

Addendum 1
RFP - Investment Advisory Services - University Endowment Fund
Contract Number 18-04-09-03
Questions and Answers

Below are questions and answers regarding subject RFP. All questions are written in black color font and the **answers are provided in red color font.**

1. Referencing Section I, Paragraph I, Page 3:

I. Overview/ Introduction

The Delaware State University (hereinafter "University") and the Delaware State University Foundation is seeking Proposals from qualified firms ("Proposers") to provide investment advisory services for the University's Endowment Fund. This request for proposals ("RFP") is issued pursuant to 29 *Del. C.* §§ 6981 and 6982.

Question: Our first question is a two-part question:

- A) whether the proposed asset management is for a true university endowment, or for the foundation assets (a separate 501C3)?

Answer: The proposed asset management is for a true University Endowment and for the Foundation assets.

- B) And B) whether the "Endowment Fund" comprises any public funds, that is government support /contributions

Answer: The "Endowment Fund" comprises of private/public funds and not government support/contributions.

2. Referencing Section II, Paragraph I, Page 6:

II. Scope of Work/ Services

In the development of its investment advisory program, the University is looking to balance a desire to maximize investment returns on its portfolio while maintaining a prudent level of risk.

Question: Is the investment committee looking for an investment advisory relationship only, or are you open to a relationship where your investment provider retains discretion with respect to portfolio rebalancing and manager implementation within IPS guidelines?

Answer: The investment committee is looking for an investment advisory relationship and is open to the investment provider discretion with respect to portfolio rebalancing and manager implementation within IPS guidelines.

3. **Page 42:** The University appears to be searching for a full consultative service in which the investment advisor is responsible for the evaluation, selection, and termination of other investment managers. Manning & Napier offers primarily proprietary investment products- Multi Asset Class separately managed accounts and mutual funds, with the ability to supplement with outside ETFs and Index Funds (known as our “Custom Solution”). **Question:** Would the University consider a single manager for this opportunity?

Answer: The University is seeking a full consultative service.

4. **Page 7:** Lists a preference for having at least 5 years’ experience providing these services to other 501 (c)(3) organizations. While Manning & Napier has been providing Multi Asset Class investment management services to non-profit clients for over 40 years, our custom solutions offering does not technically meet these requirements.

Question: Is there flexibility with respect to this requirement?

Answer: NO

5. With regard to the contract (including terms and conditions) that the Delaware State University desires to execute, eligible investors in the Commonfund Endowment Funds subscribe to Commonfund Asset Management Company investment programs by way of a new membership kit, offering memorandum and/or fund agreement, rather than an investment management contract. **Question:** Would this be acceptable to the University?

Answer: NO

6. Section III, A, b on page 10 beginning with “Financial terms (fees) ...”

Question: --- would you please confirm the size of the mandate? Is it for 31 million as printed in the RFP or 21 million as seen in other sources?

Answer: The endowment Market value at the time of this RFP was \$31 million

7. **Question:** Does this RFP for \$31 million in assets apply only to the DSU Endowment Sub-Portfolio 1 as detailed in the IPS, or, does it include DSU Foundation and/or the DSU Federal Match Grant Sub-Portfolios 2-8?

Section I, Paragraph 1, Page 3:

The Delaware State University (hereinafter “University”) and the Delaware State University Foundation is seeking Proposals from qualified firms (“Proposers”) to provide investment advisory services for the University’s Endowment Fund.

Appendix A, Section Portfolio Composition and Risk, Page 39:

The University, the Foundation, and the Federal Matching funds are managed distinctly; DSU Foundation will follow overall investment guidelines of 65% stocks /35% bonds +/-10, DSU Endowment will follow overall investment guidelines of 73% stocks /27% bonds +/-10, and the DSU Fed matching funds will be managed in compliance with Federal restrictions to the extent possible and following overall investment guidelines of 73% stock/27% bonds+/-10%.

Answer: The \$31 million includes DSU Foundation and DSU Federal which is DSU Endowment Fund

8. **Question:** Does your existing portfolio include an allocation to Real Estate and/or Alternatives? If so, do you group these assets classes as part of the equity target allocation in the IPS strategic asset allocation?

Section II Scope of Work/Services, Paragraph b, Page 6

The investment objective for the real estate fund is to outperform by 1% (net of fees) the blended "Alternatives" benchmark, adjusted for risk.

