

REQUEST FOR PROPOSAL
FOR
GENERAL INVESTMENT CONSULTANT

THE REGENTS OF
THE UNIVERSITY OF CALIFORNIA

Melvin Stanton
Associate Chief Investment Officer
January 21, 2008

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
REQUEST FOR PROPOSAL
GENERAL INVESTMENT CONSULTANT

TIME SCHEDULE

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| 1. Date of Issue: | January 21, 2008 |
| 2. Deadline To Submit Written Questions: | February 1, 2008 |
| 3. Final Filing Date: | March 7, 2008 |

The University is requesting proposals from qualified firms interested in providing general investment consultant services. This Request For Proposal (“RFP”) is available on the University’s website at www.ucop.edu/treasurer.

If you are interested, please submit a signed proposal by **4:30PM, PDT, Friday, March 7, 2008**, to the University:

Melvin Stanton
Associate Chief Investment Officer
University of California
1111 Broadway, Suite 1400
Oakland, CA 94607

Questions concerning the RFP must be submitted by e-mail by **4:30PM, PDT Friday February 1, 2008**.

Thank you for your interest in this RFP and we look forward to your response.

PROPOSAL REQUIREMENTS AND INFORMATION TO BE PROVIDED BY GENERAL INVESTMENT CONSULTANT

The University's requirements for the information to be contained in the RFP are as follows. The University reserves the right to reject any proposal that, in the sole and exclusive judgment of the University, fails to provide all of the information requested below. In the event that none of the proposals is satisfactory, then no selection will be made. Please provide the required information in the same order in which it is requested here.

Cover Letter

The RFP must include a cover letter. It must also be signed by the individual who is authorized to contractually bind the proposing General Investment Consultant. An unsigned cover letter may cause the proposal to be rejected. The letter must also contain the following:

1. The Investment Consultant's name, address, e-mail, telephone and facsimile number.
2. The Investment Consultant's Federal Employer Identification Number and, if applicable, Corporate Identification Number.
3. The name, title or position, e-mail address, and telephone number of the individual signing the cover letter on behalf of the Investment Consultant.
4. A statement, signed by the person purporting to have the authority to commit the Investment Consultant to terms of the proposal, indicating that the signer is authorized to legally bind the Investment Consultant to contract if the terms of the proposal are accepted by the University.
5. The name, title or position, e-mail address, and telephone number of the primary contact and/or account administrator, if different from individual signing cover letter.
6. An acknowledgement by the Investment Consultant that the proposal is a firm and irrevocable offer good for one (1) year from the date of the proposal.
7. A statement that the Investment Consultant is willing and able to perform the services described in this RFP.
8. A statement that the Investment Consultant has available the staff and other resources required to perform all services required by the RFP and to provide all required deliverables within the specified time frames.

SUBMISSION OF WRITTEN QUESTIONS

Questions Investment Consultants may have regarding the information or requirements contained in this RFP must be received by the University via e-mail @ RFP.TO@ucop.edu no later than February 1, 2008, at 4:30PM, PDT. All questions received by this date will be answered by the University in writing on the University website www.ucop.edu/treasurer. Sources of the questions will not be revealed.

ADDENDA: ERRORS AND OMISSIONS

The University may modify any part of the RFP in writing by issuing an addendum. Addenda issued prior to the final filing date for submission of proposals will be available on the University website @ www.ucop.edu/treasurer. Addenda issued after the final filing date will be sent to each Investment Consultant from whom the University has received a proposal.

If an Investment Consultant discovers an ambiguity, conflict, discrepancy, omission or other error in this RFP, the Investment Consultant should immediately notify the University's the Associate Chief Investment Officer of such error in writing and request clarification or modification of the RFP. Such notice shall be given prior to the final filing date for submission of proposals. Modifications of the RFP by the University shall be made by addenda. Clarifications by the University shall be issued by a posting to the University website @ www.ucop.edu/treasurer. If, prior to the final filing date for submission, an Investment Consultant fails to notify the University of a known error, or an error that reasonably should have been known, the Investment Manager shall not be entitled to additional consideration or time by reason of the error or its late correction.

SUBMISSION OF PROPOSALS

Please submit **the original proposal** in a sealed package by 4:30PM, PDT, March 7, 2008 to:

Melvin Stanton
Associate Chief Investment Officer
University of California
1111 Broadway, Suite 1400
Oakland, CA 94607

The original must contain original signatures, be labeled "Master Copy", and placed in a loose leaf, three-ringed binder, which displays the Investment Consultant's name on the outside front cover. (Do not submit the Master Copy with spiral binding.)

