**OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT**

**TRUST FUND BOARD OF INVESTORS**

**REQUEST FOR PROPOSALS (RFP)**

**FOR**

**INVESTMENT MANAGEMENT SERVICES**

**US Direct Lending**

**September 10, 2020**

OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT

TRUST FUND BOARD OF INVESTORS

c/o Oklahoma State Treasurer

2300 N. Lincoln Boulevard, Room 217

Oklahoma City, OK 73105

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**Section One**

**GENERAL INFORMATION FOR MANAGERS**

* 1. **Introduction**

In November 2000, the people of the State of Oklahoma enacted Article X, Section 40 to the State Constitution. This new provision created the Tobacco Settlement Endowment Trust Fund into which a substantial portion of the State's share of the national tobacco settlement payments would be deposited. The investment management of this Trust Fund is vested in a five person Board of Investors chaired by the State Treasurer. The remaining members of the Board are appointed by the Governor, State Auditor and Inspector, the President Pro-Tempore of the Senate and the Speaker of the House of Representatives.

Earnings from the Trust Fund may be expended for research to fight cancer and other tobacco-related diseases, tobacco prevention and cessation, programs to promote public health, programs to enhance the provision of health care, a variety of education programs, and programs to enhance the health and well-being of senior citizens. A different board, called the Board of Directors of the Tobacco Settlement Endowment Trust Fund, makes all spending decisions for the earnings.

* 1. **Background**

A. Legal Authorization

The Board is charged with the investment of the Trust Fund. In addition to Article X, §40 of the Oklahoma Constitution, the Board's investment authorization is set forth in Section 6 of House Bill 1003 of the 2001 Legislative session (codified as title 62, §2306 of the Oklahoma Statutes.)

B. Support Services

The Board is supported by staff of the Oklahoma State Treasurer's office. The Board has retained NEPC as its Investment Consultant, the Bank of Oklahoma as its custodian bank and several investment managers.

C. Allocation of Assets/ Investment Policy

The Board has adopted an asset allocation target of 8% to direct lending, and has a current exposure of approximately 6%. The constitutional provision creating the Board and the Trust Fund provides that the Fund may be invested in any type of investment vehicle suited for state retirement systems. Both the Board and the state retirement systems are governed by the "prudent investor" standard.

* 1. **Description of Services**

A. Purpose

The purpose of this Request for Proposal (RFP) is to solicit information and interest from qualified firms to render investment management services to the Fund. The desired investment management service is the management of a US direct lending fund

B. Scope of Work

1. The selected manager(s) will manage an allocation of approximately $50 - $70 million. The benchmark will be jointly agreed to by the manager and the fund.

2. A representative staff member of the selected manager may be asked to attend a meeting of the Board periodically to present required or relevant reports and information. The manager should be prepared to meet with the Board and NEPC at other times as required.

**1.4 Minimum Qualifications**

Respondents to the RFP must meet all of the following minimum qualifications and requirements to be given further consideration. FAILURE TO SATISFY ALL OF THE

FOLLOWING WILL RESULT IN THE REJECTION OF A MANAGER.

A. Manager must have specific, broad expertise in US direct lending.

B. Minimum assets under management in the style proposed of at least $750 million.

C. Utilization by at least 2 US Tax-exempt public funds at the firm level.

D. Minimum five year track record.

E. Strategy must be accepting capital until at least February 28, 2021.

**Section Two**

**THE PROCUREMENT PROCESS**

**2.1 Explanation of Events**

A. Release of the RFP: The RFP will be released on **September 10, 2020**. Submission will consist of completing the cover letter listed below and sending it to the email addresses listed below, as well as completing the spreadsheets listed under this search on the NEPC website.

B. Deadline to submit written questions: Managers may submit questions in writing as to the intent or clarity of this RFP by 4:30 p.m. Pacific Time on **September 21, 2020.** Managers must address all written questions to Ms. Kim Kaczor E-mail address kkaczor@nepc.com. Managers must clearly label their questions so that it can be determined which RFP the manager is addressing. Inquiries not submitted in writing in accordance with these requirements will not be considered.

BOARD MEMBERS OR STAFF MEMBERS OF THE STATE TREASURER WILL

ACCEPT NO TELEPHONE INQUIRIES OR OTHER NON-WRITTEN INQUIRIES FROM PROSPECTIVE MANAGERS.

Telephone calls to verify receipt of written questions only are allowed to (313) 556-1140. Please ask for Kim Kaczor.

C. Response to written questions: Written responses to all managers' written questions will be e-mailed by **September 24, 2020**.

D. Costs of preparation: All costs of preparation and presentation associated with your response to this RFP will be the responsibility of the manager. Managers may be asked to make a presentation before the Board if selected as a finalist. The Board will reimburse none of the costs associated with this presentation.

E. Applicable procurement law: The selection of investment managers for the Board is specifically exempt from the Oklahoma Central Purchasing Act. Pursuant to 62 Oklahoma Statutes Section 2306, the Board must select investment managers through a competitive process using a solicitation of proposals pursuant to its contracting policy. A copy of the contracting policy will be furnished upon request.

