

January 31, 2014

**SOLICITATION FOR PROPOSALS  
FOR A LOW VOLATILITY HEDGE FUND OF FUNDS MANAGER**

You are invited to submit proposals in accordance with the requirements of this solicitation, contained herein, to provide **Low Volatility Hedge Fund of Funds** management services to the Oklahoma Firefighters' Pension and Retirement System (the System). For this mandate, we are seeking a low volatility, hedge fund of funds strategy as an active surrogate to the System's traditional fixed income allocation.

Respondents to this proposal are required to comply with the bid procedures as set forth in this solicitation pursuant to the Competitive Bid Standards attached hereto as Appendix A. Failure to comply with the bid procedures may render the bid invalid. Proposals should be submitted to Finley & Cook at the address listed below:

**Mail or Overnight to:**

Oklahoma Firefighters' Pension and Retirement System – Low Volatility Hedge Fund of Funds Proposal  
c/o Finley & Cook  
Audit Department  
1421 East 45<sup>th</sup> Street  
Shawnee, OK 74804

This solicitation does not commit the System or the State of Oklahoma to award a contract(s) to pay any costs incurred in the preparation of a proposal, or to procure a contract for goods or services. The System reserves the right to accept or reject any or all proposals received as a result of this solicitation, to negotiate with all qualified respondents, to cancel in part or in its entirety this proposal if it is in the best interest of the System to do so, or to award all, part or none of this contract(s). The contract(s) will be awarded by the Oklahoma Firefighters' Pension and Retirement Board (the State Board) from a list of qualified respondents.

The System will not hold a pre-bid conference. The System will respond to questions presented in writing. These questions will be consolidated into a single Q & A document, which will be distributed upon written request. Potential respondents do not have to submit questions to receive the completed Q & A sheet. Questions are due on the date specified in Appendix C and may be faxed to 405-522-4643. The Q & A sheet will be returned on or about the date specified in Appendix C. RFP responses are due by March 7, 2014. Responses received after this date and time will not be considered. Three ring binders are discouraged. **In addition, please transmit an electronic version of the response to this solicitation to The Bogdahn Group at [OKFire@bogdahngroup.com](mailto:OKFire@bogdahngroup.com) using the subject line OK Fire – Low Volatility Hedge Fund of Funds Proposal.** Failure to transmit an electronic version of the response to this solicitation will cause the response to not be considered in the awarding of a contract(s). A timeline is discussed in Appendix C. The timeline set forth in Appendix C is subject to change at the sole option of the State Board. **An electronic version of the questionnaire (Appendix B) MUST be requested by e-mail at [dmichael@oklaosf.state.ok.us](mailto:dmichael@oklaosf.state.ok.us).**

**PROPOSAL COVER SHEET** *(must be signed, notarized and returned)*

<b>Proposal</b>	<b>Agency</b>	<b>Proposal Deadline</b>
Low Volatility Hedge Fund of Funds Manager	Oklahoma Firefighters' Pension and Retirement System	Must be received by March 7, 2014

**Vendor Identification:**

Name of Vendor:	_____
Address:	_____
City/State/Zip Code:	_____
Telephone Number:	_____
Facsimile Number:	_____

**VENDOR'S AFFIDAVIT**

STATE OF \_\_\_\_\_ )

) SS:

COUNTY OF \_\_\_\_\_ )

\_\_\_\_\_ (Print or Type Name), of lawful age, being first duly sworn, on oath says that:

1. (S)he is the duly authorized agent of \_\_\_\_\_, the vendor submitting this proposal which is attached to this statement for the purpose of certifying the facts pertaining to the existence of collusion among vendors and between vendors and state officials or employees, as well as facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the letting of any contract pursuant to the proposal to which this statement is attached, and further represents and warrants that (s)he has the authority to bind the vendor contractually;
2. (S)he is fully aware of the facts and circumstances surrounding the making and submitting of this proposal and has been personally and directly involved in the proceedings leading to the submission of such proposals;
3. Neither the vendor nor anyone subject to the vendor's direction or control has been a party: a) to any collusion among vendors in restraint of freedom of competition by agreement to propose a fixed price or to refrain from submitting a proposal; b) to any collusion with any state official or employee as to quantity, quality or price in the prospective contract, or as to any other term of such prospective contract; nor, c) in any discussions between vendors and any state official concerning exchange of money or any other thing of value for special consideration in the award of this prospective contract; d) to paying, giving or donating or agreeing to pay, give or donate to any officer or employee of the State of Oklahoma, any money or other thing of value, either directly or indirectly, in procuring this prospective contract; and
4. The information contained in this proposal is true, correct and accurate as presented.