In addition, please send **four copies (three bound and one in a loose-leaf three-ringed binder) + 1 e-mail copy** of your proposal by 4:30PM, PDT, March 7, 2008 to:

Melvin Stanton
Associate Chief Investment Officer
University of California
1111 Broadway, Suite 1400
Oakland, CA 94607

E-mail: RFP.TO@ucop.edu

Except as specifically otherwise requested by the University, submission of proposals or any portion thereof via facsimile transmission, electronic, or magnetic media shall not be allowed. The University shall not accept or consider any proposal material submitted in this manner. If, prior to the final filing date for submission of proposals, an Investment Consultant discovers an error or omission in its proposal which it has already submitted to the University, the only method of correcting, modifying, or completing the proposal is to withdraw the proposal in its entirety prior to the final filing date and time by written notification to University. A complete, corrected proposal package may be resubmitted, but not after the final filing date and time. Modification offered by the Investment Consultant in any other manner, whether oral, written, facsimile transmission, or otherwise, will not be considered.

The proposals become the property of the University upon submission. All costs for developing proposals and attending interviews are entirely the responsibility of the Investment Consultant and shall not be charged to the University. The University accepts no responsibility for lost, misplaced, mishandled, and/or late delivery of proposals.

STANDARDS FOR EVALUATING PROPOSALS

The purpose of the proposal evaluation process is twofold: (1) to assess the responses for compliance with the RFP's minimum qualifications, content, and format requirements; and (2) to identify the Investment Consultants that have the highest probability of satisfactorily performing the services requested by the University. The evaluation process will be conducted in a comprehensive and impartial manner as set forth herein.

The University may reject any or all proposals and may or may not waive any immaterial deviation or defect in a proposal. The University's waiver of an immaterial deviation or defect shall in no way modify the RFP documents or excuse the Investment Consultant from full compliance with the RFP requirements. Proposals, which contain false or misleading statements, or which provide references which do not support an attribute or condition claimed by the Investment Consultant, shall be rejected. Any attempt by an Investment Consultant to initiate contact with any member of the proposal evaluation team, the members of the Board of Regents, and/or the University's staff, other than the Associate Chief Investment Officer, during the period the RFP is open for submission of proposals may disqualify the Investment Consultant from further consideration.

Proposals will undergo an evaluation process conducted by staff within the Office of the Treasurer of The Regents of the University of California. Those Investment Consultants, which, on the basis of the submitted proposals, the University believes to meet best the University's requirements for the delivery of the services sought under this RFP, will be considered finalist candidates and may be visited and interviewed by the University's investment staff. Based on its evaluation of the proposals, the University staff could determine that there is only one finalist or that there are no finalists.

The University investment staff, in its exclusive discretion, shall select such proposals that it considers to be in the best interests of the University. While cost is a consideration, the University reserves the right to award the resulting contract(s) on the basis of all relevant considerations and the University's overall evaluation of each Investment Consultant's ability

to meet the University's needs. Proposals that are not selected will remain the property of the University. The University requests that firms submitting proposals await the response of the University and not place calls to the University staff seeking to learn the status of the proposal.

TERMS OF ENGAGEMENT

The University's engagement of any Investment Consultant will be documented in a contract between the University and the selected Investment Consultant. Although the Investment Consultant will have a three-year term, the investment consultant contract will be renewable annually on election by the University. The contract may be terminated by the investment consultant, with or without cause, with no less than 30 days' prior written notice to the University. The University may terminate the contract, with or without cause, at any time by providing written notice to the investment consultant.

The Investment Consultant will be an independent contractor for purposes of this engagement and will be required to indemnify, hold harmless, and, at the University's election, to defend the University from and against all losses, expenses and claims incurred by the University as a result of the Investment Consultant's negligent or willful acts or omissions. The Investment Consultant will be required to provide evidence of insurance coverage deemed appropriate by the University. The University will not indemnify, hold harmless, or agree to limit the liability of the Investment Consultant for the Investment Consultant's negligent or willful acts or omissions in connection with this engagement.

Unless previously approved in writing by the University, any selected Investment Consultant will not be permitted to use, in advertising or promoting its services to others, or otherwise refer to in connection with its communications with others outside the scope of the subject engagement, the fact that it is performing services for the University.

COMMENCEMENT DATE

The University and the successful Investment Consultant shall determine mutually agreeable starting dates. The contracts shall not become effective until signed by all parties.

