



## State of New Jersey

**CHRIS CHRISTIE**  
*Governor*

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*Lt. Governor*

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**FORD M. SCUDDER**  
*State Treasurer*

**CHRIS MCDONOUGH**  
*Director*

TO: Prospective Bidders

FROM: Christopher McDonough  
Director

DATE: May 25, 2017

SUBJECT: Real Estate Investment Consulting Services Request for Proposals  
Addendum #1 Questions & Answers

Q. 1           Section: General           Page: N/A

*Question: Would you please forward the most up to date Investment Policy Statement?*

**Answer: The relevant DOI's investment policies may be found in the State Investment Council's Regulations, which can be viewed at N.J.A.C 17:16-1.1 et seq.**

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Q. 2           Section: General           Page: N/A

*Question: Is it possible to have Word copy of the RFP questionnaire?*

**Answer: Yes; the Word version of the RFP has been uploaded to DOI's website at: <http://www.state.nj.us/treasury/doinvest/rfp.shtml>**

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Q. 3           Section: 1.4.2           Page: 7

*Question: Deadline and Location for Submission of Proposal: If US Postal Service is used it does not deliver to DOI and the RFP advises to allow for additional time for*

*delivery. Please address how many days in addition should be planned for when using US Postal Service.*

**Answer:** We are unable to provide an estimate. Delivery of regular mail is processed through a central processing facility, and the processing time varies.

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Q. 4            Section: 3.0            Page: 14

*Question:*    *Scope of Work: are you considering both primary and secondary consultants for the search?*

**Answer:**    **No. The intent of the RFP is to award a single contract to advise on the real estate portfolio.**

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Q. 5            Section: 3.2            Page: 14

*Question:*    *Does the Scope of Services include the oversight and/or management of any direct real estate holdings owned by the State of New Jersey or any of its underlying plans?*

**Answer:**    **DOI does not currently invest in direct real estate. Its real estate investments include real estate funds, club deals, co-investments, and separate accounts. The consultant is not expected to provide property management services.**

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Q. 6            Section: 3.3.1            Page: 16

*Question:*    *Sourcing: On average, how many real estate searches per year are projected to be conducted over the five year contract period. If projections have not been performed, how many have actually taken place in the last 3 years and do you expect the future to be consistent with prior years.*

**Answer:**    **DOI is unable to project the number of future searches of real estate investments. DOI is unable to quantify the exact number of searches conducted over the last three (3) years; however, it has averaged 4-6 real estate investments per year over that period.**

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Q. 7                      Section: 3.3.2                      Page: 16

*Question:*                      *Due Diligence, C: On average, how many Real Asset searches per year are projected to be conducted over the five year contract period? If projections have not been performed, how many have actually taken place in the last 3 years and do you expect the future to be consistent with prior years. What is the nature of the Real Assets searches? What kind of investments would be expected to be evaluated? The excel attachment to this RFP entitled RE RFP included information on investments in hedge funds and private equity. Are these types of investments considered Real Assets by DOI and will searches be required for these types of investments?*

**Answer:**                      **DOI is unable to project the number of future searches of real asset investments. DOI is unable to quantify the exact number of searches conducted over the last three (3) years; however, DOI has averaged 2-4 real asset investments per year over that period. Methodology and due diligence processes for real asset searches would be consistent with the requirements outlined in Section 3.0 Scope of Work. The current real asset portfolio portfolio is focused primarily on the energy sector. Future investments may include infrastructure, agriculture, timber, and resources.**

**The initial attachment to the RFP incorrectly included private equity and hedge fund investments, which are not part of this procurement. A corrected listing of real asset holdings has been posted to DOI's website at:**

**<http://www.state.nj.us/treasury/doinvest/rfp.shtml>**

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Q. 8                      Section: 3.3.2                      Page: 16

*Question:*                      *Could you please clarify how often formal, third party background checks are generally required?*

**Answer:**                      **DOI is unable to determine the frequency at which background checks would be required. However, DOI anticipates that it would require background checks related to investments in new managers as well as existing managers that have changes in senior management.**

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Q. 9                      Section: 3.3.2                      Page: 16

*Question: Specific to scope of work item 3.3.2 (C): "At DOI's request and on a per investment basis, review individual real assets (other than real estate) investments. This shall be reviewed in the same manner as real estate investments included in this Scope of Work, and shall include due diligence research and reports."*