\_\_\_\_\_  
Name/Title

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
Notary Public

(seal)

My commission number: \_\_\_\_\_ and expiration date: \_\_\_\_\_

## **SECTION I - INTRODUCTION AND BACKGROUND**

- A. Legal Authorization The System was created to hold and manage the Oklahoma Firefighters' Pension and Retirement Fund and to provide retirement and pension benefits for eligible firefighters of the State of Oklahoma. The System's statutory investment authority is set forth in 11 O. S. Section 49-100.9.
- B. State Board The System is administered by the State Board. The State Board is comprised of thirteen (13) members, which includes the following: the five (5) members of the Oklahoma State Firefighters' Association Board of Trustees; the President of the Professional Firefighters of Oklahoma or designee; the President of the Oklahoma State Retired Firefighters' Association or designee; the State Insurance Commissioner or designee; the Director of State Finance or designee; one member (1) appointed by the Speaker of the House of Representatives; one (1) member appointed by the President Pro Tempore of the Senate; and two (2) members appointed by the President of the Oklahoma Municipal League. **The members of the State Board shall not be contacted directly by respondents (See Paragraph 9 of the Competitive Bid Standards in Appendix A).**
- C. Administrative Support The System has a staff of ten (10) persons supervised by an Executive Director. The Executive Director and the Assistant Director manage the day-to-day financial operations of the System. The Executive Director reports transactions and investment developments to the Investment Committee of the State Board as directed by the State Board. The Executive Director is Robert Jones.
- The current master custodian is State Street Bank and Trust Company, Boston, Massachusetts. The investment consultant is The Bogdahn Group, Orlando, Florida.
- D. Actuarial Condition The System's actuary is Buck Consultants, Dallas, Texas. The July 1, 2013 actuarial valuation reported the actuarial value of assets at \$1.8112 billion and actuarial accrued liability of \$3.082 billion. Actuarial assets as a percent of actuarial accrued liabilities are calculated at 58.8%.
- E. Investments The System is charged with the duty of administering the investment of approximately \$2.1 billion, which represents the total pension funds of all eligible firefighters in the State of Oklahoma. The System currently uses only external fund managers. The current asset allocation target is 30% domestic equity, 20% international equity, 5% other equity, 8% domestic fixed income, 7% global fixed income, 5% other fixed income, 14% real estate, and 11% other assets.

## **SECTION II - QUALIFICATIONS OF THE BIDDER**

- A. It is desirable, but not a minimum requirement, that the investment manager have at least a three-year performance history in the subject product or similar hedge fund strategy.
- B. It is desirable, but not a minimum requirement, that the investment manager have at least \$100 million in (taxable and non-taxable) assets under management in the subject product or similar hedge fund strategy.
- C. It is desirable, but not a minimum requirement, that the investment manager be a Registered Investment Advisor with the Securities and Exchange Commission or exempt from registration with the nature of the exemption provided.
- D. It is desirable, but not a minimum requirement, that the investment manager have at least one tax-exempt institutional client invested in the subject product or similar hedge fund strategy.
- E. It is desirable, but not a minimum requirement, that the proposed product be a fund of funds commingled fund.

### **SECTION III - DUTIES AND RESTRICTIONS ON THE MANAGER**

- A. The selected Manager will provide, at a minimum, the following services:
1. Quarterly reports for the most recent quarter. Reports will be furnished in a quantity sufficient for the needs of the State Board and staff. **Portfolio performance will be shown both gross and net of the investment manager fees.**
  2. The investment manager will attend two regularly scheduled monthly meetings of the State Board a year. The selected investment manager will be notified of the dates they are to attend.
  3. The investment manager will report directly to the State Board and the Executive Director of the System. However, the investment manager will also be responsible for maintaining direct communication with the System's staff, investment consultant, and master custodian.
  4. The Oklahoma State Constitution prohibits the inclusion of clauses in any state contract which limits the liability of the vendor. Bids containing limitation of liability clauses may be rejected as non-responsive.