A. SCOPE OF SERVICES

The Consultant shall furnish to the University (UC) the following described services:

- 1. Perform quarterly evaluations of The Regents' asset allocation policies, giving consideration to market conditions, asset class performance, benchmarks, actual and policy asset allocation, financial flows in and out of the funds, and performance attribution. The evaluation is to be conducted at the total fund, asset class and individual manager levels, and should include a detailed analysis of the funds' risk and return characteristics, and performance appraisals of all portfolios. The Consultant may reconcile investment performance for all portfolios and their respective benchmarks with The Regents' Master Trustee (Trustee), but is not required to value portfolios or calculate investment returns.**
- 2. Surface issues related to the investment governance of the funds, and make recommendations as needed to ensure appropriate practices have been adopted and are effective.**
- 3. Work with the CIO and staff to develop and recommend (and periodically update) asset allocation and investment strategy for the funds. The strategy should reflect an assessment of the investment environment with a focus on expected returns and risks, the Regents' risk tolerance, and the investment objectives of the various funds.**
- 4. Examine the appropriateness of the investment benchmarks used to assess the funds' investment performance, measure their quality and describe their strengths and weaknesses. Recommend benchmark changes to the Committee on Investments as appropriate.**
- 5. Work with CIO and staff and General Counsel to develop and maintain Investment Policy Statements for all funds, Investment Guidelines for all asset classes, governance and oversight procedures, and investment risk measurement and management methods. Provide assistance and recommendations in the periodic review of all investment policies, procedures, processes and guidelines.**
- 6. Perform specialized studies of specific investment matters, as may be requested by The Regents, Committee on Investments, Investment Advisory Group, CIO, and investment staff.**
- 7. Assist the Regents in fulfilling its fiduciary responsibilities of the UC Campus Foundations' investments with proper oversight, governance**

and monitoring of the Foundations' investment programs. Conduct an annual review of the Foundations' investment policies, philosophies, processes, procedures and performance.

8. With the Trustee, prepare a quarterly report on the Campus Foundations' investment policies, actual asset allocations, and investment performance.

9. Provide investment research and analysis to the Committee on Investments and staff. Make available analytical computer software or other resources to assist staff in fulfilling its investment responsibilities. Offer investment research customized to unique University investment issues. Comment on investment compensation matters.

10. Work with CIO and staff to provide investment analysis and commentary on proposed changes to the investment program.

11. Depending on capabilities, provide insight into and detailed investment analysis on investment managers in publicly traded asset classes, and affirm the process used to retain and terminate investment managers. As needed, work with other specialized consultants retained by the Regents or staff.

Performance of the required services will, at a minimum, necessitate the Consultant to attend and make presentations at four Committee on Investments meetings and six Board of Regents meetings where specific investment management issues are discussed. The Consultant is expected to meet with each of the Campus Foundations, at least annually, with staff as necessary and with the Chair of the Investment Committee and Chair of the Regents as required.

B. CONSULTING FIRM

History

1. Please list your firm's complete name, street address, e-mail address, voice telephone and fax numbers. Include the name and title of your proposed primary consultant and the location from which the consulting work will be done.
2. Please provide a brief history, since inception, of your firm and your parent organization if any. In addition, please provide the number of years your firm has been providing pension/endowment consulting services and the number of years providing consulting services to public pension fund clients.

3. **Within the past three years, have there been any significant developments in your organization, such as changes in ownership, restructuring, or personnel reorganizations? Do you anticipate future significant changes in your organization?**

Ownership

1. **Describe the ownership structure of your organization with specific detail regarding the percentage owned by current active employees, retired employees, parent company, affiliates or other entities. Please provide the names of individuals possessing ownership, including their title or position within the firm.**
2. **Include an organizational chart. Show and describe, if any, the distinct lines of business of your firm which are in addition to your investment consulting line of business.**

Organization

1. **Describe the line(s) of business of your firm, your parent organization, and any affiliated companies. How many employees are involved in each line of business?**
2. **Is your firm, its parent, or affiliate a registered investment advisor with the SEC under the Investment Advisors Act of 1940? If not, what is your fiduciary classification? Please include ADV Part I and II.**
3. **Are there any circumstances specifically related to your investment consulting activities under which your firm, its officers, or employees receive direct or indirect compensation from investment managers or other investment-related firms? If so, describe in detail.**
4. **Does your firm, its parent, or affiliate sell information or any other services to investment managers or other investment-related firms? If so, describe in detail.**
5. **If your firm, its parent, or affiliate is a broker/dealer, do you trade for client accounts through this broker/dealer? Can you assure UC that your firm's brokerage affiliate, if any, will not execute trades for UC? Please explain how.**
6. **Within the last five years, has your organization or an officer or principal been involved in any business litigation or other legal proceedings relating**

to your consulting activities? If so, provide an explanation and indicate the current status or disposition.

