

District of Columbia Retirement Board

900 7<sup>th</sup> Street, N.W., Suite 200  
Washington, D.C. 20001

**Request for Proposal**

**Absolute Return/Private Equity Investment Consulting Services**

Solicitation DCRB-2011-004

<b>Issue Date:</b>	<b>October 17, 2011</b>
<b>Letter of Interest Due Date:</b>	<b>October 28, 2011 at 5 p.m. EST</b>
<b>Question Cut-Off Date:</b>	<b>November 4, 2011 at 5 p.m. EST</b>
<b>Proposal Due Date:</b>	<b>December 2, 2011 at 5 p.m. EST</b>

Firms who have received this solicitation from a source other than the issuing office of the District of Columbia Retirement Board should immediately contact the procurement officer and provide contact name and mailing address in order that any amendments or other communication related to the solicitation may be forwarded in a timely fashion. Any firm who fails to notify the procurement officer with this information assumes complete responsibility in the event that it does not receive communication about this solicitation before or after the due date.

District of Columbia Retirement Board  
**Request for Proposal**  
**Absolute Return/Private Equity Investment Consulting Services**

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## 1.0 Introduction

The District of Columbia Retirement Board (the “Board”) was established by the U.S. Congress on November 17, 1979, pursuant to the District of Columbia Retirement Reform Act (93 Stat. 866, P.L. 96-122), codified at D.C. Code § 1-701 et seq. (2001 Ed.), (the “Reform Act”). The Reform Act established the Board as an independent agency of the District of Columbia government (“District”) with exclusive authority to manage and control the assets of the District of Columbia Police Officers and Firefighters’ Retirement Fund as well as the District of Columbia Teachers’ Retirement Fund (collectively, the “Funds”). Provisions of the Reform Act are very similar, and in some instances, identical to the Employee Retirement Income Security Act (“ERISA”).

Under the Reform Act, the Board has authority to promulgate rules and regulations, adopt resolutions, issue directives for the administration and transaction of its business, and perform such functions as may be necessary to carry out its responsibilities under the Reform Act.<sup>1</sup> The Board is also granted specific authority to enter into contracts with public or private sector entities to the extent necessary to carry out its responsibilities.<sup>2</sup> Moreover, the Board is authorized to propose its own rules which govern the procurement of goods and services pursuant to its authority to contract.<sup>3</sup>

The purpose of this solicitation is to obtain the services of one or two experienced investment consulting firms (“Consultants”) with the skills, expertise and resources to assist and advise the Board of Trustees (the “Trustees”) in making prudent investment policy decisions regarding the Funds’ Absolute Return and Private Equity<sup>4</sup> programs, to assist and advise its Staff in the implementation of such decisions, and to provide ongoing Trustee and Staff education.

## 2.0 Background and General Information

The Board’s primary mission is to prudently invest the assets of the Funds and to provide the active and retired plan members with total retirement services. To assist the Board in managing the assets of the Funds, the Reform Act authorizes the Board to engage the services of competent investment managers. In addition, the Board currently engages Meketa Investment Group as general investment consultant to help formulate and refine realistic investment policies and Cliffwater to consult on the Real Assets program development and implementation. Additionally, State Street Bank and Trust Company is the Board’s custodian and is responsible for providing record-keeping, performance calculations, and asset valuations. Clifton Gunderson, LLC, certified public accountants, is retained for the purposes of the Board’s annual comprehensive audit. Cavanaugh MacDonald Consulting, LLC, is engaged as the Board’s enrolled actuary to certify the annual District contribution amount and the cost of any change in benefits. Additionally, the Board retains outside counsel to assist with a variety of fiduciary, operational and investment-related matters.

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<sup>1</sup> D.C. Code § 1-711(e).

<sup>2</sup> D.C. Code § 1-711(i)(1).

<sup>3</sup> D.C. Code § 1-711(i)(2).

<sup>4</sup> For the purposes of this document, Private Equity includes the following sub-asset classes: buyouts, mezzanine, growth equity, venture capital, and distressed/special situations investments.