### **SECTION IV - PERIOD OF CONTRACT**

The contract(s) to be awarded are anticipated to be for a period beginning on or after May 16, 2014. The contract(s) will further provide for four additional annual renewals upon mutual agreement between the System and the investment management firm. The State Board and the investment manager reserve the right to terminate the contract(s) upon 30 days' notice, with or without cause.

### **SECTION V - SUMMARY**

- A. The amount to be allocated to the selected manager or managers is expected to be in the range of \$50 - \$70 million.
- B. Please complete and submit the attached questionnaire (Appendix B). **An electronic version of the questionnaire MUST be requested by e-mail at [dmichael@oklaosf.state.ok.us](mailto:dmichael@oklaosf.state.ok.us).**
- C. Please submit a sample copy of your contract if you are proposing a separate account and/or copies of all of your offering material if you are proposing a commingled fund. (i.e., prospectus, private placement memorandum, Operating Agreement, etc.).
- D. Any firm selected to make a formal presentation to the State Board should have the person who will be the primary investment manager contact to the System lead the presentation. Responsible persons to be assigned to the System's account are encouraged to attend the presentation.
- E. The State Board reserves the right to request additional information from any respondent and to accept or reject any or all bids without specifying the reasons for its actions. The State Board reserves the right to request additional bids. The selection of investment managers for state retirement systems is specifically exempt from the Oklahoma Competitive Bidding Act. Further, the State Board specifically reserves the right to negotiate for lower fees or performance-based fees at any time with any respondent.
- F. The State Board also reserves the right to award all, part or none of this contract(s). The State Board may elect to select more than one investment manager and to divide the duties set forth herein between the selected

investment managers. The State Board has discretion and may select an investment manager(s) for any other authorized asset allocation or investment category, as the State Board deems necessary.

- G. This solicitation and the response to this solicitation by the successful firm or firms will become a part of the investment manager contract(s) with the System.
- H. Please submit three (3) copies of your response to the accounting firm of Finley & Cook at the return address listed on page one (1) of this solicitation. In addition, please submit one (1) copy of all materials to our investment consultant, The Bogdahn Group. Materials should be submitted via e-mail to The Bogdahn Group at [OKFire@bogdahngroup.com](mailto:OKFire@bogdahngroup.com) using the subject line **OK Fire – Low Volatility Hedge Fund of Funds Proposal**.

## Appendix A

### Competitive Bid Standards

Contractual services with pension fund custodians, investment managers, investment consultants, and other professions exempt from competitive bidding procedures of the Oklahoma Central Purchasing Act shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to the following standards:

1. The Board of Trustees shall approve all solicitations of proposals issued by the Oklahoma Firefighters' Pension and Retirement System (the System).
2. Respondents to a proposal shall comply with the bid procedures set forth in the solicitation of proposals and these standards.
3. The Executive Director is responsible for developing a list of qualified bidders for each approved proposal, including those bidders who have registered with the Central Purchasing Division of the Oklahoma Department of Central Services.
4. Proposals will be mailed by and returned to the System's independent certified public accountant who will verify with the Board of Trustees whether the solicitation is in compliance with these standards.
5. A solicitation does not commit the Board of Trustees to award a contract, to pay any costs incurred in the preparation of a proposal, or to procure or contract for the articles of goods or services.
6. The Board of Trustees reserves the right to accept or reject any or all proposals received as a result of a solicitation, to negotiate with any and all qualified bidders, to select any qualified bidder to provide additional or ancillary services to the Board of Trustees, or to cancel in part or in its entirety a solicitation if it is in the best interest of the System to do so.
7. The Board of Trustees shall award contracts to the lowest and best bidder at a specified time and place, which shall be open to the public pursuant to the provisions of the Oklahoma Open Meeting Act.
8. Proposals shall be evaluated by the Executive Director and any other person or organization, including but not limited to the Investment Committee or Rules Committee of the Board of Trustees, as determined by the Chairman of the Board of Trustees. The Executive Director and other persons or organizations shall present the evaluations and recommendations to the Board of Trustees.
9.
  - a. During the process leading to an award of any contract by the System, no member of the Board of Trustees, the Executive Director, or its staff shall knowingly communicate concerning any matter relating to the contract or selection process with any party financially interested in the contract or an officer or employee of that party, unless the communication is (1) part of the process expressly described in the request for proposal or other solicitation invitation, (2) part of a noticed board meeting, or (3) as provided in subsection c. of this section. Any bidder who knowingly participates in a communication prohibited by this subsection shall be disqualified from the contract award.
  - b. During the evaluation of any solicitation of proposal, no party who is financially interested in a proposal, or an officer of that party, may knowingly communicate with any Board Member concerning any matter relating to the transaction or its evaluation, unless the financially interested party discloses the content of the communication in writing addressed and submitted to the Executive Director and the Board of Trustees prior to the Board's action on the prospective proposal. This subsection shall not apply to communications that are part of a noticed board meeting, or as provided in subsection c. of this section.
    - (1) The writing shall disclose the date and location of the communication and the substance of the matters discussed. The Board of Trustees shall prescribe other procedures concerning this disclosure.

- (2) Any Board Member who participates in a communication subject to this subsection shall also have the obligation to disclose the communication to the Executive Director and the Board of Trustees, prior to the Board's action on the proposal. The Board of Trustees shall prescribe procedures for this disclosure, including procedures to apply to Board Members who fail to disclose communications as required by this subsection.
- (3) Consistent with its fiduciary duties, the Board of Trustees shall determine the appropriate remedy for any knowing failure of a financially interested party to comply with this subsection including, but not limited to, outright rejection of the prospective proposal, reduction in fee received, or any other sanction.
- (4) The communications disclosed under this subsection shall be made public, either at the open meeting of the Board of Trustees in which the proposal is considered, or if in closed executive session, upon public disclosure of any closed executive session votes concerning the proposal.

c. The procedures and prohibitions prescribed by this section shall not apply to:

- (1) Communications that are incidental, exclusively social, and do not involve the System or its business, or the Board of Trustees or staff member's role as a System official.
- (2) Communications that do not involve the System or its business and are within the scope of the Board or staff member's private business or public office wholly unrelated to the System.

10. Proposals will be evaluated using the following criteria listed in order of importance:

- a. The bidder's demonstrated understanding of the problems and the needs of the solicitation as outlined in the proposal as well as the perceptiveness to address areas not specifically identified.
- b. Soundness of the bidder's approach to the problems and needs presented by the proposal including methodology for achieving specific tasks and objectives.
- c. Experience and capacity of the bidder including recent, related experience, qualification of personnel, and the bidder's ability to commit capable staff to support the project requested by the proposal.
- d. Cost effectiveness and reasonableness of the bidder's fees.

11. The Investment Policy Statement and Guidelines for the System require that, in addition to the Rule 206(4)-3 disclosures, an investment manager must also disclose the identity of each Placement Agent, the fees paid to each Placement Agent, the services performed by each Placement Agent, and if the Placement Agent is registered with the SEC or as a lobbyist, and also must provide copies of agreements with Placement Agents and resumes of key Placement Agent personnel.

## Appendix B

Company Name: \_\_\_\_\_  
Street Address: \_\_\_\_\_  
City, State Zip: \_\_\_\_\_  
Strategy Name: \_\_\_\_\_  
Contact Name: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Contact E-Mail: \_\_\_\_\_  
Firm Website: \_\_\_\_\_

**Please answer all questions below.**

### **FIRM BACKGROUND INFORMATION**

#### **Contact Information**

1. Please attach ADV Part 1, Part 2A and Part 2B.
2. Provide name of the company, address, telephone number, fax number, e-mail and web address.
3. Provide name, title, telephone number and email of primary contact(s) at the firm.