Employees

1. **Provide an organizational chart, across all offices, of the investment consulting portion of your firm's business. List the number of employees, professional and support, in each function and/or location. Indicate any areas of special pension/endowment consulting expertise these individuals possess.**
2. **Provide an organizational chart, specific to the consulting group which would be handling UC accounts, including all individuals, functions, positions and titles.**
3. **Provide biographies of the key individuals within each functional area.**
4. **Please list the primary investment consultant(s) current clients and engagements by asset size, type of client (e.g., public fund, corporate fund, endowment) and type of engagement (e.g., general investment consulting services, project-based service).**
5. **Will UC be the primary investment consultant(s) only account? If not, how may client relationships will the primary investment consultant(s) have other than UC? What are the client/consultants and client/support personnel ratios for the firm?**
6. **Explain how the assigned consultant(s) would function, including the lead person, back-up, quality control procedures and support services.**
7. **List senior staff hires and departures over the last three years. For departures indicate the reason for termination.**
8. **Provide data relating to turnover ratios of your investment management research staff over the last three years.**
9. **Does your firm have a written code of conduct or ethics? How is it monitored and enforced? How many CFA's or CFA candidates do you have on staff?**
10. **Describe your firm's compensation arrangement for professional staff. How does this arrangement encourage the retention of key individuals?**
11. **Describe your firm's policy on changing staff assigned to a project. The eventual contract will specify that the replacement of staff on the UC account will require pre-approval by UC.**

Independence of judgment and freedom of conflicts

1. **What policies and procedures do you have in place to avoid or prevent conflicts of interest?**
2. **Are there any circumstances specifically related to your investment consulting activities under which your firm, its officers or employees receive direct or indirect compensation from investment managers or other investment-related firms? If so, describe in detail.**
3. **Does your firm, its parent, or any affiliate sell information, software or any other services to investment managers or other investment-related firms? If so, describe in detail.**
4. **Does your firm or any affiliate serve as an investment manager for clients?**
5. **Do you or your vendors charge direct or indirect fees for investment managers to be included in your firm's investment manager database? If so, what are the fees? How do you prevent conflicts of interest?**
6. **If you have an in-house database, do you sell it to third parties? If so, how do you receive compensation?**
7. **Do you charge investment managers any direct or indirect fees when they are successful in manager searches that you conduct on behalf of your clients? If so, what are the fees? How do you prevent conflicts of interest?**
8. **Describe in detail any potential conflicts of interest your firm may have in this assignment. Include any activities of affiliated or parent organizations, brokerage activities, investment banking activities, or any past or current relationships with members of UC's Board of Regents, Trustee and UC investment staff. Include any pertinent activities, actions, or relationships not specifically outlined in this question.**
9. **Describe all outside marketing/sales services for which your firm has contracted over the last three years as of September 30, 2007 for the marketing of your consulting services to the institutional tax-exempt market. Specify any such arrangements as they relate to this assignment.**

C. CONSULTING CAPABILITIES

Asset Allocation & Investment Policy Analysis

- 1. Outline your approach to the development of an investment policy. Provide a sample of your response. Describe how you articulate the fiduciaries' risk tolerance in the policy document.**
- 2. What is your approach to managing absolute and relative investment risk? Describe your general approach to controlling risk, e.g., do you favor the use of asset weight limits or risk limits, or a combination?**
- 3. Describe your firm's involvement in preparing guidelines for investment managers. Provide samples of investment guidelines you have developed.**
- 4. Discuss in detail the theory and methodology of the asset allocation process you employ. How does your firm develop asset class assumptions? Provide a sample asset allocation report in the appendix of your response.**
- 5. How do you factor in the characteristics of plan liabilities in your asset allocation process?**
- 6. Detail your process for recommending an overall portfolio structure. Give particular attention to its relationship with investment policy and asset allocation.**
- 7. Detail all asset classes with which your firm has experience. In addition, please detail all asset classes with which you have assisted your clients in implementing.**
- 8. Outline your process for maintaining and providing a continuous review of investment policy, asset allocation, and portfolio structure.**

Performance Evaluation

- 1. How long has your organization been providing performance evaluation services? How many clients do you currently have using this service and how many employees are assigned? What are the market values of your largest three performance evaluation clients?**
- 2. Describe the hardware and software systems used in the production of performance reports. Does your system operate at the individual transaction and asset level, or do you aggregate transactions and assets for entry into the system? Is the software developed in-house? What is the current version number and how often is it updated? Is any production work subcontracted to another firm? Do you offer on-line capability to clients?**
- 3. Discuss the international equity, international fixed income and emerging markets capabilities of your performance evaluation system. Do you have the**

capability of handling currencies other than the US dollar, and how many clients use this capability?