*Will the real estate consultant be expected to provide consulting services for real assets (other than real estate) investments to the same extent as is expected for real estate investments?*

*Will the consultant's real assets capabilities be considered to the same extent as its real estate capabilities?*

**Answer: Methodology and due diligence processes for real asset searches would be consistent with the requirements outlined in Section 3.0 Scope of Work.**

**While the real estate portfolio will comprise the majority of the portfolio, DOI intends to build out its real assets portfolio and will look for advice from its real estate consultant for real asset investments that complement its portfolio.**

**The consultant should have the expertise and experience to successfully complete the requirements of RFP Section 3.0 Scope of Work.**

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Q. 10            Section: 3.3.2            Page: 16

*Question: How often and to what extent will the consultant be expected to review individual real estate assets (i.e., direct property investments)?*

**Answer: DOI does not currently invest in direct real estate. Its real estate investments include real estate funds, club deals, co-investments, and separate accounts. However, pursuant to RFP Section 3.2 a (i), the consultant is expected to provide advice on such investment structures to support DOI in evaluating direct real estate investments made through separate accounts and, potentially, through co-investments.**

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Q. 11            Section: 3.3.2            Page: 17

*Question: Due Diligence, D: On average, how many secondary transaction evaluations and separate account investments evaluations are projected to be conducted over the five year contract period? If projections have not been performed, how many have*

*actually taken place in the last 3 years and do you expect the future to be consistent with prior years?*

**Answer:** **DOI is unable to project the number of secondary transactions or separate account investments that will be considered over the term of the contract. The most recent real estate secondary transaction occurred in 2013, in which DOI sold a portfolio of real estate fund investments in the secondary market. DOI has invested in approximately 4-6 separate account investments over the past three years.**

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Q. 12            Section: 3.5            Page: 18

*Question:* *In reference to page 18 of the original RFP issued by the DOI, section 3.5 Performance Measurement and Reporting, question A, can the DOI provide a sample of the private market performance report that you currently receive?*

**Answer:** **DOI is unable to provide a sample of its current performance reports, as they include proprietary and confidential information.**

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Q. 13            Section: 3.5            Page: 18

*Question:* *In reference to page 18, section 3.5 Performance Measurement and Reporting, question A, does the DOI need reporting at the holdings level in addition to fund level?*

**Answer:** **Yes.**

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Q. 14            Section: 3.5            Page: 19

*Question:* *In reference to page 19, section 3.5 Performance Measurement and Reporting, question C, can the DOI provide more detail on the level of performance reporting that is desired?*

**Answer:** **DOI expects customized reports to include, among other things, the most up-to-date financial information on a fund, company, and portfolio basis, as well as breakouts for foreign currency exposure and other geographic exposure (e.g., post-Brexit analysis of UK-London exposure).**

Q. 15            Section: 4.3            Page: 21

*Question:        Proposal Organization: the RFP states the Section 3 shall contain all of Section 5 except for Section 5.4. Where are the questions in Section 5.4 be placed in the RFP response or are the questions in Section 5.4 not to be answered?*

**Answer:        The RFP is modified to read:**

*The proposal should be submitted with the content separated as indicated below:*

- *Section 1 - Forms (Section 4.5)*
  - *Section 2 – Price Schedule (Section 5.7)*
  - *Section 3 - Technical Proposal (ALL of Section 5 except for Section 5.7)*
  - *Section 4 – Appendix Documentation*
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Q. 16            Section: 4.5.2            Page: 22

*Question:        Ownership Disclosure Form: The RFP references that an Ownership Disclosure Form is attached. Please forward the form to me.*

**Answer:        All required forms can be found on DOI's website at:**  
<http://www.state.nj.us/treasury/doinvest/rfp.shtml>

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Q. 17            Section: 4.5.3            Page: 22

*Question:        Disclosure of Investigations and Other Actions Involving Bidder: Please forward the relevant form; it was not attached to the RFP.*

**Answer:        All required forms can be found on DOI's website at:**  
<http://www.state.nj.us/treasury/doinvest/rfp.shtml>

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Q. 18            Section: 4.5.5            Page: 23

*Question:        Disclosure of Investment Activities in Iran: The RFP states the disclosure of Investment Activities in Iran form is attached.*