#### **Company**

4. Please provide a brief history of the company and if applicable, group structure.
5. What type of legal entity is your company?
6. Provide a chart of the legal structure of the company and list all branch or affiliate offices.
7. Provide details of the company's current ownership structure.
8. Please detail any changes in the last three years.
9. Are there any plans for further ownership changes?
10. Provide a short history of the company with the most significant milestones.

#### **Corporate Governance**

11. Who are the Directors? Please provide details of the relationship to the firm.
12. Are there Independent Directors? Please provide details.
13. How often does the Board/Governing Body meet?

#### **Staff Information**

14. Provide the number of permanent staff.
15. Provide the number of investment professionals.
16. Please state the number of employees in your company at the end of the last five years.
17. Provide an organizational chart including the different departments and the number of permanent employees in each.
18. Please explain any significant turnover, listing additions and deletions of key staff over the last two years.
19. How does the company attract new people?

20. Please explain the compensation scheme for key employees (particularly the bonus structure and the manager's share of the performance fee).
21. Provide a brief background of key personnel in each area (education, professional background).
22. Please discuss possible retirement of key individuals with succession plans.

### **Asset Management Activities**

23. Provide total AUM in the Fund(s) of Hedge Funds (FoHF) (unleveraged).
24. Provide total AUM in the FoHF (leveraged).
25. Please show the growth of AUM (total and breakdown by style) over the last 5 years.
26. Please show your FoHF net in/outflows over the last two years.
27. Provide your highest historical inflow and outflow in a given quarter.
28. Provide your FoHF AUM breakdown in %:
  - a) Direct investments vs. structured products.
  - b) By client type (insurance companies, pension funds, corporate, banks for private clients, banks for own account, family offices).
29. Does the company conduct any business other than asset management (i.e., as anything related to having business with the FoHF)? If so, please state the nature of the business.
30. Apart from FoHFs, does the company manage other products? If yes, provide the breakdown of assets (USD/%) for each product family (traditional, FoHF, HF, etc.).
31. Does the company manage any direct hedge funds? If so, please describe. Does your FoHF invest in them?
32. Does the company sponsor or have any ownership interest in hedge fund managers who are not employees of the company? If so, does the FoHF invest in these managers?
33. Which investor group does the company primarily target?
34. Provide a breakdown of AUM by:
  - a) Strategy;
  - b) Country; and
  - c) Client group.

### **INVESTMENT PHILOSOPHY**

35. Describe your investment philosophy.
36. Is leverage applied to the FoHF? If so, please provide details.

### **INVESTMENT PROCESS**

37. Describe your investment approach.

### **STRATEGY AND STYLE ALLOCATION**

38. Describe your asset/style allocation process.
39. Which strategies do you invest in?
40. Which strategy do you avoid? And why?
41. What is the company's competitive edge in the strategy and style allocation process?
42. On what basis, and when, does the company define and change the asset allocation of the portfolios?

43. Do investment guidelines/limits exist for all products? If so, please provide a sample.
44. Can the guidelines be altered? If so, how?
45. For non-standard products, to what extent can the investor be involved in the asset allocation process?

## **DUE DILIGENCE/MANAGER SELECTION**

46. Please summarize your manager selection process.
47. Please describe, in detail, the company's due diligence process including the investment, legal and compliance, and operational due diligence procedures. Please provide examples of papers where available.
48. For each step of the process, how is decision making structured? Who is the ultimate decision maker?
49. Please list the underlying hedge fund documentation that you review.
50. What level of transparency do you require from the managers/funds in the portfolio?
51. Where does your due diligence process differ from that of others in the marketplace?
52. How many managers/funds are you currently invested with? If there is a separate approved list, how many funds are on this list?
53. How many new managers/funds do you analyze per year?
54. How many managers/funds are approved per year?
55. What is the average time scale of the manager selection process?
56. Do you conduct on-site visits with the managers?
57. Are all visits written up in structured reports?
58. How many visits to a manager will you make prior to making an investment?
59. How much time is spent with each manager during the due diligence process?
  - a) Before initial investment?
  - b) After initial investment?
60. What are the main reasons for the exclusion of particular managers from a portfolio?
61. What were your biggest errors (if any) in 2008 and past years in terms of manager selection? What have you changed since then in order to improve your process?

