COLORADO PERA

Colorado Public Employees' Retirement Association
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December 1, 2003

Request For Proposals (RFP) for investment consulting services

The Board of Trustees (Board) of the Public Employees' Retirement Association of Colorado (Colorado PERA) is seeking proposals from qualified firms to provide investment consulting services for its defined benefit plan.

The attached information comprises our RFP. In order to assist you in evaluating this opportunity and preparing a response, we have also included:

1) our most recent comprehensive annual financial report (CAFR), which contains a brief description of the retirement plan, organizational chart, and details about plan assets;
2) investment related policies for such plan;
3) an outline of the minimum eligibility requirements and RFP process;
4) a scope of services statement;
5) RFP questions and appendices A, B, C and D; and
6) the statutes, laws and rules governing PERA.

We are looking forward to receiving a response from your firm.

Sincerely,

Meredith Williams
Executive Director
Colorado PERA

Colorado PERA

Investment Consulting Services

Minimum Eligibility Requirements, Timetable, Administrative Requirements, Evaluation Criteria, and the RFP Process

Minimum eligibility requirements:

The investment consulting firm must be a registered investment advisor under the Investment Company Act of 1940.

The investment consulting firm must have been in business for a minimum of five years.

The individual assigned to PERA as lead consultant must have a minimum of seven years professional experience in the investment consulting field.

The investment consulting firm must have provided investment consulting services to other public retirement systems or corporate pension plans which are approximately the size of PERA or larger plans. "Size" means the approximate market value of assets held in trust on behalf of PERA participants.

The investment consulting firm must be able to maintain a satisfactory data processing interface with PERA's custodian bank by tape, disk, on-line connection or other electronic means at the firm's expense.

The investment consulting firm must agree to be a fiduciary to the plan as that term is defined in Colorado state law.

The investment consulting firm must agree to disclose all conflicts of interest, all sources of revenue and all affiliations.

Schedule:

The following schedule has been set by the PERA Board and may be changed by the Board if necessary. If the schedule changes, firms receiving the RFP will be notified by mail. If the RFP has been posted on a website, all schedule changes will also be reflected in the electronic documents. In no event will the dates listed below be changed to earlier dates.

RFP issuance	December 1, 2003
Written questions from respondents must be received	December 15, 2003
Answers to written questions will be disseminated	December 19, 2003
Proposals due	January 5, 2004 by 4:00 PM MST
Evaluation of proposals by PERA	January 6 - 9, 2004
Finalists' presentations	January 16, 2004
Consultant selection and announcement	January 16, 2004
Contract negotiation	January 19 – 23, 2004
Contract award	January 28, 2004

Contact person:
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Manager of Strategy and Innovation
Colorado PERA
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Denver, CO 80203

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Written questions and answers:
In an effort to clarify any issues in this RFP, PERA will respond only to questions that are presented in writing and received by mail, facsimile, or e-mail transmission. Questions should be addressed to the contact person. PERA will consolidate all questions and its answers into a single Q&A document. The source of the questions will not be disclosed in the document. The Q&A document will be distributed to all firms who received the RFP. If the RFP was posted to a website, the Q&A will be posted there also.

Proposals:
All interested firms should submit 10 bound copies of their responses to the contact person. Proposals received after the due date will not be considered. No waivers or exceptions will be made for untimely deliveries.

Proposals may either be mailed or hand-delivered. If the proposal is sent by mail or commercial express delivery service, the respondent shall be responsible for actual delivery of the proposal to the proper address before the deadline. **Faxed or emailed proposals will not be accepted.** All timely proposals become the property of PERA. All proposals, *except as noted below*, are considered to be public records and shall be available for viewing and reproduction as the law provides.

Firms that wish to protect portions of their proposals from public disclosure must make a written request that those records be kept confidential at the time of submission of records. In addition, the firms must specifically and conspicuously identify any portion of the proposals that are deemed by them to constitute confidential or proprietary information or trade secrets. Those portions must be readily separable from other portions of the proposal. Firms' identification of material as being exempt from disclosure are not conclusive, and firms submitting such requests acknowledge the possibility that such materials may be determined by a reviewing court not to be protected from disclosure under the laws governing PERA and the resulting contract. PERA will provide firms with notice as soon as possible of any request for disclosure of confidential information. The burden is solely on firms to take such actions as they deem necessary and appropriate to shield such materials from disclosure. Unless PERA has been notified in writing that firms have initiated the legal actions necessary, PERA may release such information without liability.