**Answer:** All required forms can be found on DOI's website at:  
<http://www.state.nj.us/treasury/doinvest/rfp.shtml>

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Q. 19            Section: 5.2.4            Page: 24

*Question:*        *Organization: Please confirm that this question pertains to the Real Assets Group only within the firm.*

**Answer:**        **Section 5.2.4 applies to both real estate and real assets.**

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Q. 20            Section: 5.2.5            Page: 24

*Question:*        *Organization: Please confirm that this question applies to the Real Assets line of business only within the firm.*

**Answer:**        **Section 5.2.5 applies to both real estate and real assets.**

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Q. 21            Section: 5.4.8            Page: 27

*Question:*        *Specific to question 5.4.8, "What experience does the firm have planning and implementing direct real estate programs? Please list specific client engagements."*

*Please clarify whether "implementing direct real estate program" is meant to describe investing in direct real estate properties through an investment manager or sourcing and acquiring direct real estate assets.*

**Answer:**        **"Planning and implementing direct real estate programs" is meant to describe investing in direct real estate by sourcing and acquiring direct real estate assets. DOI is interested in the firm's principals' experience in acquiring, managing, and selling investment properties. DOI does not currently invest in direct real estate. Its real estate investments include real estate funds, club deals, co-investments, and separate accounts. However, pursuant to RFP Section 3.2 a (i), the consultant is expected to provide advice on such investment structures to support DOI in evaluating direct real estate investments made through separate accounts and, potentially, through co-investments.**

Q. 22            Section: 5.6            Page: 30

*Question:        On page 30 of the RFP questionnaire, question 5.6.10 appears to be a duplicate question to 5.6.5 located on page 29. Would you please confirm if you would like a response to question 5.6.10 or if this question will be replaced or should be disregarded?*

**Answer:        Yes; this is a duplicate question and only 5.6.5 should be answered.**

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Q. 23            Section: 5.7            Page: 30

*Question:        In reference to page 30, section 5.7 Price Schedule, can the DOI provide the annual fee level of the current real estate investment consultants?*

**Answer:        \$349,246 for the current one-year term, which is a firm, fixed price.**

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Q. 24            Section: 6.7.2.1            Page: 33

*Question:        In section 6.7.2.1 of the RFP, would the State accept revising the phrase “regular independent third party penetration testing” to read “regular independent third party or internal penetration testing”?*

**Answer:        DOI is not revising the phrase at this time. If a bidder cannot comply with the terms of section 6.7.2.1 as written, it should explain the reasons why in its proposal for the State to consider during negotiations.**

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Q. 25            Section: 6.16.3            Page: 36

*Question:        In Section 6.16.3 of the RFP, would the State accept revising the entire provision regarding professional liability insurance to read, “Professional Liability Insurance: Contractor shall carry Errors and Omissions, Professional Liability Insurance sufficient to protect Contractor from liability arising out the professional obligations performed pursuant to the requirements of the Contract. The insurance shall be in the amount of not less than \$10,000,000 per claim. If Contractor has*



*claims-made coverage and subsequently changes carriers during the term of the Contract, it shall obtain from its new Errors and Omissions, Professional Liability Insurance an endorsement for retroactive coverage to the date of Contract commencement.”?*

**Answer: RFP Section 6.16.3 (iii) is amended to read:**

***Professional Liability Insurance: Contractor shall carry Errors and Omissions, Professional Liability Insurance, and/or Professional Liability Malpractice Insurance sufficient to protect Contractor from any liability arising out the professional obligations performed pursuant to the requirements of the Contract. The insurance shall be in the amount of not less than \$5,000,000 per claim and in such policy forms as shall be approved by DOI. If Contractor has claims-made coverage and subsequently changes carriers during the term of the Contract, it shall obtain from its new Errors and Omissions, Professional Liability Insurance, and/or Professional Malpractice Insurance carrier an endorsement for retroactive coverage to the date of Contract commencement.***

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Q. 26                      Section: 6.16.3 (iii)                      Page: 36

*Question: Section 4.2 of the Standard Terms & Conditions regarding insurance is modified by: [The Firm's insurance is in the amount of \$5,000,000 which is an acceptable industry standard for a consulting company and accepted by its other Real Asset's clients. Is this acceptable for the services outlined in this RFP and associated contract?*