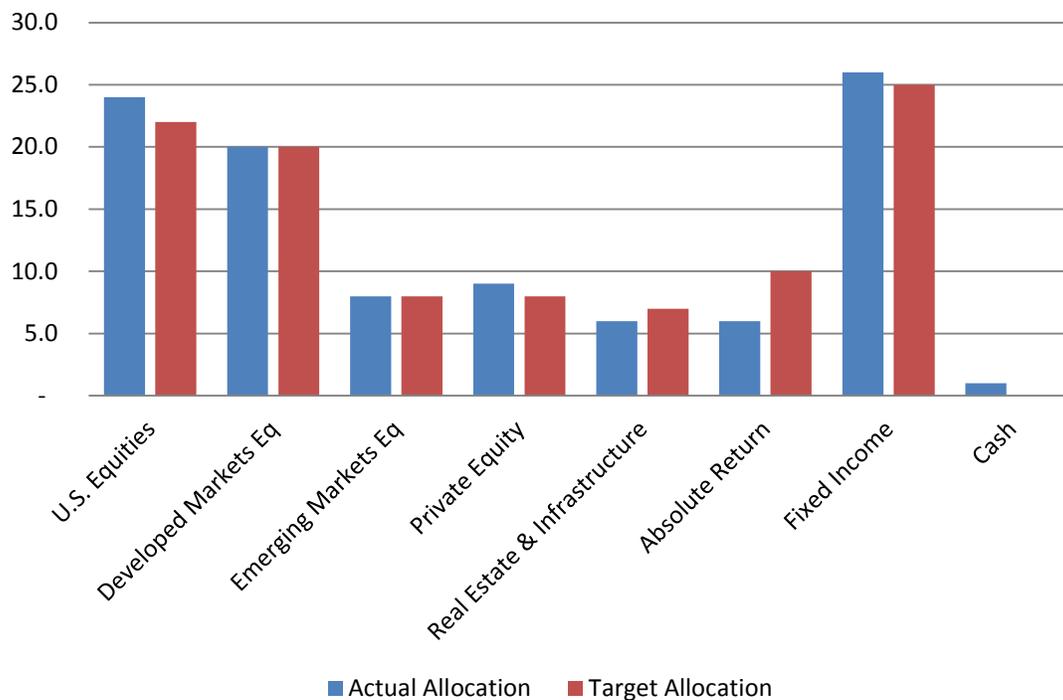
The Board is composed of twelve (12) voting members and one non-voting member. Six (6) members are elected by the active and retired participants (Police Officers, Firefighters and Teachers) of the retirement system; three (3) members are appointed by the Mayor; three (3) members are appointed by the Council of the District of Columbia; and the City Treasurer as a non-voting, ex-officio member.

This RFP process is designed to elicit information necessary to assess, among other factors, prospective Absolute Return and Private Equity investment consulting firms' experience and resources, reasonableness of fees, and the capacity to perform required services. At the conclusion of the process, the Board may award the mandate for both asset classes to a single firm or to hire separate firms for each asset class.

*Portfolio Overview*

As of August 31, 2011, the Funds had a market value of roughly \$4.7 billion. The current strategic asset allocation targets, adopted in February 2011, are as follows: 22% U.S. equities; 20% developed markets (ex U.S.) equities; 8% emerging markets equities; 25% fixed income; 10% absolute return strategies; 8% private equity; and 7% real estate/infrastructure. The assets are managed by external investment management firms with oversight from the Board, Consultants, and Staff.

**Actual and Target Asset Allocation as of August 31, 2011**



As of August 31, 2011, the Board had approximately \$415 million (9% of total assets) invested in private equity funds and \$280 million (6%) in an absolute return fund. Additionally, the Board had approximately \$125 million (3%) in unfunded commitments to existing private equity funds. The Board started participating in Private Equity investments in 1987 and in Absolute Return investments in 2006. Please see Attachment G for a list of the Board's current private equity and absolute return relationships.

### 3.0 Scope of Work

The Board seeks one or two firm(s) with substantial institutional investment experience to provide comprehensive investment consulting services for the Board's Absolute Return and/or Private Equity Investment programs. Based on their interest and expertise, respondents to this RFP may choose to submit a proposal focused on 1) Absolute Return consulting only; 2) Private Equity consulting only; or 3) Absolute Return and Private Equity consulting. Each firm may submit only one proposal.

The Board expects any firm(s) retained under this RFP to offer the following services, at a minimum:

#### A. Strategic Investment Consulting

1. Provide recurring recommendations concerning long-term investment policy, objectives and strategy for the Board's Absolute Return and/or Private Equity programs.
2. Prepare special analyses and/or research as requested by Staff to better define goals and objectives, monitor portfolio risk and model cash flows and commitments (private equity only).
3. Prepare comprehensive written research, analysis and advice on specific investment issues, or conduct special projects or other activities, as requested.
4. Participate in Board and/or Investment Committee meetings/calls<sup>5</sup> to (i) present research, analyses, written reports and recommendations or (ii) respond to questions relating to the Absolute Return and/or Private Equity programs or the market environment.
5. Participate in meetings/calls with Staff to provide advice and counsel on matters related to the Absolute Return and/or Private Equity programs, as needed.
6. Coordinate and communicate with the Investment Committee, Staff, investment managers, and other investment consultants in the portfolio on an ongoing basis.

#### B. Sourcing and Due Diligence

It is expected that Absolute Return and/or Private Equity investment opportunities will be sourced by both the Consultant and Staff. Sourcing and due diligence will include the following, at a minimum:

1. Develop a proactive, structured review process to analyze the full universe of available investments, and efficiently identify those most appropriate for the Board's portfolio. This process must include the analysis of prospective investments identified by Staff.
2. Conduct due diligence on prospective investments that may have received preliminary approval from the Investment Committee, which must include whether the prospective investments will comply with all applicable Federal and state law requirements including those governing pension funds.
3. Present written recommendations to the Investment Committee and Staff, which will include: i) the results of Consultant's due diligence, ii) a discussion of investment risks, iii) a description of how the investment would fit within the Board's portfolio, iv) a detailed track record analysis, and v) a review of legal and economic terms.