## **Operational Due Diligence**

62. Do you have a dedicated operational due diligence team?
63. What is the size and qualifications of the team? Provide a sample ODD checklist if used.
64. Do you perform reference checks on managers? If so, how are these done?
65. Do you perform ODD on the middle and back office operations? If so, please describe.
66. Explain both the ODD prior to investment and the ongoing ODD after investment (if any). Are all visits written up in structured reports?
67. Do you perform due diligence checks on the administrator or any other service provider to the targeted funds? If so, please describe.
68. How do you analyze and monitor counterparty risk?
69. Do you contact the outside audit company prior to approval?
70. What were your biggest errors (if any) in 2008 and past years in terms of ODD? What have you changed since then in order to improve your process?

## Capacity

71. How many managers are currently on your approved list?
72. How much capacity is available from managers on the approved list that you are invested with? Please provide breakdown by strategy.
73. How does the company secure and expand capacity with underlying hedge fund managers?

## PORTFOLIO CONSTRUCTION

74. Describe the portfolio construction process.
75. What is your expected and historical attribution from style allocation and manager selection? Please explain if significant.
76. Is there an investment committee that approves portfolio allocations? If applicable, please describe its setup and authority.
77. How often are portfolios rebalanced?
78. State the average turnover of managers within the portfolio.
79. Does the number of managers in different portfolios vary substantially?
80. What are the main reasons for the exclusion of particular managers from a portfolio?
81. How do you deal with capacity constraints related to portfolio construction?

## RESEARCH

82. Define the objectives of your research team. Specify the resources allocated to this activity.
83. In which areas does the company use external research, and which sources do you employ?
84. Does the company publish regularly in the press or commission research/academic papers? Provide samples.

## RISK MANAGEMENT

85. Describe your risk management philosophy.
86. Describe how risk management is structured within your organization.
87. What risk management concepts does the company apply to its underlying managers/funds?
88. Does the company maintain a written risk management policy? If yes, please provide a copy.
89. Does the company use any formal risk limits? Or informal risk guidelines? If so, please describe how they are established and used.
90. Are stop-loss policies used? If so, please describe.
91. Does the company maintain a risk management system including operational, legal, reputational and business risks? If so, please describe.
92. Do the underlying hedge fund managers provide portfolio transparency? Please describe the extent, timeliness and frequency of this transparency.
93. Describe the company's quantitative risk management tools.
94. Describe any concentration limits you have at individual manager level and strategy level.
95. How are liquidity provisions monitored and controlled?
96. How do you manage the liquidity risk in your portfolio? State the policy implemented in terms of liquidity management. Have you defined guidelines in terms of acceptable liquidity matching?
97. Please describe the credit facilities you have for the fund including the foreign exchange (FX) hedging, if any, and the process to monitor them.

98. Has a manager included in one of the company's portfolios ever gone out of business ("blow ups") or suffered significant drawdown or fraud? If yes, please describe and explain the lessons learned from that experience and how they have been applied to your business.

## **OPERATIONAL RISK**

99. How does the company define operational risk?
100. Does the company have an operational risk management framework? Does the framework consider how the company identifies, assesses, monitors and controls operational risks?
101. Are the employees responsible for the operational risk framework adequately independent from the business and appropriately trained (For example, does the company have a risk or internal audit function that is responsible for the framework?)?
102. Does the board of directors approve and regularly review the operational risk management framework?
103. Who is responsible for implementing the operational risk framework? Are there clear lines of responsibility across senior management?
104. Outline the roles and tasks of the members of your operational team (including reconciliation and valuation processes).
105. How does the company ensure employees understand their responsibilities for implementing the operational risk framework?
106. What ongoing assurance does the firm provide to clients over the effectiveness of its operational risk framework? If an AAF 01/06 has been completed, please list the key weaknesses identified from the last 5 years.

## **OPERATIONAL RISK FOR DELEGATED FUNCTIONS**

107. What due diligence process does the company perform prior to the appointment of a contracted service provider? Please specify if this differs for different service providers (e.g., custodian and administrator).
108. Are service level agreements in place between the company and its contracted service providers? If so, how does the company monitor services against the prescribed standards?
109. Does the company perform periodic reviews of the contracted service providers?
110. What ongoing assurance does the firm perform over the effectiveness of the controls of contracted service providers?