**Answer: RFP Section 6.16.3 (iii) is amended to read:**

***Professional Liability Insurance: Contractor shall carry Errors and Omissions, Professional Liability Insurance, and/or Professional Liability Malpractice Insurance sufficient to protect Contractor from any liability arising out the professional obligations performed pursuant to the requirements of the Contract. The insurance shall be in the amount of not less than \$5,000,000 per claim and in such policy forms as shall be approved by DOI. If Contractor has claims-made coverage and subsequently changes carriers during the term of the Contract, it shall obtain from its new Errors and Omissions, Professional Liability Insurance, and/or Professional Malpractice Insurance carrier an endorsement for retroactive coverage to the date of Contract commencement.***

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Q. 27                      Section: 6.16.3(iii)                      Page: 36-37

**Question:** *We note that the vast majority of public pension funds in the United States, including several that have similarly-sized or larger real estate portfolios, have a \$5,000,000 requirement for Errors and Omissions, Professional Liability Insurance and/or Professional Liability Malpractice Insurance at a maximum. Coverage of \$1,000,000 to \$5,000,000 is normal and customary, with \$10,000,000 in coverage often not attainable by many firms. Requiring a higher rate would prejudice NJDOI in terms of higher proposed fees in order to compensate bidders for increased insurance coverage amounts and/or decrease the number of eligible respondents. As a result, we respectfully request that NJDOI modify the above Professional Liability Insurance requirements to the following:*

*“Professional Liability Insurance: Contractor shall carry Errors and Omissions, Professional Liability Insurance and/or Professional Liability Malpractice Insurance sufficient to protect Contractor from any liability arising out the professional obligations performed pursuant to the requirements of the Contract. The insurance shall be in the amount of not less than \$10,000,000 \$5,000,000 and in such policy forms as shall be approved by DOI. If Contractor has claims-made coverage and subsequently changes carriers during the term of the Contract, it shall obtain from its new Errors and Omissions, Professional Liability Insurance and/or Professional Malpractice Insurance carrier an endorsement for retroactive coverage to the date of Contract commencement.”*

**Answer:** **RFP Section 6.16.3 (iii) is amended to read:**

***Professional Liability Insurance: Contractor shall carry Errors and Omissions, Professional Liability Insurance, and/or Professional Liability Malpractice Insurance sufficient to protect Contractor from any liability arising out the professional obligations performed pursuant to the requirements of the Contract. The insurance shall be in the amount of not less than \$5,000,000 per claim and in such policy forms as shall be approved by DOI. If Contractor has claims-made coverage and subsequently changes carriers during the term of the Contract, it shall obtain from its new Errors and Omissions, Professional Liability Insurance, and/or Professional Malpractice Insurance carrier an endorsement for retroactive coverage to the date of Contract commencement.***

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Q. 28                      Section: Price Schedule                      Page: N/A

**Question:** *Price Schedule: How much does the current real estate consultant charge for real estate and real assets consulting services in the last year?*

**Answer: \$349,246 for the current one-year term, which is a firm, fixed price.**

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Q. 29            Section: Price Schedule            Page: N/A

*Question: What are the annual fees for the existing contract that the Board is paying to its current real estate consultant? Are there project-related fees associated with the current arrangement that are not part of the base fee?*

**Answer: \$349,246 for the current one-year term, which is a firm, fixed price.**

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Q. 30            Section: Terms & Conditions            Page: N/A

*Question: Would the State accept revisions to the indemnification provision in Section 4.1(a) of the Standard Terms and Conditions to read as follows?*

*Indemnifications for Third Party Claims – The contractor shall assume all risk of and responsibility for, and agrees to indemnify, defend, and save harmless the State of New Jersey and its employees from and against any and all claims, demands, suits, actions, recoveries, judgments and costs and expenses in connection therewith (“Losses”) in connection with a third-party claim only to the extent directly arising or resulting from (i) contractor’s negligent acts or omissions or bad faith conduct in connection with contractor’s performance of its obligations under the contract, or (ii) a claim that the work and/or materials supplied under this contract infringes or misappropriates any intellectual property right of a third party, including liability of any nature or kind for or on account of the use of any copyrighted or uncopyrighted composition, secret process, patented or unpatented invention, article or appliance furnished or used in the performance of this contract. Contractor shall have no indemnification obligations herein to the extent (x) the Losses are attributable to the acts or omissions of an indemnified person or any third party other than contractor’s subcontractors, or (y) the infringement or misappropriation is caused by information or materials provided by the State or a third party other than contractor’s subcontractor, modifications made by the State or a third party other than contractor’s subcontractors to the work or materials or any parts thereof, or the State’s use of the work or materials or any parts thereof in a manner inconsistent with the terms of the contract.”*