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<sup>5</sup> The estimated number of in-person meetings (including Board, Investment Committee, and Staff meetings) ranges from 6-8 in year one and 4-6 thereafter.

### C. Monitoring of the Absolute Return and/or Private Equity Programs

In monitoring the programs, the Consultant will:

1. Take responsibility for the timely review and analysis of key events that may affect the Absolute Return and/or Private Equity programs, including legacy managers and funds. Key events could include market, organizational, or regulatory changes.
2. Assist in actions taken to protect the interests of the Board as an investor and interact with portfolio investment managers and funds to ensure compliance by each with contract terms.
3. Attend annual meetings, and, where appropriate, serve on advisory boards, and report back to Staff.
4. Review and recommend courses of action for all fund document amendment requests.

### D. Performance Measurement and Reporting

The Consultant will provide the following performance measurement services:

1. Obtain investment data from legacy investment managers on a monthly/quarterly basis.
2. Evaluate the accuracy of this information and reconcile the monthly/quarterly figures with the custodian bank's reports and records for accuracy.
3. Calculate returns in US dollar terms, converting local currencies to US dollars as necessary, which will be reconciled with the performance calculations and currency conversions which may be reported by the partners and managers. Time-weighted (absolute return) and dollar-weighted (private equity) returns will be reported net of fees at the partnership, sub-asset class, and asset class levels.
4. Monitor and report on portfolio and investment-level diversification by investment strategy and geography, as well as other risk factors as defined by the Board and Staff.
5. Provide a customized monthly (Absolute Return) and/or quarterly (Private Equity) performance/risk report, including, at a minimum:
  - a) Absolute Return
    1. Organizational and fund updates
    2. Date of inception and original investment amount
    3. Current DCRB investment (NAV) and total fund AUM
    4. Net returns and appropriate benchmark data
    5. Risk metrics (e.g., gross/net exposure; correlations; Sharpe ratio)
    6. Items 4 – 5 aggregated by sub-asset class and for the total program
  - b) Private Equity
    1. Organizational and fund updates
    2. Date of inception/initial commitment
    3. DCRB commitment and total fund commitments
    4. Paid-in capital, Undrawn capital, Distributions, NAV
    5. Net investment multiple & IRR since inception
    6. Appropriate benchmark data
    7. Items 4 – 6 aggregated by sub-asset class and for the total program
    8. Allocation breakdown by vintage year, strategy, investment stage, and geography

6. Work with Staff to facilitate an electronic data exchange between the Consultant's database and the Board's internal research management system.

E. Other

Additionally, the Consultant will:

1. Provide educational workshops to the Board and Staff on specific issues designated by the Board and/or recommended by the Consultant.
2. Provide comments and analysis on proposed federal and state legislation as well as accounting regulations affecting the Absolute Return and/or Private Equity programs.
3. Support Staff, the Board and/or the Investment Committee through written and/or oral presentations with government agencies, legislative committees, auditors etc.

#### **4.0 Conflicts of Interest**

To minimize potential conflicts of interest, the Board will evaluate firms' organizational structure, economic incentives and other factors that may influence the ability to provide independent and objective advice. Evaluation criteria will include, but aren't limited to, firms' composition of revenues (% of total firm revenues from non-discretionary investment advisory services), ownership structure and distribution of firm economics, as well as past or current involvement in pay-to-play activities.

#### **5.0 Term of Agreement**

The term of the original Agreement shall be for an initial three-year period.

#### **6.0 Proposal Specifications**

A. General

To facilitate the evaluation of proposals, the Board asks respondents to follow the instructions outlined in this section. Failure to respond to the instructions will disqualify the proposal and eliminate the respondent from consideration.

Depending on their area of expertise, firms may submit a proposal for 1) Absolute Return consulting only; 2) Private Equity consulting only; or 3) Absolute Return and Private Equity consulting. Respondents should specify the asset class(es) for which they would like to be considered in their letter of interest (see next section). Each firm may submit only one proposal.

B. Letter of Interest

Firms interested in submitting a response to this RFP should send signed originals of the following documents:

1. Letter of Interest signed by an authorized signatory for the firm (including contact name, title, phone and email for follow-up correspondence, and proposal type: 1) Absolute Return consulting only; 2) Private Equity consulting only; or 3) Absolute Return and Private Equity consulting)
2. Signed “Representations and Warranties” (Attachment A)
3. Form ADV Parts 1 and 2, including all schedules.

These documents should be sent to:

D.C. Retirement Board  
Attn: Yolanda Smith  
900 7<sup>th</sup> Street, N.W., Suite 200  
Washington, D.C. 20001

The letter of interest and all required documents must be received by 5 p.m. EST on Friday, October 28, 2011.

