diligence procedures.
11. Does the firm utilize an “approved list” of Hedge Funds that it provides to clients? If so, how many funds are on the list? How much annual turnover is typical for the list? Why are funds removed from the approved list?
12. Describe the firm’s operational due diligence process? Is there a separate dedicated team for operational due diligence? Can the operational due diligence team veto a proposed investment? What does the operational due diligence focus on? Provide an example of two operational due diligence reports that have been submitted to a client for a Hedge Fund investment (redaction of fund name is acceptable).
13. Describe the firm’s legal due diligence process, if any. Does the firm use inside or outside counsel for transactions. If in-house, identify the legal staff and their Hedge Fund expertise. If outside counsel, identify the firms used most often.
14. Describe the firm’s philosophy on hedge fund fees and how to best align investor and hedge fund manager interests.

### 5.8.2 Research

1. Describe the firm’s commitment to research, performance, and database system enhancements.
2. State whether the firm prepares white papers on relevant Hedge Fund investment topics. If so, please provide a sample.

### 5.8.3 Portfolio construction

1. Detail the firm’s process for recommending an overall Hedge Fund portfolio structure.
2. State whether the firm provides any customized computer-based analytical tools or web access to its clients. If the firm maintains a portal for its clients, provide a temporary login and password for the portal for evaluation purposes.
3. Acknowledge the firm’s fiduciary status and its acceptance of fiduciary responsibility for recommendations to DOI.
4. Provide a sample of a cash flow model report/redemption schedule.
5. Generally, what is the optimal number of investments for a hedge fund portfolio?

## Private credit investment consulting services

### 5.9.1 Investment Philosophy and Process

1. Describe the firm’s philosophy regarding Private Credit investments and the Private Credit market. Describe the factors that influence the Private Credit market.
2. For Private Credit, briefly describe the firm’s philosophy with respect to investment consulting mandates, and the nature of the service that you provide. What key strengths and competitive advantages does the firm possess that generate superior performance and service for your clients?
3. For Private Credit, briefly discuss the firm’s investment philosophy with respect to portfolio construction and diversification when considering investment opportunities.
4. How does the firm view the use of direct Private Credit investments versus fund of fund investments? What role should fund of fund investments play in a portfolio?
5. Describe the firm’s approach to the investment selection/due diligence process, including the criteria for investing in Private Credit and the relative importance of each criterion, the objective and subjective standards used to evaluate investment opportunities and fund managers, and the firm’s internal approval process. Does the firm review the fund manager’s Environmental Social and Governance (ESG) policy and practices? Provide an example of two full due diligence reports that have been submitted to a client for a Private Credit investment (redaction of fund name is acceptable).
6. Identify and discuss the firm’s tracking system for prospective Private Credit investments. How many funds and fund managers are tracked? How many years of performance data are on the system?
7. Describe the firm’s expertise in and coverage of domestic and international Private Credit investments.
8. For Private Credit, discuss how the firm performs an independent analysis of each investment opportunity and attempt to validate (or not) the general partner’s claims and assumptions. When risks of a highly technical nature are involved or key risks in a niche strategy or niche market need to be identified, describe how the firm identifies, engages, and interacts with the appropriate specialists. What factors determine whether the appropriate technical, niche strategy, or niche market specialist has been identified?
9. For Private Credit, discuss if the firm has performed due diligence on separate account structures or funds of one. Provide a brief of overview of the structure and diligence process.
10. Provide a copy of the firm’s due diligence procedures for Private Credit investments.
11. Does the firm utilize an “approved list” of Private Credit funds that it provides to clients? If so, how many funds are on the list? How much annual turnover is typical for the list? Why are funds removed from the approved list?
12. For Private Credit investments, describe the firm’s operational due diligence process? Is there a separate dedicated team for operational due diligence? Can the operational due diligence team veto a proposed investment? What does the operational due diligence focus on? Provide an example of two operational due diligence reports that have been submitted to a client for a Private Credit investment (redaction of fund name is acceptable).
13. Describe the firm’s legal due diligence process, if any. Does the firm use inside or outside counsel for transactions. If in-house, identify the legal staff and their Private Credit expertise. If outside counsel, identify the firms used most often.
14. Describe the firm’s philosophy on Private Credit fund fees and how to best align investor and Private Credit manager interests.

### 5.9.2 Research

1. Describe the firm’s commitment to research, performance, and database system enhancements.
2. State whether the firm prepares white papers on relevant Private Credit investment topics. If so, please provide a sample.

