

Passive U.S. Large Capitalization Equity Portfolio Questionnaire

Oklahoma Teachers' Retirement System

January, 2012

I. INTRODUCTION

The Oklahoma Teachers' Retirement System (hereinafter referred to as the OTRS), a \$10 billion fund, is seeking through a competitive bid process, proposals from qualified firms to provide passive large capitalization domestic equity investment management in a separate account structure.

The Teachers' Retirement System of Oklahoma was created by an act of the Oklahoma Legislature in 1943 after citizens amended the state constitution allowing the creation of a public retirement program for educators. TRS began operations on July 1, 1943. Membership in TRS is available to all public school employees working half-time or more. Employees of more than 600 local school districts, career technology schools, public colleges and universities are enrolled as members of the TRS. As of April 30, 2010, TRS had 168,965 members (109,611 active contributing, 11,829 inactive and 47,525 retired members).

The mission of TRS is to provide retirement benefits to Oklahoma's educators. The Board of Trustees and TRS staff oversees its administration to ensure adequate funds are maintained to meet the financial obligations of the entire membership. In directing the investments of TRS funds, the Board seeks to maximize gains, minimize losses and protect the Trust. The staff stands ready to assist TRS members in any matter pertaining to accruing benefits, and planning for and enjoying a well-earned retirement.

The investment consulting firm employed by OTRS is Gregory W Group. **Inquiries regarding this RFP will be referred to Mr. Doug Anderson, via email only. His email address is danderson@gregorywgroup.com.** The actuarial consulting firm for OTRS is Gabriel, Roeder, Smith and Company. **OTRS has an assumed interest rate of 8.0%.** The investment portfolio currently consists of:

- fourteen (11) actively managed domestic equity portfolios;
- seven (7) actively managed non-U.S. equity portfolios;
- five (5) actively managed domestic core fixed income portfolios;
- three (3) actively managed domestic high yield fixed income portfolios;
- three (3) actively managed master limited partnership portfolios;
- three (3) actively managed core real estate portfolios;
- and a number of private equity commitments.

The System's current target asset allocation, as of January 31, 2012, is as follows:

Asset Class	Target Allocation
Large Capitalization/All Capitalization Equity	17.5%
Middle Capitalization Equity	12.5%
Small Capitalization Equity	10.0%
Total Domestic Equity	40.0%
International Equity	15.0%
Core Fixed Income	25.0%
High Yield Fixed Income	5.0%
Master Limited Partnerships	5.0%
Real Estate	5.0%
Private Equity	5.0%
Total	100.0%

The Board has not determined the exact amount that will be invested in passive large capitalization equity. The initial commitment is expected to be approximately \$400 million, or 4% of the System's investment portfolio. The mandate may be allocated to one or more portfolios.

II. SERVICES DESIRED

The purpose of this RFP is to solicit proposals from qualified firms to render passive large capitalization domestic equity portfolio management services. In addition to portfolio management, the selected advisor will be expected to:

- A. Provide the staff with direct access to any available investment research and group publications produced by the Advisor's firm.
- B. Prepare special analyses as requested by the OTRS staff to define goals and objectives, monitor portfolio risk, or for other purposes deemed valuable by the OTRS staff in the management of the passive equity portfolio.
- C. Attend Board and/or Investment Committee meetings as requested, typically annually.
- D. Maintain regular communications with the OTRS staff, which would include frequent telephone consultations as required by the advisor and/or staff in order to effectively accomplish all of the services required by this RFP.
- E. Calculate and report actual portfolio performance on at least a monthly basis.

III. MINIMUM QUALIFICATIONS

Respondents to the RFP must meet all of the following minimum qualifications and requirements to be given further consideration. **FAILURE TO SATISFY THE FOLLOWING WILL RESULT IN THE REJECTION OF THE PROPOSAL.**

The firm must certify in writing that it meets all of the following minimum qualifications. Such certification must include evidence of how each qualification is met and must be signed by an authorized member of your firm.

- A. Offeror must be an SEC-registered investment manager or exempt from such registration (Form ADV or disclosure of the nature of the exemption must be submitted);
- B. Offeror must have at least two individual tax exempt clients with total fund assets of \$1 billion or more,
- C. Offeror must have at least three year's experience providing the specified services. The experience qualification may be met either at the level of the organization or from assigned personnel who qualify from experience at a prior firm.

IV. TIMELINE FOR CONSIDERATION

February 2, 2012, 4:00 pm CST

Manager Questions Due to OTRS

Questions about the RFP should be submitted to: danderson@gregorywgroup.com

February 3, 2012, 4:00 pm CST

Responses Due to Managers

Responses to all questions will be distributed to all parties who submit questions.

February 8, 2012, 4:00 pm CST

RFP Responses Due

One hard copy response delivered to:

Douglas Anderson
Reference: **Oklahoma Teachers' Retirement System Passive U.S. Large Capitalization Equity Portfolio**
Gregory W. Group
15 West 6th Street, Suite 2901
Tulsa, OK 74119

Two identical hard copy responses delivered to:

Grant Soderberg
Reference: **Oklahoma Teachers' Retirement System Passive U.S. Large Capitalization Equity Portfolio**
Oklahoma Teachers' Retirement System
Oliver Hodge Education Building
2500 North Lincoln Blvd., 5th floor
Oklahoma City, OK 73105

BOTH RESPONSES MUST BE DELIVERED BY THE DEADLINE OR THE PROPOSAL WILL BE REJECTED. EACH RESPONSE MUST INCLUDE PERFORMANCE INFORMATION AS SPECIFIED ON THE FOLLOWING PAGE.