Firms that do not submit the above documents by the stated deadline will be excluded from further consideration.

#### C. Inquiries

Questions concerning the RFP must be received in writing no later than 5 p.m. EST on Friday, November 4, 2011. Questions should be emailed to [yolanda.smith@dc.gov](mailto:yolanda.smith@dc.gov). Staff will respond to inquiries via email by Friday, November 11, 2011.

#### D. Proposal Submission

The proposal, including all attachments, must be received no later than 5 p.m. EST on Friday, December 2, 2011. Any proposal received after the submission deadline will not be returned unopened. Faxed or emailed transmissions are not acceptable. The original and five copies of the Proposal (one copy must be unbound and ready to photocopy) are to be sent to the attention of:

D.C. Retirement Board  
Attn: Yolanda Smith  
900 7<sup>th</sup> Street, N.W., Suite 200  
Washington, D.C. 20001

In addition to the hardcopies, respondents should send a USB thumb-drive containing an electronic version of their complete response.

#### *Proposal Format*

1. **Cover Letter:** The proposal must include a cover letter signed by an individual legally authorized to bind the respondent to both its proposal and fee schedule. The cover letter should contain the name, title, address, email address, and phone number of the person(s) who are authorized to represent the firm and to whom the Board should direct follow-up correspondence. The cover letter should also confirm for which asset

class(es) the firm is submitting a proposal: 1) Absolute Return only; 2) Private Equity only; or 3) Absolute Return and Private Equity.

2. **Response to Questionnaire:** The proposal must include a complete set of responses to the questions in the Proposal Questionnaire (Attachment B). The questions and/or requests made in the attached Proposal Questionnaire should be duplicated in their entirety in the Proposal with each question and/or request repeated before the answer or response.
3. **Proposed Fee Schedule:** The proposal must include a completed and signed fee schedule (Attachment C). Firms bidding on a combined mandate (Absolute Return and Private Equity) must also submit a quote for each asset class on a stand-alone basis.

#### E. Public Record

All responses received (including fees) are deemed to be "public records" pursuant to the D.C. Freedom of Information Act (D.C. Code 2-531 et seq).

#### F. Incurring Costs

Each firm is responsible for the costs associated with the submission of its response and all other related expenses, including any travel costs.

#### G. Withdrawal/Lock-Out

A firm may withdraw a response in writing, once submitted, provided that such withdrawal occurs prior to the proposal submission deadline.

Upon issuance of the RFP, all recipients of the RFP must refrain from intentional, unauthorized contact with any Trustee or Staff of the Board during the search and selection period to avoid the appearance of a conflict in the decision-making process. Authorized contact includes communication for (a) ordinary and necessary business purposes and (b) matters of public record other than unintended, incidental occurrences.

The Board reserves the right to award this engagement based upon evaluation of the written responses received and without further discussions or negotiations. The Board reserves the right to terminate the process at any time without any selection or notification.

## 7.0 Selection Process

The Board seeks to retain the highest quality organization(s) to provide consulting services in an open, fair, and competitive process. The Board reserves the right to award the mandate for each asset class separately or on a combined basis. For combined proposals, the Board may request the consulting firm is retained for only one of the two asset classes.

### Step 1. Proposal Evaluation

The Staff will score all proposals based on the following criteria:

1. Understanding the Board's objectives and requirements (20% weight)
2. Firm experience and resources (20%)
3. Proposed team experience and qualifications (20%)
4. Potential for conflicts of interest (20%)
5. Fee proposal (20%)

Staff will evaluate each firm's qualifications for each asset class on a stand-alone basis and will select a list of finalists based on the evaluation scores.

Step 2. Investment Committee Presentation

The Investment Committee will interview the finalists at the Board's offices in Washington D.C. The Committee will then make a final recommendation to the Board for its approval.

Step 3. Contract Negotiation

Through the selection process, the Board reserves the sole discretion in awarding the contract(s). All terms and conditions are subject to negotiation, amendment, or rescission by the Board at any time prior to the execution of the Agreement if the Board deems it in the best interest of the Funds to do so. The Board reserves the right to request supplemental information from potential firms at any point during the RFP process.

**8.0 Tentative Timetable**

The following is the tentative time schedule for the Board's search process. All dates are subject to modification with notice.

Monday, October 17, 2011	RFP issuance
Friday, October 28, 2011	Deadline for submission of letters of interest
Friday, November 4, 2011	Deadline for submission of questions
Friday, December 2, 2011	Deadline for submission of proposals
December 2011 / January 2012	On-site visits / selection of finalists
February 2012	Finalist presentations before Investment Committee
March 2012	Contract commencement date

**9.0 Minimum Criteria**

Respondents must meet all of the following criteria to be given further consideration in the Board's search. Failure of a firm to meet the minimum criteria will result in the proposal's immediate rejection.