The cost of preparing and defending proposals will be borne by the respondents.

Proposals are to address all questions posed by PERA in the order in which they appear in this RFP. Answers are to be succinct and page limit maximums complied with.

Rules regarding contacts:

The proposal period begins on December 1, 2003 and ends on January 16, 2004.

The PERA Board reserves the right to request additional information from any or all respondents to assist in its evaluation process. However, no respondent may contact any Board or staff member, other than the contact person, during the proposal period.

Current service providers who are responding to this RFP are expected to limit their contacts for business transactions to PERA employees with whom they ordinarily interact and to avoid direct contact with Board or other staff members during this proposal period, other than that which might occur at regularly scheduled meetings.

The PERA Board reserves the right to amend the RFP at any time. If the amendment occurs after the due date, the PERA Board may, in its sole discretion, allow respondents to amend their bid proposals to respond to the amendment.

Respondents may amend their bid proposals. The amendment must be in writing, singed by the respondent, and received by the PERA due date. E-mailed and faxed amendments will not be accepted.

The PERA Board reserves the right to waive or permit cure of nonmaterial variances in a bid proposal, if in the Board's judgment, it is in PERA' best interest to do so.
No such waiver or permission to cure shall modify the RFP requirements or excuse the respondent from full compliance with RFP specifications or other contract requirements if the respondent is awarded the contract.

Evaluation of proposals:
Proposals will be evaluated by the Board subcommittee with the assistance of Meredith Williams, Jennifer Paquette and David Maurek. During the evaluation process the Board subcommittee may, at its sole discretion, request any or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer questions the Board subcommittee may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

Finalists' presentations:
If the PERA Board requests presentations by finalists, each finalist will have scheduled times to meet with the Board. At that time the respondents may present additional written information. It is highly recommended that the lead consultant be present at the finalist's presentation.

Selection criteria:
The selection of the firm to provide investment consulting services will be based upon the following criteria, including but not limited to:

Relevant investment consulting experience of the firm and the individual consultants proposed for PERA
Proposed work plan, soundness of approach and understanding of the needs of PERA
Demonstrated ability to perform the services referred to in the RFP
References and recommendations of other clients
Fees structure

Contract negotiation:
A written contract with the consultant selected will be required. The terms of the contract are expected to be similar to the sample contract which has been provided, however, PERA reserves the right to further negotiate the terms and conditions of the contract with the selected consultant. The contract awarded pursuant to this RFP shall consist of the RFP and any amendments thereto, the successful firm's proposal and any amendments thereto, and the specific terms and conditions of the negotiated contract.

Contract award:
PERA reserves the right to award all, part, or none of this contract and may award contracts to more than one investment consultant if deemed appropriate and desirable.

Choice of law and forum: This RFP and the resulting contract shall be governed by the laws of the State of Colorado and venues for any actions shall lie exclusively in Denver, Colorado. Firms are responsible for ascertaining the pertinent legal requirements and restrictions. Any and all litigation or other action commenced regarding this RFP shall be brought in the appropriate forum.

Colorado PERA

Investment Consulting Services

RFP Questions

A. Background of the consulting firm (2 page maximum):

1. Briefly describe your firm's background, history, and ownership structure, including any parent, affiliated or subsidiary company, and any business partners or joint ventures.

2. Describe the services your firm provides and give the percentage of revenue derived from investment consulting. Of your affiliate group, what percentage of total revenues for that group is derived from investment consulting?

3. Provide an organization chart of your firm and describe the relationship between each component and your consulting group.

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

5. List the address of your main corporate office and indicate which office(s) will service PERA.

6. Describe any services of your organization that may not be offered by other consultants.

7. Describe the total staff of the firm and designate support staff, analysts and professionals.

8. Provide a listing of current and former clients. Include the size of the client organization, the type of organization (e.g., public, Taft-Hartley, private, etc.) and the number of years services were provided by your firm to each.

B. Consultants (1 page maximum):

1. How many investment consultants does your firm have?

2. Discuss the ways you manage growth, including any limits to the client/consultant ratio.

C. Standards of conduct (1 page maximum):

1. Does your firm have a written code of conduct or a set of standards for professional behavior? If so, how are they monitored and enforced?