**Answer: Section 6.16 Modifications and Changes to the State of NJ Standard Terms & Conditions has been amended to read:**

***6.16.5 Section 4.1 of the Standard Terms & Conditions is modified by adding the following provision:***

***(d) Contractor will be relieved of its responsibilities under subsection (a) of this section for any claims made by an unaffiliated third party that arise solely from the actions or omissions of the State, its officers, employees, or agents.***

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Q. 31            Section: Terms & Conditions            Page: N/A

*Question: In Section 4.2 – Insurance of the Standard Terms and Conditions, would the State accept revising the third sentence to read, “The contractor shall provide the State with current certificates of insurance for all coverages and renewals thereof, and contractor will provide to the State notice of cancellation of any such insurance policies upon its receipt thereof.”?*

**Answer:**

**Section 6.16 Modifications and Changes to the State of NJ Standard Terms & Conditions has been amended to read:**

***6.16.3 (iv) Section 4.2 of the Standard Terms & Conditions is modified by amending the third sentence of the first paragraph to read as follows:***

***The contractor shall provide the State with current certificates of insurance for all coverages and renewals thereof, and the certificates shall reflect that the insurance policies shall not be canceled for any reason except after sixty (60) days written notice to the State; provided, however, if the insurance policies cannot be endorsed to provide prior notice of cancellation to third parties, contractor shall provide written notice of cancellation of any insurance policies to the State within forty-eight (48) hours of contractor's receipt of notification of cancellation from its insurance company.***

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Q. 32            Section: Terms & Conditions            Page: N/A

*Question: In Section 4.2 – Insurance of the Standard Terms and Conditions, would the State accept revising the fourth sentence to read, “Certificates of renewals shall be provided within thirty (30) days after the expiration of the insurance.”?*

**Answer: Section 6.16 Modifications and Changes to the State of NJ Standard Terms & Conditions has been amended to read:**

**6.16.3 (v) Section 4.2 of the Standard Terms & Conditions is modified by amending the fourth sentence of the first paragraph to read as follows:  
Certificates of renewals shall be provided within thirty (30) days prior to the expiration of the insurance, or, if Contractor does not have a certificate at that time, within forty-eight (48) hours of Contractor's receipt of such certificate of renewal from its insurance company.**

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Q. 33            Section: Terms & Conditions            Page: N/A

*Question: In Section 4.2(a) of the Standard Terms and Conditions, would the State accept revising the second sentence to read, "The above required Comprehensive General Liability Insurance policy or its equivalent shall name the State, its officers, and employees as "Additional Insureds" only with respects to the State's vicarious liability arising from contractor's provision of services, and include the blanket additional insured endorsement or its equivalent."?*

**Answer: DOI rejects this modification.**

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Q. 34            Section: Terms & Conditions            Page: N/A

*Question: In Section 4.2(b) of the Standard Terms and Conditions, would the State accept revising the entire provision to read, "Automobile Liability Insurance, only if such automobile is being used in connection with the services provided, shall be written to cover any automobile used by the insured. Limits of liability for bodily injury and property damage shall not be less than \$1 million per occurrence as a combined single limit. The State must be named as an "Additional Insured" only with respects to the State's vicarious liability arising from contractor's provision of services, and a blanket additional insured endorsement or its equivalent must be provided when the services being procured involve vehicle use on the State's behalf or on State controlled property."?*

**Answer: Section 6.16 Modifications and Changes to the State of NJ Standard Terms & Conditions has been amended to read:**

**6.16.3 (vi) Automobile Liability Insurance, only if such automobile is being used in connection with the services provided under the contract, shall be written to cover any automobile used by the insured. Limits of liability for bodily injury and property damage shall not be less than \$1 million per occurrence as a combined single limit. The State must be named as an "Additional Insured" and a blanket**

***additional insured endorsement or its equivalent must be provided when the services being procured involve vehicle use on the State's behalf or on State controlled property.***