- A. The firm is a registered investment advisor under the Investment Advisers Act of 1940.
- B. The firm agrees to serve as a "fiduciary" to the Board, as the term is defined by the Employee Retirement Income Security Act of 1974 (ERISA) and the D.C. Retirement Reform Act (Pub. L. 96-122) D.C. Code Sections 1-702(20) and 1-741(a)(1). These sections are included as Attachment D.

- C. The firm has (i) reviewed the representations and warranties, outlined in Attachment A, and (ii) agreed that, if retained to provide consulting services, such representations and warranties will be incorporated into the investment consulting contract. Limited drafting changes may be negotiated during contract negotiation.
- D. The firm has provided for at least three (3) years, Absolute Return and/or Private Equity investment consulting services to at least one public pension client with more than \$500 million in combined Absolute Return and/or Private Equity assets (as of 6/30/11).
- E. The firm will designate a senior consultant with a minimum of ten (10) years' experience in Absolute Return and/or Private Equity investment consulting to work on the Board's account. The designated senior consultant ("Primary Consultant") will be expected to quickly and thoroughly become knowledgeable and up-to-date with the Board's portfolio, to provide clear and cogent portfolio reports, and to attend all specified meetings. The designated Primary Consultant may not be changed by the respondent during the life of the contract without the express written approval of the Board.
- F. The firm is not involved in any formal investigation or proceeding by any federal, state or foreign regulatory authority or self-regulatory body.
- G. The firm will disclose any legal and/or regulatory inquiries and/or sanctions against the firm or any individuals employed by the firm.
- H. The firm agrees to disclose all conflicts of interest, sources of revenue and affiliations.

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**District of Columbia Retirement Board  
Request for Proposal  
Absolute Return/Private Equity Investment Consulting Services  
Representations and Warranties**

All firms are required to submit an executed Representations and Warranties statement as an attachment to the Letter of Interest (see section 6.B for more details).

- A. The firm warrants that it meets all of the minimum criteria as outlined in Section 9.0 of the RFP.
- B. The firm warrants that it shall discharge its duties with respect to the Funds in accordance with the requirements of the Reform Act, with care, skill, prudence and diligence, and in compliance with any other applicable laws. Further, with respect to the foregoing, the Board will rely on the expertise and experience of the firm in all matters related to the Funds as to which services are to be provided by the firm.
- C. The firm warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations required by any government, governmental authority, or other regulatory authority with respect to all actions, responsibilities, and obligations contemplated by the Agreement.
- D. The firm warrants that it maintains an errors and omissions insurance policy providing an adequate amount of coverage for negligent acts or omissions and that such coverage will be applicable to the firm's actions, responsibilities and obligations under the Agreement.
- E. The firm warrants that the person submitting this Proposal and executing these Representations and Warranties is duly authorized by the firm to submit this Proposal and execute these Representations and Warranties.

\_\_\_\_\_  
Name of Firm

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name and Title

**District of Columbia Retirement Board  
Request for Proposal  
Absolute Return/Private Equity Investment Consulting Services  
Proposal Questionnaire**

**A. Organizational Background**

*General*

1. Please provide the following information regarding your firm:
  - i. Firm Name
  - ii. Contact Name and Title
  - iii. Contact Mailing Address
  - iv. Contact E-mail Address
  - v. Contact Phone and Fax Numbers
  - vi. Firm Website Address
2. Please provide a brief history of the firm, including its year of organization and the ownership structure of the firm, including any parent, affiliated companies or joint ventures.
3. Please list all owners of the firm and their ownership percentages.
4. Describe any ownership changes that have occurred within the last three (3) years, as well as any anticipated changes in ownership, organizational structure, or professional staffing.
5. Please provide the following information related to your firm:
  - a. Number of years' experience in Absolute Return and/or Private Equity investment consulting to institutional investors (total assets of more than \$100 million)
  - b. Number of years' experience in Absolute Return and/or Private Equity investment consulting to public pension funds
  - c. Percentage of revenue derived from the following activities (if your firm provides both discretionary and non-discretionary services, please detail the split):
    - i. Investment consulting services
    - ii. Absolute Return investment consulting
    - iii. Private Equity investment consulting

*Client Base*

6. Please provide the following information related to your firm's current clients:
  - a. Total number of clients, including total assets-under-advisement
  - b. Number of Absolute Return and/or Private Equity consulting clients

- c. List of public pension fund clients, including size (based on assets-under-advisement) and relationship inception date.
  - d. Percentage breakdown between discretionary and non-discretionary assets under management/advisement for each year from 2000 to today.
  - e. Percentage breakdown of clients by category (e.g., public pension funds, endowments & foundations, families, etc.)
  - f. Distribution of clients by asset size based on the following ranges: (1) less than \$1 billion, (2) \$1-5 billion, (3) \$5-10 billion, (4) \$10-20 billion, and (5) greater than \$20 billion. Average and median client size by assets.
  - g. Distribution of clients by geographic region: (1) U.S. Northeast, (2) U.S. Mid-Atlantic, (3) U.S. Southeast, (4) U.S. Midwest; (5) U.S. West Coast; (6) International.
7. Please provide details on the number, name and asset values of any terminated Absolute Return and/or Private Equity consulting relationships since January 1, 2008, including reasons for the termination. Please provide the name and position of the applicable contact person as well as telephone number and email address for each such client.
8. Please provide details on the number, name and asset values of any Absolute Return and/or Private Equity consulting relationships gained since January 1, 2008, including names and positions of contact persons as well as applicable telephone numbers and email addresses.
9. Please discuss your firm's plans for the Absolute Return and/or Private Equity investment consulting business lines over the next 3-5 years.