INVESTMENT MANAGEMENT QUESTIONNAIRE
PASSIVE U.S. LARGE CAPITALIZATION EQUITY PORTFOLIO

Please complete the following questionnaire as directed. Should you feel that your response to any inquiry requires explanation, you may provide commentary on a separate page. Please confine the total of your commentary to one page. Please provide the return information requested below (performance history, etc.) in a Microsoft Excel file on a CD-ROM or thumb drive. Each hard copy response must include the Microsoft Excel file on a CD-ROM or thumb drive. Failure to follow these guidelines will result in elimination. The mandate for this search will be approximately \$400 million.

Organization

- Has the firm in any fashion been involved in a merger/acquisition in the last three years, or had any changes in ownership or structure?
- Has this firm been in existence for at least five full years? (As of 12.31.11)
- Is it SEC Registered, a Bank or licensed Insurance Company Affiliate?
- Has it been censured by the SEC or subject to regulatory action within the last three years? Please explain if necessary.

Yes	No

Assets Managed/Cientele (please reply as of 12.31.11)

- Are total assets (all styles) managed in excess of \$10 Billion?
- Total assets managed in this style:
- Do you have at least ten existing clients using this style?
- Do you have existing separate portfolios with over \$100 million in this style?

Yes	No

Investment Professionals

- Have the key Investment Professionals operated as a team for at least five years?
- Have you experienced turnover of Senior Staff in the last three years? Please explain.
- Are there at least five investment professionals dedicated full time to this product?
- Are there at least ten employees of the firm?

Yes	No

Investment Philosophy/Approach

- Has the product/approach been offered at least five years?
- How is residual cash managed in the portfolio? Are any liquidity constraints currently imposed on fund participants? Have any liquidity constraints ever been imposed on fund or separate account participants? Please explain.
- Provide the following:
 - **Five year Beta (vs. S&P 500 and Russell 1000) of the portfolio as of 12.31.11:**
 - **Five year R² (vs. S&P 500 and Russell 1000) of the portfolio as of 12.31.11:**
 - **Percent of the portfolio in the following market capitalization segments:**

Yes	No

Greater than \$100 Billion	_____
\$50 Billion - \$100 Billion	_____
\$25 - \$50 Billion	_____
\$10 - \$25 Billion	_____
\$5 - \$10 Billion	_____
\$1 - \$5 Billion	_____
Less Than \$1 Billion	_____
Total	=====

- **Percent of portfolio in the following sectors as of 12.31.11:**

Consumer Discretionary	_____
Consumer Staples	_____
Energy	_____
Financials	_____
Health Care	_____
Industrials	_____
Information Technology	_____
Materials	_____
Telecommunications Services	_____
Utilities	_____
Total	=====

Historical Performance

- | | | | | | | |
|---|--|-----------|--|--|--|--|
| | Yes | No | | | | |
| <ul style="list-style-type: none"> • Do you comply with CFA Institute performance measurement standards? • To what level of CFA Institute compliance have your returns been certified? • How closely has your firm tracked the stated benchmark, gross of fees, with actual funds under management on a cumulative basis, over the three and five years ended 12.31.11? If necessary, explain in a specific manner how any outperformance/underperformance was achieved. • Please discuss your firm's worst quarter of performance versus the S&P 500. How far did the portfolio's return diverge from the index? Why did the portfolio diverge? Excluding startup periods, what was the poorest return of an individual portfolio? | <table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table> | | | <table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table> | | |
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Investment Management Fees

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|---|--|-----------|--|--|--|--|
| | Yes | No | | | | |
| <ul style="list-style-type: none"> • Provide your published fee schedule for this style. • Submit a fee proposal for the following allocations for the product proposed by your firm for a \$200 million portfolio and a \$400 million portfolio. • Are you willing to negotiate fees? | <table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table> | | | <table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table> | | |
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General

- | | | | | | | |
|--|--|-----------|--|--|--|--|
| | Yes | No | | | | |
| <ul style="list-style-type: none"> • Are you aware of any conflict of interest between your firm and the Oklahoma Teachers' Retirement System? • Provide a one page summary of the product you are proposing • Provide quarterly returns in a Microsoft Excel file, GROSS OF FEES for the past 10 years through 12.31.11, include the benchmark returns and your variance for each period. • Provide 1,3,5 and 10 year annualized returns GROSS OF FEES for periods ended 12.31.11 • Include the benchmark returns and your variance from them for each period. • Provide a listing of portfolio holdings with weights as of 12.31.11. • Provide the name, address, email, and telephone number of the Portfolio Manager and Client Service Representative who would be assigned to the Oklahoma Teachers' Retirement System. • Provide a list of existing Public Fund Clients in this mandate. | <table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table> | | | <table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table> | | |
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Certification: <i>The information provided is true and accurate to the best of my knowledge</i>
Name of Firm:
Address:
E-mail address:
Telephone Number:
Fax Number:
Contact Person/Title:
Signature of Officer/Principal