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Q. 35                      Section: Terms & Conditions                      Page: N/A

*Question:                      Standard Terms & Conditions: Are the proposed modifications to the State of New Jersey Terms and Conditions (rev. (10/21/11)) acceptable?*

*INSERT*

*6.16.5 Subsection (d) is added to Section 4.1 of the Standard Terms & Conditions as follows:*

*(d) Notwithstanding the foregoing, the Contractor shall discharge its duties as a consultant in accordance with the terms of this contract and applicable law. The State acknowledges and agrees (i) that the Contractor has no authority or responsibility to manage or in any way direct the investment of any assets that are the subject of the Contractor's consulting services provided under the terms of this contract, (ii) that the Contractor has not and cannot make any promise, guarantee or other statement or representation regarding the future investment performance of such assets, and (iii) that the Contractor will not be liable for any losses or expenses incurred as a result of any action or omission by an investment manager, custodian or unrelated third party.*

**Answer:                      DOI rejects this modification. Section 3.0 Scope of Work of the RFP details the responsibilities required of the contractor.**

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Q. 36                      Section: Terms & Conditions                      Page: N/A

*Question:                      Standard Terms & Conditions: Are the proposed modifications to the State of New Jersey Terms and Conditions (rev. (10/21/11)) acceptable?*

*INSERT*

**7.0 ADDITIONAL TERMS AND CONDITIONS**

**7.1 Fiduciary Responsibility.** *During the performance of the services under this contract by the Contractor, the State will retain and exercise all decision-making*

*authority with respect to the management and administration of the retirement plan(s) funded by the State and investments relating thereto.*

**Answer: DOI rejects this modification. Section 3.0 Scope of Work of the RFP details the responsibilities required of the contractor.**

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Q. 37            Section: Terms & Conditions            Page: N/A

*Question: Standard Terms & Conditions: Are the proposed modifications to the State of New Jersey Terms and Conditions (rev. (10/21/11)) acceptable?*

*INSERT*

*7.0 ADDITIONAL TERMS AND CONDITIONS*

*7.2 ADV Disclosure. The State acknowledges receipt of the Contractor's disclosure statement, Form ADV, Parts 2A and 2B, more than 48 hours prior to the date of the execution of this contract.*

**Answer: DOI rejects this modification, but is willing to make this acknowledgment at the time of receipt.**

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Q. 38            Section: Terms & Conditions            Page: N/A

*Question: Standard Terms & Conditions: Are the proposed modifications to the State of New Jersey Terms and Conditions (rev. (10/21/11)) acceptable?*

*INSERT*

*7.0 ADDITIONAL TERMS AND CONDITIONS*

*7.3 Manager Client List Disclosure. The State acknowledges receipt of the Contractor's disclosure list of investment manager clients no later than the date of the execution of this contract.*

**Answer: DOI rejects this modification, but is willing to make this acknowledgment at the time of receipt.**

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Q. 39                      Section: Terms & Conditions                      Page: N/A

*Question:                      Standard Terms & Conditions: Are the proposed modifications to the State of New Jersey Terms and Conditions (rev. (10/21/11)) acceptable?*

*INSERT*

*7.0 ADDITIONAL TERMS AND CONDITIONS*

*7.4 ERISA Fee Disclosure. The State acknowledges receipt of the Contractor's fee disclosure statement under the Employee Retirement Income Security Act of 1974.*

**Answer:                      DOI rejects this modification, but is willing to make this acknowledgment at the time of receipt.**

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Q. 40                      Section: Terms & Conditions                      Page: N/A

*Question:                      Standard Terms & Conditions: Are the proposed modifications to the State of New Jersey Terms and Conditions (rev. (10/21/11)) acceptable?*

*INSERT*

*7.0 ADDITIONAL TERMS AND CONDITIONS*

*7.5 Policy Regarding Securities Advice. The Contractor shall not be responsible for reviewing or advising on the merits or risks of individual securities or derivatives holdings or purchase, sale or hedging strategies, the propriety of an individual security or derivative within a manager's asset allocation mandate, or on the conformity of individual securities holdings with the State's investment policy and guidelines. The Contractor shall not be responsible for providing advice to plan participants or beneficiaries.*

**Answer:                      DOI rejects this modification, but notes that the RFP does not require the Contractor to provide advice to plan participants or beneficiaries.**