F. Submission of proposals: Each manager shall submit one cover letter. Letters must be signed by an individual with the authority to commit the manager/firm, and the authority of the individual signing must be stated with the signature. The final submission must be received by 4:30 pm Pacific Time, **September 28, 2020**.

The electronic copy of the cover letter shall be delivered to:

[kkaczor@nepc.com](mailto:kkaczor@nepc.com)

[lisa.murray@treasurer.ok.gov](mailto:lisa.murray@treasurer.ok.gov)

NO FAX TRANSMISSIONS OF THE RESPONSES TO THE FUND WILL BE ALLOWED. NO EXCEPTIONS TO THE SUBMISSION DEADLINE WILL BE ALLOWED.

G. Evaluation of the Participating Managers: The evaluation of managers will be performed by NEPC, and staff members of the State Treasurer's Office. This process will take place between **September 28, 2020, and October 8, 2020**. During this time, NEPC or staff of the State Treasurer may initiate discussions with managers who submit proposals, but proposals may be accepted without such discussions. Managers shall not initiate such discussions. Finalists will be notified on **October 30, 2020**.

H. Finalists Interviews: The Board, NEPC and staff of the State Treasurer will be conducting oral interviews of the selected finalists at their discretion on **November 17, 2020.** Firms selected for final interviews will be contacted directly.

I. Announcement of Selected Managers: The Board is expected to make the final decision and announcement regarding selection of the awarded proposal by **November 16, 2020** or as soon as possible thereafter.

Respondents should use additional comment fields provided to make qualifying notes as applicable. All responses should be direct and clear.

**2.2 Cover Letter Format**

OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT

TRUST FUND BOARD OF INVESTORS

Direct Lending Manager Search

The Oklahoma Tobacco Settlement Endowment Trust is soliciting proposals from US direct lending managers. The Trust’s total allocation to the selected manager(s) will be approximately $50-70 million.

[Insert firm name] is hereby submitting notification to participate in the above stated proposal process. [Insert firm name] is submitting information for its proposed product - [insert specific fund name – exactly as it appears in the eVestment Alliance database] - for the purposes of this Request for Proposal.

[Insert firm name] has read, understands, and agrees to abide by the proposal process as outlined in the complete Request for Proposal document.

Please disclose below any campaign contributions and/or any contractual business with any Oklahoma Tobacco Settlement trustee or staff member. If you have nothing to disclose, please state so below:

Campaign contribution disclosure: ­­­­­­­­­­­­­­­­

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Signature Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title

**2.3 Proposal Evaluation Process**

A. Evaluation Summary - Staff members of the State Treasurer and NEPC advisor personnel will evaluate the managers. The evaluation will determine which proposal is most advantageous to the Fund, taking into consideration the evaluation factors set forth below. The following process will be followed:

1. All managers will be reviewed for compliance with the minimum mandatory requirements as specified in this RFP. Proposals that are not found to be in compliance will be rejected.

2. Proposals not rejected will then be evaluated on the factors listed in Subparagraph B below. The finalist managers(s) will be the one(s) deemed to be the most advantageous to the Fund, except that a serious deficiency in any single criteria may be grounds for rejection.

3. NEPC and/or staff of the State Treasurer will have the option to contact the manager(s) for clarification of any portion of any proposal. Sources other than the information supplied by the manager may also be used to verify that compliance with requirements of the RFP has been achieved.

4. Finalist manager(s) will make presentations before the Board. The Board will select the successful manager(s) on the basis of this presentation, the information presented in the response to the RFP, and evaluations by NEPC and staff of the State Treasurer.

5. Evaluation Points Allocation - The award of the contract shall be made taking into consideration the following weighted evaluation factors. The maximum score will be 1000 points. Please note, however, that a serious deficiency in any one criterion may be grounds for rejection, and that the listing of cost as an evaluation factor does not require the Board to select the manager who submits the lowest cost proposal:

1. Investment Expertise - 50% (500 points):

a. Proven record of a clearly defined philosophy incorporating strong discipline, innovation and consistency of investment process;

b. Historical performance of Funds managed;

c. Research capabilities;

d. Experience managing a number of Funds whose total assets are greater than $750 million; and

e. An investment style that best fits the desired portfolio structure.

1. Personnel - 30% (300 points):

a. Consistency of the management and investment team;

b. Investment qualifications of key personnel assigned to the Fund account;

c. Experience with the management of public funds and results of reference checks; and

d. Ability to communicate at both the professional and lay levels.

1. Administration - 10% (100 points):

a. Strength of portfolio administration, trading, accounting, and other administrative capabilities;

b. Ability to monitor, reconcile, and analyze performance on a quarterly basis; and

c. Reporting/presentation procedures and capabilities.