*Operations / Compliance*

10. Please describe any significant changes to your firm's IT systems, backup/disaster recovery plan and/or document retention policy over the last year?
11. Are you aware of any conflicts brought to a Fund's LP Advisory Board in the last year? What was your involvement in the resolution?
12. Have you ever received a SAS 112 letter? If yes, please note when the letter was received, explain the internal control weaknesses and how they were remedied.
13. In the last year, have there been any changes to levels of insurance coverage and/or carriers for errors and omissions insurance, D&O insurance and any other fiduciary or professional liability insurance the firm carries.
14. Does the firm monitor investment managers' compliance with LP side letters?

**B. Professional Staff**

15. Provide an organizational chart showing name, title, responsibilities, age, educational background, professional background, number of years' experience in the industry, and number of years' tenure with the firm. Please note all professionals dedicated to Absolute Return and/or Private Equity consulting and manager research. Also, please include the total number of professional employees and support staff.

16. Please provide the names of all professionals who will be assigned the Board's account, including designated primary and secondary consultants, as well as detailed biographical data for all such individuals. Please include the following information for each, at a minimum:
  - a. Number of years' experience in Absolute Return and/or Private Equity investment consulting and with your firm,
  - b. List of currently assigned accounts, including total assets of each client, date of relationship inception, and clients' geographic location,
  - c. Detailed description of prior Absolute Return and/or Private Equity program structuring and manager due diligence experience, and
  - d. Consultants' home office location.
17. For each of the accounts identified in 11.b above, please provide name, address, contact name, telephone number, and email as references for your firm.
18. Please explain how the team dedicated to the Board's account would function, and the procedures for addressing the Board's account when the primary and secondary consultant(s) are traveling or otherwise unavailable.
19. Please describe any turnover in professional staff since January 1, 2008, including the name and position of each departing employee as well as the date and reason for the departure.
20. Within your firm, what is the average number of clients per consultant (excluding consultants primarily focused on firm management)?
21. Please provide a brief description of your firm's compensation arrangements for professional staff, including equity ownership, incentive bonus, and vesting information.

### **C. Services and Capabilities**

#### *General*

22. Describe the range of consulting and other financial services that your firm offers. What is your firm's core expertise?
23. Are there common beliefs about the investment markets that underpin the firm's investment advice across its clients?
24. Please provide a copy of your firm's long-term capital market assumptions.
25. What are the characteristics of successful institutional absolute return and private equity investors/programs?
26. Have you ever made a recommendation against building an absolute return or private equity program? If so, what were the drivers for your recommendation?

*Asset Allocation and Manager Structure*

27. Describe your firm's process for determining the appropriate Absolute Return and/or Private Equity asset allocation and manager structure.
28. Describe your process for reviewing the existing asset allocation and manager structure over time.
29. What were your total new investments in Absolute Return funds/fund-of-funds in each of the last 20 calendar years (incl. all Absolute Return consulting clients at the time)?
30. What were your total new commitments to U.S. Buyout funds/fund-of-funds in each of the last 20 calendar years (incl. all Private Equity consulting clients at the time)? To U.S. Venture Capital funds/fund-of-funds?
31. What is your approach to risk management for Absolute Return and/or Private Equity programs? Describe the qualifications of staff dedicated to this area as well as any recently completed client projects.

*Manager Access*

32. Describe your firm's experience in helping clients secure access to the highest quality Absolute Return and/or Private Equity funds. If possible, please provide examples from your recent work.

*Manager Research*

33. Describe your firm's process for evaluating and recommending Absolute Return and/or Private Equity investment managers. Who is responsible for conducting manager due diligence? What is their professional background and for how long have they been involved in Absolute Return and/or Private Equity due diligence? Please provide a sample due diligence report for each asset class.
34. How many Absolute Return and/or Private Equity-related due diligence reports has your firm completed in the following categories in each of the last five (5) years?
  - a. Absolute Return
    - i. Market-neutral
    - ii. Credit/distressed
    - iii. Event-driven
    - iv. Equity Long/Short
    - v. Global Macro
    - vi. Multi-Strategy
  - b. Private Equity
    - i. U.S. buyouts
    - ii. U.S. growth equity
    - iii. U.S. venture capital