Appendix A, Section Portfolio Composition and Risk, Page 39:

The University, the Foundation, and the Federal Matching funds are managed distinctly; DSU Foundation will follow overall investment guidelines of 65% stocks /35% bonds +/-10, DSU Endowment will follow overall investment guidelines of 73% stocks /27% bonds +/-10, and the DSU Fed matching funds will be managed in compliance with Federal restrictions to the extent possible and following overall investment guidelines of 73% stock/27% bonds+/-10%.

Answer: NO

9. **Question:** How much of the \$31 million in assets out for RFP requires Unitized Accounting by the Investment Advisor?

Appendix B Spending Rate Policy, Page 45, Paragraph 1-2

Unitization of Endowments

The commingled endowment funds, excluding endowments not permitted to be invested in equities shall be unitized and each new endowment gift added to the Fund shall receive units in the fund based upon the market value of the gift and the unit value of the Fund for the preceding quarter. The unit value of the endowment fund shall be determined at least quarterly. Income determined under this spending policy shall be calculated on a unit basis for distribution purposes.

Spending Policy for Unitized Endowments

Delaware State University recognizes the need for spendable income by the beneficiaries of the endowment funds under their custodianship. The following spending policy reflects an objective to distribute as much total return as is consistent with overall investment objectives defined herein while protecting the real value of the endowment principal.

Appendix B Spending Rate Policy, Page 46, Paragraph 2

Endowments not unitized

Endowments that do not provide for investments in equities will not be unitized and they will receive interest and dividends on their funds invested in fixed income securities.

Answer: Unitization is currently being done by the University/Foundation staff and is not required to be done by the Investment Advisor.

10. **Question:** Can DSU provide a sample contract and additional agreements upon posting the Q&A so that Vendor compliance may review any issues in advance of proposal submission?

Section D. Contract Terms and Conditions, 1. General Information., Paragraph b., Page 20

The selected vendor will be required to enter into a written agreement with the Delaware State University. The Delaware State University reserves the right to incorporate standard University contractual provisions into any contract negotiated as a result of a proposal submitted in response to this RFP. Any proposed modifications to the terms and conditions of the standard contract are subject to review and approval by the Delaware State University. Vendors will be required to sign the contract for all services, and may be required to sign additional agreements.

Answer: NO

11. **Question:** Please discuss your approach to reviewing and signing Vendor Agreements and contracts.

Section D. Contract Terms and Conditions, 1. General Information., Page 20

Paragraph b. The selected vendor will be required to enter into a written agreement with the Delaware State University. The Delaware State University reserves the right to incorporate standard University contractual provisions into any contract negotiated as a result of a proposal submitted in response to this RFP. Any proposed modifications to the terms and conditions of the standard contract are subject to review and approval by the Delaware State University. Vendors will be required to sign the contract for all services, and may be required to sign additional agreements.

Paragraph d. The Delaware State University's standard contract will most likely be supplemented with the vendor's software license, support/maintenance, source code escrow agreements, and any other applicable agreements. The terms and conditions of these agreements will be negotiated with the finalist during actual contract negotiations.

Answer: All contracts are reviewed by the University Legal department, President, and Board Members and signed off by the President.

12: **Question:** Does DSU allow any flexibility on the twenty (20) day effective termination notice given liquidity and/or operational constraints for terminating and investment account?

Section 5 General Contract Terms, Section K Termination of Contract, Paragraphs 1-2, Page 25

Termination for Cause: If, for any reasons, or through any cause, the Vendor fails to fulfill in timely and proper manner its obligations under this Contract, or if the Vendor violates any of the covenants, agreements, or stipulations of this Contract, the University shall thereupon have the right to terminate this contract by giving written notice to the Vendor of such termination and specifying the effective date thereof, at least twenty (20) days before the effective date of such termination. In that event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs, and reports or other material prepared by the Vendor under this Contract shall, at the option of the University, become its property, and the Vendor shall be entitled to receive just and equitable compensation for any satisfactory work completed on such documents and other materials which is usable to the University.

Termination for Convenience: The University may terminate this Contract at any time by giving written notice of such termination and specifying the effective date thereof, at least twenty (20) days before the effective date of such termination. In that event, all finished or unfinished documents, data, studies, surveys, drawings, models, photographs, reports, supplies, and other materials shall, at the option of the University, become its property and the Vendor shall be entitled to receive compensation for any satisfactory work completed on such documents and other materials, and which is usable to the University.

Answer: NO

13. **Question:** What prompted this RFP?