## **ADMINISTRATION/OPERATIONS**

### **Administration**

111. How often is the NAV calculated/estimated?
112. Is the FoHF administration performed in-house? If performed in-house:
- a) Explain why this role is performed in-house.
  - b) What are the tasks of the FoHF administration?
  - c) What systems are used for FoHF administration?
113. Are computer systems developed in-house, or does the company use standard products?
114. If services are delegated to outside contractors:
- a) Which tasks are fulfilled by external service providers (include names of companies)?

- b) Detail the duration of the relationship.
  - c) Which services does your administrator provide (e.g., direct reporting to investors)?
- 115.** Please provide contact names, telephone numbers and email addresses for the following functions:
- a) Financial Reporting valuations/Fund Accounting.
- 116.** Please outline the process for valuations, reconciliation and confirmation of assets.
- 117.** What is your policy with regards to the pricing of illiquid positions (e.g., side pockets, suspended redemptions)?
- 118.** Have you experienced any material discrepancy between your administrator and your own internal estimate on NAV calculation? If so, please describe.

### **Service Providers**

- 119.** Provide a list of professional counterparties the company maintains business relationships with:
- a) Legal advisors;
  - b) Auditors;
  - c) Banks;
  - d) External marketers; and
  - e) Other.
- 120.** Do all the FoHFs run by the company have the same service providers? If not, why?
- 121.** Have there been any changes in service providers (including administrators) to the FoHFs in the last 5 years? If so, why?
- 122.** Please provide details of the fees paid to your service providers on an annual basis (including the administrator).

### **Compliance/Regulation**

- 123.** Does the company have a full time compliance officer?
- 124.** Describe how compliance is structured within your organization.
- 125.** Does a dedicated compliance team exist? Does the company maintain a written compliance manual? If yes, please provide details.
- 126.** When was the manual last updated?
- 127.** Is the company registered with any regulatory and/or supervisory bodies?
- 128.** Please specify the date of the most recent regulatory inspection, if any.
- 129.** Are there any lawsuits pending against the company?
- 130.** Is your company a member of AIMA or any other relevant trade association?

### **Conflict of Interest**

- 131.** How does the company ensure an alignment of interests between the company, as FoHF manager, and the investor?
- 132.** Are key people invested in the funds? If yes, under which terms and conditions?
- 133.** Are there any potential conflicts of interest the investor should be aware of?
- 134.** Does the firm and/or FoHFs have any distribution agreement with managers and/or distributors?

### **ANTI-MONEY LAUNDERING**

- 135.** Confirm the company has established Anti-Money Laundering (AML) procedures.

- 136.** Please advise which jurisdiction's regulations you comply with.
- 137.** Please provide the name of your AML Officer.
- 138.** Elaborate on the procedures to ensure compliance with AML policies.
- 139.** Please provide a summary of your AML procedures.
- 140.** If this function is delegated to an outside contractor (i.e., administrator):
- a)** Include the name of the company; and
  - b)** Detail the duration of the relationship.
  - c)** How do you ensure their AML procedures are in compliance with industry practice?

## **BUSINESS CONTINUITY/DISASTER RECOVERY**

- 141.** Does the company have a formal business continuity management plan? Please describe the basic provisions.
- 142.** What contingency plans do you have in terms of:
- a)** Computer system fault?
  - b)** Incapacitated investment decision makers?
  - c)** Presence of in-house computer technician?
  - d)** Back-up systems?

## **INSURANCE**

- 143.** Do you currently hold insurance for the following:
- a)** Directors' and Officers' Liability?
    - 1.143.a.1. For the FoHFs.
    - 1.143.a.2. For the management companies.
  - b)** Professional Indemnity or Errors and Omissions?
  - c)** Crime (employee fidelity/third-party fraud)?
  - d)** Key Person Insurance?

*N.B: if you are not restricted from disclosing such information under your policy(ies)*

## **PRODUCT INFORMATION**

If necessary, please complete one sheet for each of your fund products.