- iv. U.S. distressed /special situations
- v. Western European buyouts
- vi. Western European growth equity
- vii. Western European venture capital
- viii. Western European distressed / special situations
- ix. Asian buyouts
- x. Asian growth equity / venture capital
- xi. Asian distressed / special situations
- xii. Latin American buyouts
- xiii. African buyouts

35. Describe your operational due diligence process for Absolute Return and/or Private Equity investment managers? Please provide a sample operational due diligence report for each asset class, if available.
36. Describe your firm's process for recommending a manager be placed on probation (or watch), removed from probation, or replaced. Please provide examples from your recent work.
37. Please provide a list of any absolute return or private equity funds that your firm recommended to clients for investment during the last ten years which ultimately collapsed, went bankrupt, were involved in fraud or convicted of any other criminal activities?
38. Describe your firm's policy for adding client-suggested funds to the due diligence work-flow?

*Performance Measurement and Evaluation*

39. How do you measure and evaluate Absolute Return and/or Private Equity fund performance and risk?
40. What types of performance/risk reports do you provide to clients? Please provide samples.
41. How long does it typically take for your clients to receive your performance/risk reports after the end of the month, quarter, and/or calendar year?
42. What market indices or peer group benchmarks do you typically use to benchmark Absolute Return and/or Private Equity fund performance?
43. Does your firm maintain any Absolute Return and/or Private Equity manager databases internally? If so, please describe (1) the composition of the universe (such as number of managers per vintage year and strategy), (2) how the universe is maintained and updated, and (3) what performance/risk attributes are tracked.
44. How does your firm assure the accuracy of manager-provided data? Please describe in detail any work your firm performs to verify fund valuations, such as comparisons to public market indices or tracking of portfolio-company operating metrics (Private Equity only).

*Education*

45. Please describe your firm's experience and capability in providing education and training to pension fund trustees and Staff. Please provide examples from your current work with clients.

**D. Legal Issues and Potential Conflicts**

46. Please provide the firm's SEC File Number and a copy of the most recent SEC examination report and your response.

47. Has the firm, its affiliates, primary/secondary consultants, or any officer or principal been involved in any litigation, arbitration, mediation, or other legal proceedings, or government investigation, or regulatory proceedings, involving allegations of fraud, negligence, criminal activity or breach of fiduciary duty relating to pension consulting activities? If so, identify and provide an explanation for each and indicate the current status.

48. Please detail the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries, including a list of insurance carriers supplying the coverage.

49. Describe any relationship the firm or an affiliate of the firm enjoys with the U.S. government, the District of Columbia government, any agency or instrumentality of the District of Columbia government; and/or any employee organization that represents police officers, firefighters, or teachers of the District of Columbia.

50. Is any member of your firm an officer, director, or employee of a fiduciary or service provider of the Board? A list of the Board's fiduciaries and service providers is attached.

51. Does your firm or its parent or affiliate, manage money for clients on a discretionary basis? If so, how does your firm prevent conflicts of interest or the appearance of conflicts?

52. Does your firm, its principals, or any affiliate own any part of a money management firm, broker-dealer, or other organization that sells services to institutional investors? If so, identify the firm(s) and describe the service and the relationship to the consulting group.

53. If your firm, or its parent or affiliate, is a broker-dealer, does your firm trade for client accounts through this broker-dealer? How does your firm prevent conflicts of interests or the appearance of conflicts?

54. Does your firm sell database information and/or performance analytics to investment managers? Does your firm receive compensation directly or indirectly for such information?

55. Please describe any other circumstances under which the firm receives fees or other compensation from investment managers.

56. Would your firm place any limitations on the Board's ability to share, reproduce, or distribute any reports, papers, or other materials developed by your firm in connection with its service as

consultant to the Board? If so, please describe such limitations.

57. Is it your firm's policy to impose any limitation on liability through your contracts with clients?  
If so, please describe.

58. Please attach your firm's written Code of Ethics and Compliance Manual.

[Remainder of page left intentionally blank]

**District of Columbia Retirement Board  
Request for Proposal  
Absolute Return/Private Equity Investment Consulting Services  
Proposed Fee Schedule**

Firms must submit their fees for Absolute Return and/or Private Equity investment consulting services in the format prescribed below. The proposed fees shall include all costs and expenses for providing services to the Board as described in this RFP. Please make note of any required services that you are unable to or unwilling to provide within your proposed bundled fee. The bundled fee should include all travel and other out of pocket expenses.

As the term of the engagement shall be for an initial three-year period, the Fee Proposal shall be guaranteed for a period of not less than three (3) years from the effective date of the agreement. The Board reserves the right to further negotiate fees.

Firms must submit an annual fee for the services as described in Section III (Scope of Work). Firms submitting a proposal for both asset classes must submit a proposed fee for each asset class on a stand-alone basis as well as on a combined basis.