4. **Discuss the capabilities for performance reporting for derivatives, long/short portfolios, hedge funds, and other leveraged portfolios.**
5. **[If applicable] What methods and sources of data do you use in calculating investment performance of a client's portfolio? Do you comply with AIMR standards for rate calculation? Do you reconcile your calculated performance with investment managers and custodians? Describe this process.**
6. **Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can your firm provide custom/style benchmarks and universes? Please list all available universes against which performance and other attributes can be measured. Are the returns in your universe actual client returns or composite returns as reported by managers?**
7. **Can investment performance evaluation reports be customized for clients? Is there flexibility in producing non-calendar period results?**
8. **How often are performance reports produced and delivered? What quality control processes and written procedures do you have in place? Include a sample performance evaluation report in the appendix of your response.**
9. **Discuss the portfolio analytics your firm is capable of providing. How can they be used in evaluating manager performance?**
10. **Discuss your capabilities to evaluate, measure, and report on risk.**
11. **Discuss your capabilities to provide returns attribution, for both equity and fixed income.**
12. **Give an overview of your firm's approach and criteria for recommending a manager be placed on probation, removed from probation, or replaced.**
13. **Do your reports provide an executive summary section which makes specific recommendations and calls to the client's attention any issues which need to be investigated or discussed? Do your performance reports monitor investment manager compliance with the investment policy? Explain.**

Investment Manager & Custodian/Trustee Search

1. **Does your firm maintain an in-house database of investment managers? If not, what vendors do you purchase the database from? How many**

managers are contained in the database? What asset classes are covered? Are non-U.S. managers (i.e., managers located outside the US) included?

- 2. Describe how your firm or your vendor gathers, verifies, updates and maintains the data collected on managers for the database.**
- 3. Do you have individuals dedicated to manager research within your firm? If so, how many and where are they located? Describe their role in the manager search process.**
- 4. How many managers searches have you complete within the last 12 months? Describe in detail your firm's process for evaluation and selection of investment managers. Give a list of criteria you use to screen your database. Detail some of the key issues you would examine in the process. Include an example of a manager search report with your response.**
- 5. Discuss your custodian/trustee search capabilities and procedures. How many of these searches have you done in the past three years?**
- 6. Describe your firm's involvement in preparing guidelines for investment managers. Will you work with UC staff in the negotiation of such guidelines? Describe your firm's capability in monitoring manager compliance with guidelines and style consistency.**
- 7. Describe your firm's ability to customize on your client's behalf a request for proposal for the evaluation and selection of public market investment managers or do you prefer to issue your standard proposal?**

Research

- 1. Describe the internal structure and organization of your research department. If no separate department exists, describe how this function is performed.**
- 2. Describe the manner in which external resources and sources of information are used in the research process. How does your firm integrate internal and external research? Outline your process for monitoring and reporting on market trends.**
- 3. Please describe in detail the type and frequency of research that would be provided to UC. Through what media would it be provided? Please provide samples of recent research reports.**

4. Describe your computer capabilities and relate them to your consulting services and products. Do you provide any customized computer-based analytical tools to your clients?
5. Describe the educational alternatives provided to your client's trustees and staff. Give details on whether one-on-one, classroom or seminar environments are available. Are your internal staff or external resources used?
6. Do you provide any customized computer-based analytical tools to your clients?

C. CLIENTS

Current Clients

1. Please provide a list of your current clients. Please state the type of client (e.g., public pension, corporate, endowment), asset size and the year in which the relationship was formed. Please provide contact information for three clients.

Former Clients

1. Please provide the names of all clients who have terminated your firm's services in the last three years. In each case, detail the reason for termination.

New Clients

1. Please provide the names of all new clients gained in the last three years.

D. Fees

1. Please provide a fee schedule of each proposed service. In addition, please submit your fee proposal for full service investment management consulting to include all of the proposed services, including manager searches on an as needed basis.