- 144.** Provide a short description of your flagship product(s), or most representative products, including:
- a)** Investment objective, return, risk;
  - b)** Target investor;
  - c)** Breakdown of current investor base;
  - d)** Legal structure;
  - e)** Domicile of FoHF;
  - f)** Currency share classes;
  - g)** Investment universe (strategy/geography);
  - h)** Asset allocation;
  - i)** Number of funds in the portfolio;
  - j)** Current size;
  - k)** Date of inception;

- l)** Total standard fee structure;
- m)** Liquidity;
- n)** Do your products have the facility to impose constraints such as gates, side pockets, etc.? If so, please provide explanation in question #148;
- o)** Are any investors granted preferential liquidity terms? If so, describe the terms and % of NAV;
- p)** Conditions for subscriptions and redemptions; and
- q)** Minimum investment.

*Please provide this information for each of your products. Please provide offering memoranda for your flagship products.*

- 145.** Does the company specialize in any product or group of products? If so, please describe.
- 146.** List your other FoHFs with their key characteristics (e.g., strategy).
- 147.** List the FoHFs you have previously operated which have been subsequently liquidated. Please describe the reasons for the liquidation.
- 148.** List the FoHFs you operate currently, or have operated in the past, which have suspended redemptions, imposed gates or created side pockets.
- 149.** Are there any independent FoHF directors? Please provide details.
- 150.** How often does the Board/Governing Body meet?
- 151.** Please provide roles and responsibilities of the Directors.

## **PERFORMANCE**

- 152.** Provide historical performance for all your products (actual only) since inception, net of standard fees (in electronic form), including:
  - a)** Monthly returns;
  - b)** Standard deviation (annualized);
  - c)** Three largest drawdowns and recovery periods; and
  - d)** Percentage of positive/negative months.
- 153.** Has this track record been audited? By whom? When?
- 154.** Is the company AIMR/GIPS compliant? If so, please provide a copy of the compliance presentation. Have these presentations been verified by a third party? Please provide a copy of the verification report.
- 155.** Please describe the payment process of your performance fees for your FoHFs and their timing in relation to the sign off of the annual auditor's report.

## **CLIENT INFORMATION/REPORTING**

- 156.** What is your client reporting policy? Address topics such as level of transparency, frequency and timeliness.
- 157.** Please provide the details of the content of your reporting (e.g., performance, risk, allocation, liquidity, etc.).
- 158.** What is the normal method of communication with your clients?
- 159.** Provide sample reports sent to investors.
- 160.** Can investors receive customized reports?
- 161.** Are audited reports available to investors? Please provide sample(s).

- 162. How often will you review a portfolio with a client?
- 163. Do you provide formal client training?

**TAXATION**

- 164. On what basis does the FoHF maintain it is managed and controlled, and therefore a tax resident, outside the U.S.?
- 165. How has the company been satisfied with itself that the conditions on the Investor Manager Exemption have been met or that it is not the Permanent Establishment of the fund?
- 166. Has the FoHF paid tax to any authority before? If so, what is it and how much?
- 167. Has the FoHF been advised by any advisor (e.g., auditor, legal counsel) on a specific tax matter? If so, what is the conclusion?

Please attach your most recent disclosure documents, information memorandum and marketing literature.

**In the event of amendments to the aforementioned documents, notably the memorandum, please ensure that we will receive those directly from you within reasonable time, as well as copies of proxies and notification of the Annual General Meeting (the latter only for information purposes).**

Please state the name and title of the officer at your company who has prepared and reviewed this.

Name:

Date:

Position:

## **Appendix C**

### **Timeline for Receipt of Proposals**

- |  |                            |
|--|----------------------------|
| 1. State Board approves solicitation for proposals | January 29, 2014           |
| 2. Solicitation for proposals posted               | January 31, 2014           |
| 3. Questions submitted by potential respondents    | February 21, 2014          |
| 4. Q&A sheet posted                                | February 28, 2014          |
| 5. Responses received                              | March 7, 2014              |
| 6. Finalists selected by State Board               | On or After April 18, 2014 |
| 7. Selection by State Board                        | On or After May 16, 2014   |