2. Has your firm adopted AIMR's Code of Ethics and Standards? If so, how is employee compliance monitored?

3. How are consultants' recommendations to clients reviewed and monitored by your organization? Does your firm adhere to a level of consistency in consultant recommendations?

4. Within the last five years, has your organization or an officer or principal been involved in actual or threatened litigation, administrative or regulatory, or similar investigation proceedings relating to your investment consulting assignments? If so, provide an explanation and indicate the current status or disposition. Under disposition, include any censures or reprimands received from regulatory bodies.

5. Has your firm ever been required to pay damages or penalties or trade or relinquish something of value under any of its existing or past contracts as it relates to services similar to those contemplated by this RFP? If so, describe the situation.

D. Conflicts of Interest (3 page maximum):

1. Based on the list of investment managers currently managing assets for PERA, disclose any business your firm, affiliates, or parent company does with any of PERA' investment managers.

2. Are there any potential conflict of interest issues your firm would have in servicing PERA? If so, describe them.

3. How does your firm identify and manage conflicts of interest?

4. What is your firm's policy on soft dollar payments? Do your investment consulting clients have soft dollar arrangements with your firm? If so, indicate what percentage of your clients have them?

5. Does your firm hold or sponsor money manager or client conferences? If so, describe all conferences your firm has held or sponsored in the past two years. Please note if any PERA Board or staff members have been in attendance, and what fees have been or would be charged for Board and staff members to attend such conferences.

6. Has your firm, or anyone in your firm, provided any gifts, travel and room expenses, entertainment or meals to any PERA Board member or staff during the past 12 months? If yes, describe the expenses and their purpose.

7. List and describe any professional relationship you have had with PERA or its legislative oversight bodies during the past three years.

8. Are there any circumstances under which your firm, or any individual in your firm, receives compensation, finder's fees or any other benefit from investment managers or third parties? If yes, describe in detail.

E. Consulting team (2 page maximum):

1. Provide contact information for each consultant that will be assigned to PERA in a grid similar to this.

Name	Address	Business Phone	Business Fax	E-mail Address

2. Describe the role of each consultant for this assignment.

3. Describe your team's experience with similar work performed for other public retirement systems, corporate pension funds or similar institutional investors.

4. State whether the individuals assigned to the work have any responsibilities other than providing consulting services, and if so, specify such responsibilities.

5. Describe your firm's backup procedures in the event that key personnel in this assignment should leave the firm or become incapacitated.

6. Describe your firm's preferences for client communications. For example, does your firm prefer to have all client communications flow through one contact person.

F. Asset Allocation (3 page maximum):

1. Is your firm capable of performing asset/liability modeling studies?

2. Discuss the theory and methodology of the asset allocation models your firm employs. What are the advantages and disadvantages of your model? How do you develop asset class assumptions? Has your model been revised in the last 5 years? If so, what was the change?

3. Describe your policy for recommending changes to a pension system's asset allocation in response to changes in the market environment.

4. Explain your firm's position/approach regarding internal investment management versus external management.

5. Describe your firm's capabilities and experience in advising and assisting internal investment managers and staff.

6. Describe how your firm manages its advisory role to the Board with its supportive role with staff.

7. Explain your firm’s position/approach on the use of active versus passive management in the major asset classes.

8. Describe your firm's capabilities and experience in illiquid investments such as real estate and alternative investments. List the factors you would consider in recommending real estate and alternative investment options. Describe the elements of a due diligence process for assessing the risk control and performance characteristics of such investments.

9. Describe your firm's capabilities and experience in the area of derivatives. List the factors you would consider in recommending derivative options. Describe elements of a due diligence process for assessing the risk control and performance characteristics of such investments.

10. Describe your firm's methodology for identifying and evaluating new investment opportunities.

11. What distinguishes your firm in the investment consultant industry?

12. Please note any significant contributions your firm has made in developing and defining “best practices” in the pension fund investment consulting field.

G. Investment policies (2 page maximum):

1. Describe your approach to the analysis of applicable legal parameters/restrictions under which PERA must operate.

2. Describe your approach to the development of an investment policy statement.

3. Detail your process for the development of asset class structures, investment objectives, and risk control policies (e.g., derivatives, securities lending, etc.).