	<b>Absolute Return Consulting Services</b>	<b>Private Equity Consulting Services</b>	<b>Combined Consulting Services</b>
Year 1			
Year 2			
Year 3			
Total			

\_\_\_\_\_  
Print Firm Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Authorized Signatory Name

\_\_\_\_\_  
Authorized Signature

**District of Columbia Retirement Board  
Request for Proposal  
Absolute Return/Private Equity Investment Consulting Services  
Fiduciary Definition under D.C. Retirement Reform Act**

**§ 1-702. Definitions**

(20)(A) The term "fiduciary" means, except as otherwise provided in subparagraph (B) of this paragraph, any individual who, with respect to a Fund:

- i. Exercises any discretionary authority or discretionary control respecting management of such Fund or exercises any discretionary authority or discretionary control respecting management or disposition of its assets;
- ii. Renders investment advice for a fee or other compensation, direct or indirect, with respect to any monies or other property of such Fund, or has any authority or responsibility to do so; or
- iii. Has any discretionary authority or discretionary responsibility in the administration of such Fund.

**§ 1-741. Fiduciary Responsibilities**

(a)(1) The Board, each member of the Board, and each person defined in § 1- 702(20) shall discharge responsibilities with respect to a Fund as a fiduciary with respect to the Fund. The Board may designate one or more other persons who exercise responsibilities with respect to a Fund to exercise such responsibilities as a fiduciary with respect to such Fund. The Board shall retain such fiduciary responsibility for the exercise of careful, skillful, prudent, and diligent oversight of any person so designated as would be exercised by a prudent individual acting in a like capacity and familiar with such matters under like circumstances.

(2) A fiduciary shall discharge his duties with respect to a Fund solely in the interest of the participants and beneficiaries and:

- A. For the exclusive purpose of providing benefits to participants and their beneficiaries;
- B. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent individual acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
- C. By diversifying the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- D. In accordance with the provisions of law, documents, and instruments governing the retirement program to the extent that such documents and instruments are consistent with the provisions of this chapter.

**District of Columbia Retirement Board  
Request for Proposal  
Absolute Return/Private Equity Investment Consulting Services  
Fiduciaries and Service Providers**

**INVESTMENT MANAGERS**

U.S. Equities

ALLIANCE BERNSTEIN  
PIMCO STOCKS PLUS  
SANDS CAPITAL MANAGEMENT, INC.  
THOMPSON, SIEGEL & WALMSLEY

Non-U.S. Equities

GRYPHON INVESTMENT  
LSV ASSET MANAGEMENT  
STATE STREET GLOBAL ADVISORS

Fixed Income

PACIFIC INVESTMENT MANAGEMENT  
COMPANY  
BLACKROCK FINANCIAL MANAGEMENT

Real Estate

THE CARLYLE GROUP  
CBRE INVESTORS  
HEITMAN  
JP MORGAN ASSET MANAGEMENT  
PRUDENTIAL REAL ESTATE INVESTORS  
WELLINGTON TRUST COMPANY

Private Equity

BEHRMAN CAPITAL  
THE BLACKSTONE GROUP  
FAIRVIEW CAPITAL  
PANTHEON VENTURES  
SPACEVEST CAPITAL/REDSHIFT  
VENTURES  
WARBURG PINCUS

Absolute Return

BRIDGEWATER ASSOCIATES

Infrastructure

MACQUARIE CAPITAL  
STEELRIVER PARTNERS

**INVESTMENT CONSULTANTS**

Generalist

MEKETA INVESTMENT GROUP

Real Assets

CLIFFWATER

Transaction Cost

ZENO CONSULTING GROUP

**OTHER SERVICE PROVIDERS**

Investment Research

WILSHIRE ASSOCIATES  
EVESTMENT ALLIANCE

Master Custodian

STATE STREET BANK & TRUST

Research Management System

ADVENT TAMALE

**District of Columbia Retirement Board  
Request for Proposal  
Absolute Return/Private Equity Investment Consulting Services  
Board of Trustees**

Lyle M. Blanchard  
Barbara Davis Blum  
Diana K. Bulger  
Joseph M. Bress  
Joseph W. Clark  
Deborah Hensley  
Edward C. Smith  
Lasana Mack (Ex-Officio)  
Judith C. Marcus  
Darrick O. Ross  
Thomas N. Tippet  
George R. Suter  
Michael J. Warren (Chair)

**District of Columbia Retirement Board  
Request for Proposal  
Absolute Return/Private Equity Investment Consulting Services  
Absolute Return and Private Equity Relationships**

<b>Inception / Vintage Year</b>	<b>Fund Name</b>	<b>Initial Investment / Commitment</b>	<b>Uncalled Capital</b>
2006	Bridgewater Pure Alpha I	\$100,000,000	-
1987-2001	<i>Legacy Private Equity Program</i>	\$217,000,000	-
2005	Pantheon Capital Partners	\$300,000,000	\$81,000,000
2006	Pantheon Global Secondary Fund III B	\$100,000,000	\$17,500,000
2008	Warburg Pincus Private Equity X	\$100,000,000	\$28,900,000