**5.0 TECHNICAL PROPOSAL**

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

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

**5.1 OVERVIEW**

Provide a summary statement of no more than three (3) pages stating why the bidder is most able to provide the services listed herein to the DOI.

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

Mere reiterations of RFP tasks and subtasks are strongly discouraged, as they do not provide insight into the bidder's ability to complete the contract. The bidder’s response to this section should be designed to demonstrate to the State that the bidder’s detailed plans and approach proposed to complete the Scope of Work are realistic, attainable and appropriate and that the bidder’s proposal will lead to successful contract completion.

**5.2 ORGANIZATION (ALL BIDDERS)**

1. Provide a brief history of the firm, including the year organized and the year the firm began providing investment consulting services to public fund clients.
2. Provide the firm’s mission statement.
3. Describe the ownership structure of the firm, giving specific details with regard to any parents or affiliates. Describe any changes over the last five (5) years. Include an organizational chart and a description of the firm’s distribution of ownership interest.
4. Discuss the overall business objectives of the firm with respect to future growth. Comment on any present or planned areas of emphasis over the near future. Be sure to include in your response:

i. Total assets or client relationships that will be accepted.

ii. Maximum limits on asset amounts or number of clients per consultant.

iii. Plans to develop and expand resources, merge or acquire other firms, or spin-off subsidiaries.

1. Explain whether the firm exercises discretionary investment authority along with investment consulting services for any clients. If so, describe how the firm addresses potential conflicts.

**5.3 CLIENTS AND STAFFING (ALL BIDDERS)**

1. Identify the total number of clients by type (e.g., corporate plan or public plan), the average client to consultant ratio, and the maximum number of clients assigned to a consultant.
2. Provide the number of clients gained and number of clients lost in each of the last three (3) years, and identify the five (5) largest clients lost over the last three (3) to five (5) years, including the reason(s) for termination.
3. Briefly describe the firm’s philosophy with respect to investment consulting mandates and the nature of the services that you provide. What key strengths and competitive advantages generate superior performance and service for the firm’s clients?
4. Provide a contract organization chart, with names showing management, supervisory, research and other key personnel to be assigned to the contract.
5. State whether the firm’s employees comply with the Code of Ethics and Standards of Professional Conduct of the CFA Institute. If not, indicate whether the firm maintains a code of ethics. Provide a copy of the firm’s Code of Ethics.
6. Describe all licenses held and maintained by the firm, its directors, officers, and principals, and any of the individuals who will be responsible for providing the services described in this RFP that are required in order to do business with the State or elsewhere. Provide a listing of any and all suspensions or expulsions of the firm or any of its personnel by any regulatory agency during the past five (5) years with an explanation of the reason for such suspensions or expulsions and the time period for such actions.
7. State whether the firm is registered with the Securities and Exchange Commission or the New Jersey Bureau of Securities, as an investment adviser. If so, provide all disclosures required under those laws (including Parts I and II of Form ADV).
8. State whether the firm has been subject to or is currently being reviewed or audited by the Securities and Exchange Commission or other regulatory agencies. If yes, please describe the nature of the investigation.
9. State whether over the last five (5) years, the firm, or any principal or officer of the firm has been involved in any business litigation, regulatory, or other legal proceedings or government investigation involving allegations of fraud, negligence criminal activity or breach of fiduciary duty. If so, describe.
10. Complete the following table regarding your staff that left or joined your firm within the last three (3) years. Include anticipated personnel changes for the next year.

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

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

* 1. RESEARCH (ALL BIDDERS)

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

**5.5 PORTFOLIO CONSTRUCTION (PRIMARY AND SECONDARY CONSULTANTS)**

1. Detail the firm’s process for recommending an overall private equity portfolio structure.
2. State whether the firm provides any customized computer-based analytical tools or web access to its clients.
3. Acknowledge the firm’s fiduciary status and its acceptance of fiduciary responsibility for recommendations to DOI.
4. Provide a sample of a cash flow model report.

**5.6 INVESTMENT PHILOSOPHY AND PROCESS (PRIMARY AND SECONDARY CONSULTANTS)**

1. Describe the firm’s philosophy regarding private equity investments and the private equity market. Describe the factors that influence the private equity market.
2. Briefly discuss the firm’s investment philosophy with respect to portfolio construction and industry diversification when considering investment opportunities.
3. Describe the firm’s approach to the investment selection/due diligence process, including the criteria for investing in private equity investments and the relative importance of each criterion, the objective and subjective standards used to evaluate investment opportunities and fund managers, and the firm’s internal approval process.
4. Identify and discuss the firm’s tracking system for prospective private equity investments. What sectors are followed in the tracking system? How many funds and fund managers are tracked? How many years of performance data are on the system?
5. Describe the firm’s expertise in and coverage of domestic and international private equity investments.
6. Describe the firm’s approach to the due diligence process. What parts of the sponsor’s due diligence do you typically review in depth? How does the firm’s due diligence differ from the sponsor’s? Provide examples of two full due diligence reports that have been submitted to clients for private equity investments (redaction of fund names is acceptable).
7. Discuss how the firm performs an independent analysis of each investment opportunity and attempts to validate (or not) the general partner’s claims and assumptions. When risks of a highly technical nature are involved or key risks in a niche industry or niche market need to be identified, describe how the firm identifies, engages, and interacts with the appropriate specialists. What factors determine whether the appropriate technical, niche industry, or niche market specialist has been identified?
8. Discuss if the firm has performed due diligence on a separate account structure. Provide a brief of overview of the structure and diligence process.
9. Discuss the firm’s experience in evaluating secondary transactions, both purchases and sales. Provide specific examples of transactions the firm was involved in, if applicable.
10. Discuss the firm’s experience in evaluating co-investment opportunities. Provide specific examples of transactions the firm was involved in, if applicable.
11. Provide a copy of the firm’s due diligence procedures.
12. Describe the firm’s legal due diligence process, if any. Does the firm use inside or outside counsel for transactions? If in-house, identify the legal staff and their private equity expertise. If outside counsel, identify the firms used most often.

**5.7 PERFORMANCE MEASUREMENT (PRIMARY CONSULTANT AND PERFORMANCE MEASUREMENT CONSULTANT ONLY)**

1. Describe how the firm monitors and analyzes investment performance, including how the firm determines appropriate benchmarks. Describe any databases used by the firm. Provide a sample performance report.
2. State whether the firm’s performance reports can be customized and whether there are charges for additional information requests.
3. State the anticipated turnaround time to produce a quarterly and annual performance report.
4. Describe how the firm obtains data from the client’s custodian and how the firm verifies the accuracy of the data received from the custodian.
5. Describe the firm’s step-by-step process for return reconciliation, including how the firm verifies the accuracy of management fees and carry paid.
6. Describe the firm’s performance measurement reporting system and methodologies. Describe the firm’s monitoring process and how information provided by the fund managers is verified.
7. List and describe the private equity benchmarks employed (both market indices and peer group) and those recommended to assist in judging performance.
8. Outline the process for monitoring and reporting on market trends. Include in your response two research reports generated by the firm.
9. Describe the client reporting process the firm typically undertakes in preparing quarterly and annual reports. Assuming information is available on a timely basis from the general partners, how long would it take to prepare and deliver quarterly and annual reports to the Division?
10. Enclose samples of typical quarterly and annual performance reports for a pension fund client.