4. Describe your capabilities in the development of appropriate shareholder responsibility and proxy voting policies and procedures in consultation with the PERA Board, staff and counsel.

5. Describe your process for maintaining a continuous review of investment policies.

H. Investment manager database (2 page maximum):

1. Does your firm maintain an in-house database of investment managers? If not, from what vendor do you purchase the database? Do you utilize both? How many managers/products are contained in the database(s) that you use?

2. For firms that have an in-house database, do you charge investment managers direct or indirect fees to be included in your firm’s database? If so, describe the fees.

3. For firms that have an in-house database, do you sell it to third parties? How do you receive compensation for selling it?

4. For firms that have an in-house database, describe any advantages that you perceive your in-house database has over your competitors.

5. For firms that have an in-house database, describe your methodology and criteria for classification of managers by investment style, size, etc. How do you monitor consistency of style?

6. For firms that have an in-house database, how often are managers in your database reviewed? Under what circumstances are managers added to your database? Deleted?

7. For firms that have an in-house database, describe how your firm gathers, verifies, updates, and maintains the data collected on managers for the database. Do you use surveys or meetings with managers?

8. For firms that have an in-house database, how often do you meet with managers that are included in your database? What is the nature of those visits?

I. Investment manager searches (1 page maximum):

1. Describe your firm's process for evaluation and selection of investment managers.

2. Describe your experience in selecting investment managers.

3. Describe how your firm's process for evaluation and selection of investment manager adds value beyond the mere provision of raw data.

J. Custodian bank database (2 page maximum):

1. Does your firm maintain an in-house database of custodian banks? If not, from what vendor do you purchase the database? Do you utilize both? How many banks/products are contained in the database(s) you use?

2. For firms that have an in-house database, do you charge custodian banks direct or indirect fees to be included in your firm's database? If so, describe the fees.

3. If you have an in-house database, do you sell it to third parties? How do you receive compensation for selling it?

4. For firms that have an in-house database, describe any advantages that you perceive your in-house custodian bank database has over your competitors.

5. For firms that have an in-house database, how often are custodian banks in your database reviewed? Under what circumstances are banks added to your database? Deleted?

6. For firms that have an in-house database, describe how your firm gathers, verifies, updates, and maintains the data collected on custodian banks for the database. Do you use surveys or meetings with custodian banks?

K. Custodian banks searches (1 page maximum):

1. What are your criteria for selecting a custodian bank?

2. Describe your experience in conducting analyses of custodians.

3. Describe how your firm's process for evaluation and selection of custodian banks adds value beyond the mere provision of raw data.

4. How many custodian banks has your firm assisted in selecting?

L. Performance Evaluation:

1. Do you have the capability of using rates of return calculated by the PERA custodian bank in your performance evaluation reports?

2. Can your firm provide custom benchmarks, including investment style benchmarks and universe rankings? Are the returns in your universe rankings actual client returns or composite returns as reported by managers?

3. What amount of input does the client have in the content and format of an investment performance evaluation report?

4. Discuss the portfolio analytics your firm is capable of providing. Do you have international analytics capabilities?

5. Describe your capabilities in the production/interpretation of trading cost studies.

6. Describe your capabilities in the production/interpretation of securities lending.

7. Describe your capabilities in the development of risk/return characteristics of the asset mix as a whole and of each asset category and manager style.

8. What asset classes are tracked in your performance measuring system? How many managers are included within each asset category? How many years of performance data are on the system for each asset class?

9. What factors do you consider to be critical in reporting performance? Do you have the ability to customize reports for your clients?

10. How are performance benchmarks for the total fund, different asset classes and investment manager styles chosen and constructed?

11. Do you use investment style benchmarks in your performance measurement process? What are the sources of the underlying data and how are these benchmarks calculated and maintained?

12. Do you reconcile your calculated performance with investment managers' and custodians' reports? If yes, please describe.

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13. Describe your firm's performance attribution process and reports.

M. Reporting (1 page maximum):

1. What period of time is required to prepare reports after the end of each month?

2. Give a brief overview of the hardware and software systems used in the production of performance reports.

N. Research (1 page maximum):

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?

3. Describe the subject matter and frequency of research provided to clients, and the media customarily used to distribute such research to clients.