Section I., Paragraph 1, Page 3

The Delaware State University (hereinafter "University") and the Delaware State University Foundation is seeking Proposals from qualified firms ("Proposers") to provide investment advisory services for the University's Endowment Fund.

Answer: The current contract was for five years and ends August of 2018.

14. **Question:** Will you please provide a copy of a recent holdings statement?

Monitoring of Objectives and Results. Paragraph 3, Page 43.

3. Each investment manager will report to the Innovation and Sustainability Committee the following information quarterly: total return (on a time-weighted basis) net of all commissions and fees, additions and withdrawals from the account, current holdings at cost and market value, and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected. Additionally, managers are required to inform the Board of Trustees of any change in firm ownership, organizational structure, professional personnel, account structure (e.g., number, asset size, account minimum), or fundamental investment philosophy.

Answer: NO

15. **Question:** Will you please provide a copy of a recent statement showing unit accounting?

Monitoring of Objectives and Results. Paragraph 3, Page 43.

3. Each investment manager will report to the Innovation and Sustainability Committee the following information quarterly: total return (on a time-weighted basis) net of all commissions and fees, additions and withdrawals from the account, current holdings at cost and market value, and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected. Additionally, managers are required to inform the Board of Trustees of any change in firm ownership, organizational structure, professional personnel, account structure (e.g., number, asset size, account minimum), or fundamental investment philosophy.

Answer: NO

16. **Question:** Are there particular concerns pertaining to performance, fees, customer service, etc. not described in the paragraph below? If so, please describe.

Monitoring of Objectives and Results. Paragraph 3, Page 43.

Each investment manager will report to the Innovation and Sustainability Committee the following information quarterly: total return (on a time-weighted basis) net of all commissions and fees, additions and withdrawals from the account, current holdings at cost and market value, and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected. Additionally, managers are required to inform the Board of Trustees of any change in firm ownership, organizational structure, professional personnel, account structure (e.g., number, asset size, account minimum), or fundamental investment philosophy.

Answer: No, we do not have any specific concerns.

17. **Question:** Who is the current provider?

Monitoring of Objectives and Results. Paragraph 3, Page 43.

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Answer: We are bound by a confidentiality agreement and are not able to disclose.

18. **Question:** What is the current fee schedule?

Monitoring of Objectives and Results. Paragraph 3, Page 43.

3. Each investment manager will report to the Innovation and Sustainability Committee the following information quarterly: total return (on a time-weighted basis) net of all commissions and fees, additions and withdrawals from the account, current holdings at cost and market value, and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected. Additionally, managers are required to inform the Board of Trustees of any change in firm ownership, organizational structure, professional personnel.

Answer: We are seeking a firm that can provide a fee scheduled based on their unique business case.

19. **Question:** Are there any special reporting requirements?

Monitoring of Objectives and Results. Paragraph 3, Page 43.

3. Each investment manager will report to the Innovation and Sustainability Committee the following information quarterly: total return (on a time-weighted basis) net of all commissions and fees, additions and withdrawals from the account, current holdings at cost and market value, and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected. Additionally, managers are required to inform the Board of Trustees of any change in firm ownership, organizational structure, professional personnel.

Answer: Not more than already mentioned, however, special circumstances may require additional reporting.

20. **Question:** Does the organization have any needs pertaining to planned giving?

Appendix B. Spending Policy for Unitized Endowments. Paragraph 5, Page 45

Unless otherwise determined by the Board of Trustees, the target annual distribution of spendable income to each unit of the endowment fund will be 4.5 percent of the average market value of a unit of the endowment fund for the preceding 12 quarters or the life of the unit, whichever is less.

Answer: Not through this contract.

21. **Question:** FEG Investment Advisors looks forward to the opportunity to submit and participate in the Delaware State University RFP. In accordance with the aforementioned process, we highlight the following for clarification:

Approximate Asset Size: \$21 million or \$31 million?

Section number III, BA Evaluation Criteria

Paragraph number b

Page number 10

Text of passage being questioned "...based on the current endowment figure of about \$31 million..."

Section number IV, C Proposal Selection Criteria

Paragraph number 2 Criteria

Page number 18

Text of passage being questioned "...based on the current endowment figure of about \$21 million..."