1. Cost – 10% (100 points):

Cost must be quoted in basis points. The cost score will be adjusted for any best and final offers that are received. Only the finalists will be allowed to make best and final offers:

**Appendix A**

**Oklahoma Tobacco Settlement Endowment Trust Fund**

PLACEMENT AGENT POLICY

**I. PURPOSE**

The following language describes the circumstances under which the Oklahoma Tobacco Settlement Endowment Trust Fund (“the Fund”) shall require the disclosure of payments to Placement Agents in connection with the Fund’s investments with external investment managers. External investment managers is a broad term which includes investment managers, general partners, and sponsors of hedge funds, private equity funds, real estate funds and other closed-end investment vehicles. The adoption of this policy requires broad, timely and updated disclosure of all Placement Agent relationships, compensation and fees. In the event the external investment manager utilizes a fund of funds approach, Placement Agent disclosure will only be required at the fund level, not of each underlying fund.

This Policy is to be applied to all agreements with external investment managers after the date this addendum is approved. It will also apply to existing external investment managers if, after approval, agreements are amended to extend the length of the agreement, renegotiate fees, increase the commitment of funds or change the agreement in a substantial way. In the event such amendments to the original agreement are made, the disclosure provisions of this Policy will apply to the amendment and not to the original agreement.

**II. GOALS**

Disclosure of all Placement Agent relationships, compensation and fees is intended to provide:

1. Transparency and confidence in the Fund’s investment decision-making without concerns of impropriety.

1. Supplemental information to the Fund’s Board members, Staff and Consultants when evaluating investment opportunities.
2. Investment decisions that are consistent with the Statement of Investment Policy.

**III. RESPONSIBILITIES**

1. Each of the Fund’s external investment managers are responsible for:

* 1. Providing the following information (subsequently referred to as the “Placement Agent Information Disclosure”) to the Fund’s Staff and its Consultant at the time investment discussions are initiated:

1. A statement disclosing whether the external investment manager’s principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with investments being considered or those that have already been made by the Fund (in the event there is a change to the existing agreement).

b. A resume for each officer, partner or principal of the Placement Agent detailing the individual’s education, professional designations, regulatory licenses, and investment experience. If any of these individuals is a current Board member, Staff member or employed by the Consultant, or this is applicable to any of these individual’s immediate family members, this will be specifically noted.

1. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the value, timing, and nature of the compensation.
2. A description of the services to be performed or that are currently being performed by the Placement Agent and a statement as to whether the Placement Agent is utilized with all prospective clients or a subset of prospective clients.
3. Copies of any and all agreements between the external investment manager and the Placement Agent.
4. The names of any Fund Board members, Staff or Consultants who suggested the retention of a Placement Agent.
5. A statement that the Placement Agent (or any of its affiliates, if applicable) is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association and the details of such registration.
6. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
   1. Providing updates of any changes to any of the information included in the Placement Agent Information Disclosure within 14 calendar days of the date that the external investment manager knew or should have known of a change in the information originally provided.
   2. Representing and warranting the accuracy of the information included in the Placement Agent Information Disclosure in any final written agreement between the external investment manager and the Fund with a continuing obligation to update any changes in accordance with Appendix A of this Policy.
7. The Fund’s Staff is responsible for all of the following:
8. Providing external investment managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or with respect to amendments to agreements with current investments.

1. Confirming that the Placement Agent Information Disclosure has been received prior to the completion of any due diligence and before any recommendation is made regarding prospective investments or amendments to agreements with current investments.
2. Declining the opportunity to retain or initiate an investment with an external investment manager if the Placement Agent Information Disclosure reveals that a Placement Agent was employed that is not registered with either the Securities and Exchange Commission or the Financial Industry Regulatory Association.
3. Securing in the final written agreement between the Fund and the external investment manager the following remedies in the event it is discovered that the external investment manager knew or should have known about any material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy:
4. Whichever is greater, the reimbursement of any management or advisory fees for two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent; and
5. The authority to terminate immediately the investment management contract or other agreement with the external investment manager without penalty, to withdraw without penalty from the limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions (and paying any fees on these uncalled commitments) to the limited partnership, limited liability company or other investment vehicle.
6. Confirming that the final written agreement between the Fund and the external investment manager states that the external investment manager shall be solely responsible for, and the Fund shall not pay for (directly or indirectly), any fees, compensation or expenses for any Placement Agent used by the external investment manager.
7. Prohibiting any external investment manager or Placement Agent from soliciting new investments from the Fund for a two year period after commitment of a material violation of this Policy.
8. Providing a copy of the Placement Agent Information Disclosure to the Board whenever decisions to invest in external investment managers are up for approval or whenever decisions to amend current external investment manager agreements are up for approval.
9. Compiling a quarterly report containing the names and amount of compensation agreed to be provided to each Placement Agent by each external investment manager as reported in the Placement Agent Information Disclosures, and providing the report to the Board.
10. Reporting to the Board at least quarterly any material violations of this Policy.
11. External investment managers shall comply with this Policy and cooperate with Staff in meeting their obligations under this Policy.
12. Only the Board can provide exceptions to this Policy and any such exceptions granted shall be reported to the public within 45 days.