4. Describe your ability to provide customized computer-based analytical tools to your clients. Describe specific features.

5. Describe your firm's process for monitoring industry and market trends affecting investment funds.

O. Board and Staff Education (1 page maximum):

Does your firm offer training of plan fiduciaries and staff as it relates to their investment responsibilities? If so, describe the type of training available and the qualifications of the individuals assigned to conduct the training.

P. References:

Provide three references who are clients for whom work similar to that requested in this RFP has been performed.

Q. Previous clients:

List public sector clients who have terminated your consulting relationship during the past three years and their reasons for doing so. Include their names, titles and telephone numbers.

R. Insurance and liability:

1. What limitation on liability, if any, do you impose through your contract?

2. Describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers.

3. Describe your disaster recovery plan and facilities.

S. Subcontracting:

1. If your firm uses the services of subcontractors for the performance of services hereunder, identify all such subcontractors and describe the skills and qualifications of the subcontractors and its individual employees.

2. Describe what portions of the project will be assigned to subcontractors.

3. Identify the cost associated with the portions of the project assigned to subcontractors.

4. Describe the inclusive periods and percentage of time subcontractors will devote to the project.

5. Describe the contractual arrangement contemplated with subcontractors and describe generally the control/delegation of responsibilities anticipated in such arrangements.

T. Fees:

1. Provide a proposal regarding the fees to be paid to your firm for the services identified in the Scope of Services. The proposal should provide fees based upon a bundled fee for all services identified as well as an unbundled fee for each discrete service identified in the Scope of Services.

2. Identify the period of time the proposed fees will remain in effect.

3. Describe whether the firm has previously performed investment consulting services under the proposed fee arrangement and, if so, its experience.

4. Has the firm provided investment consulting services under alternative fee arrangements? If so, please describe.

5. Does your firm's proposed fee arrangement consist of any incentive or contingent payments? If so, describe the manner of calculation in detail.

Appendices

Appendix A. Biographies

Include biographies for all consultants listed in your proposal. Indicate what year each consultant joined your firm and describe his or her position, current responsibilities, areas of expertise, experience, education, professional designations and memberships, and relevant publications and presentations.

Appendix B. Form ADV Parts I and II

Attach your firm's current Form ADV Part I and II.

Appendix C. Annual Financial Report

Attach your firm's current audited Annual Financial Report.

Appendix D. Sample Contract or Agreement

1. Attach a sample contract or agreement your firm uses for investment terms and conditions for consulting services.

Other Information

1. Describe areas or processes, not included in the scope of this engagement that your firm may examine in order to provide more complete and thorough services.

2. Provide any additional information that you believe to be relevant to the RFP and your capability to provide the services requested.

3. Do not include any promotional or display material to supplement your proposal.

Colorado PERA

Investment Consulting Services

Scope of Services

Type of services:

PERA is seeking proposals from qualified firms to provide pension system investment consulting services. The services requested are those that are checked below:

- ❑ Advising the Board of Trustees on investment guidelines and policies, including the development of new guidelines and policies and the amendment of existing ones
- ❑ Advising on investment management analysis, including tracking of performance achieved in variance from the investment manager's contractual mandate
- ❑ Manager oversight, including periodic review and interviews of managers as requested by Board and Staff
- ❑ Advising on strategic and tactical investment issues
- ❑ Advising on investment operations (internal vs. external management)
- ❑ Advising on asset allocation
- ❑ Advising on management structure (active vs. passive, investment style mixes)
- ❑ Advising on performance measurement
- ❑ Advising on additional asset classes
- ❑ Advising on alternative investment vehicles
- ❑ Providing research on special projects
- ❑ Presenting economic forecasts
- ❑ Advising on rebalancing policies
- ❑ Providing or assisting in manager searches, selections and terminations
- ❑ Providing or assisting in custodian bank search and selection
- ❑ Performing quarterly performance analysis, by portfolio, asset class, and fund
- ❑ Performing asset and liability analyses
- ❑ Performing trading cost analyses
- ❑ Performing educational sessions
- ❑ Providing on-site consultation and assistance
- ❑ Providing objective and creative input, subject to its fiduciary responsibilities
- ❑ Attending approximately 4 Board meetings per year held in Denver, CO. (It is expected that the consultant(s) will attend each meeting.)