Answer: The endowment Market value at the time of this RFP was \$31 million

22. **Section Number:** II, Scope of Work/Services

Paragraph Number: Project Definitions and Objectives

Page Number: 7

Text of passage being questioned: e. Assist the University in the execution of investment strategies of all investment portfolios

Question: The Request for Proposal describes three pools of funds: DSU Foundation, DSU Endowment and DSU Federal Matching Funds, each with individual overall investment guidelines. We would like to confirm that DSU is seeking proposals for Investment Advisory Services for only the DSU Endowment? If that is not the case, should proposals address each pool of funds individually with regard to asset allocation and recommendations relating to the University's investment policy?

Answer: The three pools of funds all constitute the DSU Endowment and we are seeking proposal to cover these funds.

23. **Section Number:** II, Scope of Work/Services

Paragraph Number: Proposal Requirements/General Information

Page Number: 8

Text of passage being questioned:

4.Provide current resumes of these individuals in an appendix that will not count against page limitations.

Question: Will biographical information on the individuals be accepted or do you require traditionally prepared and formatted resume/CV?

Answer: YES

24. Section Number: II, Scope of Work/Services

Paragraph Number: Proposal Requirements/Strategic Recommendations

Page Number: 9 **Text of passage being questioned:**

Question: What would be the key strategies that you would recommend for the Endowment Fund in general?.....

Answer: Our expectation is that the investment advisory service respondent will identify these strategies in the proposal.

Question: Can our proposal for Investment Advisory Services incorporate asset classes not currently included in the University's guidelines as per its Investment Policy Statement or must our proposal adhere to your current guidelines and incorporate only those asset classes listed?

Answer: Yes, our desire is to see a comprehensive investment plan based on the investment service provider's experience.

Question: Can our proposal incorporate guidelines/ranges for allocations to asset classes different from the current guidelines?

Answer: Yes, our desire is to see a comprehensive investment plan based on the investment service provider's experience.

Question: Would Delaware State University consider private investments as part of its overall allocation?

Answer: NO

Question: Would Delaware State University consider investment in other non-traditional strategies, including hedge funds?

Answer: NO

25. Section Number: IV Professional Services RFP Administrative Information/Evaluation

Paragraph Number: D. Contract Terms and Conditions/ 5. General Contract Terms/ e. Insurance

Page Number: 23

Text of passage being questioned:

e. Automotive Liability Insurance covering all automotive units used in the work with limits of not less than \$100,000 each person.....

Question: Does this requirement pertain to the Delaware State University's RFP for Investment Advisory Services or can we assume that it is not required of the vendor of Investment Advisory Services?

Answer: Yes, this is standard expected coverage for all vendors doing business with the State of Delaware.

26. Question: Please confirm whether or not the endowment figure listed is correct.

Section: III, B. General Evaluation Requirements, A. Evaluation Criteria
Paragraph: b., Financial Terms (fees) and total cost to the University for Proposed Services
Page: 10

Text of passage being questioned:

“...the current endowment figure of about **\$31 million** and its allocation.”

Section: IV. Professional Services RFP Administrative Information/Evaluation, C. RFP Evaluation

Process

Paragraph: 2. Proposal Selection Criteria, Financial terms (fees) and the total cost to the University

for Proposed Services

Page: 18 Text of passage being questioned:

“...the current endowment figure of about **\$21 million** and its allocation.”

Answer: The endowment Market value at the time of this RFP was \$31 million

27. Question: Can you please clarify if you are looking for investment management services (sole investment discretion of assets), or if you are looking for an investment advisory partner where the assets are held under joint investment discretion and the University would direct trading activity? While most of the RFP describes an Investment management relationship, investment advisory nomenclature is utilized.

Answer: We are seeking investment management services.

28. Question: Please confirm the current endowment figure.

Answer: The endowment Market value at the time of this RFP was \$31 million

Section number III Format for Proposal/Required Information, Paragraph number A.B.

Page number 10,

Text of passage being questioned

Financial terms (fees) and the total cost to the University for Proposed Services. Please explain your proposed management fee structure, prepare a spreadsheet that shows DSU’s yearly fees and how they are calculated (basis points, graduated scale, etc.) based on the current endowment figure of about \$31 million and its allocation.

•Section number 2. Proposal Selection Criteria Paragraph number Criteria Chart, Page number 18

Text of passage being questioned

Financial terms (fees) and the total cost to the University for Proposed Services. Please explain your proposed management fee structure, prepare a spreadsheet that shows DSU’s yearly fees and how they are calculated (basis points, graduated scale, etc.) based on the current endowment figure of about \$21 million and its allocation.