### 5.9.3 Portfolio construction

1. Detail the firm’s process for recommending an overall Private Credit portfolio structure.
2. State whether the firm provides any customized computer-based analytical tools or web access to its clients. If the firm maintains a portal for its client, provide a temporary login and password for the portal for evaluation purposes.
3. Acknowledge the firm’s fiduciary status and its acceptance of fiduciary responsibility for recommendations to DOI.
4. Provide a sample of a cash flow model report and/or liquidity forecast.
5. Generally, what is the optimal number of investments for a Private Credit portfolio?

## ADDITIONAL INFORMATION for Hedge Fund Investment consulting Services

* + 1. Provide five (5) references of clients who employ the bidder to provide Hedge Fund consulting services. Include a contact name, phone number, inception date and the market value of the assets the bidder advises for each reference. Please include longer term clients to the extent possible.
    2. Please provide three (3) references of institutional clients that have discontinued their use of the bidder’s hedge fund consulting services. Include a contact name, market value of the assets advised at the time of termination, termination date, and the specific reason(s) for termination.

## ADDITIONAL INFORMATION for Private Credit investment consulting Services

* + 1. Provide five (5) references of clients who employ the bidder to provide Private Credit consulting services. Include a contact name, phone number, inception date and the market value of the assets the bidder advises for each reference. Please include longer term clients to the extent possible.
    2. Please provide three (3) references of institutional clients that have discontinued their use of the bidder’s private credit consulting services. Include a contact name, market value of the assets advised at the time of termination, termination date, and the specific reason(s) for termination.

## PERFORMANCE MEASUREMENT

* + 1. Describe how the firm monitors and analyzes investment performance, including how the firm determines appropriate benchmarks for Hedge Funds and/or Private Credit funds. Describe any databases used by the firm. What is the source of investment manager returns used in reports? Provide a sample performance report (monthly, quarterly, and/or annual).
    2. If available, provide a temporary userid and password to access a sample portal and online system that demonstrates performance and risk reporting and due diligence reports or notes.
    3. State whether the firm’s performance reports can be customized and whether there are charges for additional information requests.
    4. State the anticipated turnaround time to produce a performance report (monthly, quarterly, and/or annual).
    5. Describe how the firm obtains data from the client’s custodian and how the firm verifies the accuracy of the data received from the custodian.
    6. Describe the firm’s step-by-step process for return reconciliation.
    7. Describe the firm’s performance measurement reporting system and methodologies. Describe the firm’s monitoring process and how information provided by the fund managers is verified.
    8. List and describe the Hedge Fund and/or Private Credit benchmarks employed (both market indices and peer group) and those recommended to assist in judging performance.
    9. Outline the process for monitoring and reporting on market trends. Include in your response two research reports for Hedge Funds and/or Private Credit Funds generated by the firm.
    10. Describe the client reporting process the firm typically undertakes in preparing monthly, quarterly and annual reports.
    11. Assuming information is available on a timely basis from the general partners, how long would it take to prepare and deliver quarterly and annual reports to the Division?
    12. Enclose samples of typical monthly, quarterly and annual performance measurement and monitoring reports for a pension fund client.

## LEGAL AND REGULATORY

* + 1. Is the bidder registered as an Investment Advisor under the Investment Advisors Act of 1940? If so, please attach the bidder’s ADV Part II. If not, please explain why.
    2. Is the firm in compliance with the USA PATRIOT Act?
    3. Over the last ten (10) years, has the bidder or any officer, director, partner, or principal been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.
    4. Over the last ten (10) years, has the bidder or any officer, director, partner, or principal been involved in any past or pending civil or criminal litigation or legal proceeding related to the bidder’s business? If so, describe each instance.
    5. Over the last ten (10) years, has the bidder or any officer, director, partner, or principal been convicted of, pled guilty to, or pled nolo contendere to a felony? If so, describe each instance.
    6. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by the bidder (i.e., amounts and respective carriers).
    7. Over the last ten (10) years, has the bidder submitted a claim to its errors and omissions, professional liability, fiduciary insurance or fidelity bond carrier(s)? If so, describe each instance.
    8. Has the bidder ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

## PRICE SCHEDULE

The bidder must submit its pricing using the format set forth in the State-supplied price schedules accompanying this RFP. Bidders for Hedge Fund Investment Consulting Services must use Price Schedule A. Bidders for the Private Credit Investment Consulting Services must use Price Schedule B. Failure to submit all information required may result in the proposal being considered non-responsive. Each bidder is required to hold its prices firm through award of the Contract and shall not increase such prices during the term of the Contract.

**Proposal prices must be typed or written in ink. Any price change (including “white-outs”) must be initialed.**