

Cash Overlay Management Request for Information

Data as of: June 30, 2021
Due Date for RFI: October 4, 2021

Marquette Contact: Mike Spychalski
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I. Firm

- 1) Please provide the year your firm was established and give a brief history of your firm.
- 2) Please provide details on the firm structure.
- 3) Please provide the organization's name, and the name, title, address, phone number, fax number, and email address of the individual who will be our primary contact.
- 4) Please provide the address and website of the firm's headquarters and all branch offices.
- 5) Please comment on the financial solvency of your firm.
- 6) Do you have any firm debt? If yes, what is the amount of firm debt?
- 7) What are the plans, with timeframe described, to pay off the firm debt?
- 8) What is the minimum asset level required for your firm to remain profitable?
- 9) Please provide a brief description of your firm's plans for growth, such as asset growth, personnel growth, succession planning, over the next 3-5 years.
- 10) Please give succession plans for key employees if retirements are planned within 5 years.

II. Ownership

- 11) Please discuss your general ownership structure, including what percentage of your firm is owned by current active employees.
- 12) Have there been any changes in the ownership structure of your firm in the past five years?

If yes, please explain in detail.

13) Please explain any known or potential changes in firm ownership or personnel.

III. Client Breakdown

14) Please provide a breakdown of the firm’s Overlay management client base as of June 30, 2021 (as measured by % of assets under management) using the following format. Please provide a brief explanation as to the contents of “other.”

	Corporate	Foundation/ Endowment	HNW/ Family	Insurance/ Financial	Mutual Fund	Public
Firm						
Product						

	Religious	Taft- Hartley	Sub- Advisory	Wrap*	Other
Firm					
Product					

15) Please provide a breakdown of the firm’s Overlay management client base as of June 30, 2021 (as measure by # of clients under management) using the following format. Please provide a brief explanation as to the contents of “other.”

	Corporate	Foundation/ Endowment	HNW/ Family	Insurance/ Financial	Mutual Fund	Public
Firm						
Product						

	Religious	Taft- Hartley	Sub- Advisory	Wrap*	Other
Firm					
Product					

16) Please provide the approximate client turnover in the *firm* using the format below.

	2016	2017	2018	2019	2020	2021
# of Clients Gained						
Assets (\$MM) Gained						
# of Clients Lost						
Assets (\$MM) Lost						

17) Please provide the approximate client turnover in the *product* using the format below.

	2016	2017	2018	2019	2020	2021
# of Clients Gained						
Assets (\$MM) Gained						
# of Clients Lost						
Assets (\$MM) Lost						

18) Please provide the following information on the firm's Overlay management client breakdown:

	Assets (in Millions)
Average Client Size:	
Largest:	
Smallest:	

IV. Investment Professionals

Firm Specific:

- 19) Please provide brief biographies of the investment professionals (analysts/portfolio managers) in the firm.
- 20) Please provide an org chart for the firm/product. If investment committee members are not clearly identified by the org chart, please list investment committee members and provide their contact information.
- 21) List ownership and % held by the investment professionals of your firm.
- 22) List directorships or board positions held by investment professionals at other firms.

- 23) Please discuss the compensation plan of the investment professionals. Please distinguish the differences between the portfolio manager's compensation and analyst compensation.
- 24) Please specifically describe whether the bonus plans are based on asset growth, investment performance, or some combination. If any or part of the compensation is based on investment performance, please specifically cite the performance measurement (performance vs. peers, vs. benchmark) and the time period involved (1 year, 3 years, or a weighted measurement).
- 25) Are the investment professionals under employment contracts with the firm?
- 26) What are the terms of the employment contracts, including non compete clauses?
- 27) Discuss all turnover of investment professionals (analysts/portfolio managers/marketers) in the firm during the last three years.
- 28) Is your firm represented by any third party firm or individual whose purpose is marketing and/or gathering assets for the firm? If so, list all relationships and compensation structure.
- 29) Are you a registered minority-owned, woman owned, veteran, or business owned by a person with a disability, (at least 51% owned) investment manager? If so, please attach state or local registration. For the purposes of this subsection, the terms "minority person", "women", "person with a disability", "minority-owned business", "women-owned business", and "business owned by a person with a disability" have the same meaning as those terms have in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. For the purposes of this subsection, the terms "veteran" and "veteran owned small business" have the same meaning as those terms have in 30 ILCS 500/45-57.

Product Specific:

- 30) Please provide brief biographies of the investment professionals (analysts/portfolio managers/traders/operational due-diligence personnel) on this product.
- 31) What is the estimated percentage of time each professional devotes solely to this product?

V. Compliance

- 32) Please attach a copy of your firm's Code of Ethics.
- 33) Is your firm affiliated with a broker dealer?

- 34) Are you a registered investment advisor? Please attach a copy of your ADV Part II.
- 35) Please provide a brief description of any past or pending regulatory action, litigation, or other legal proceedings involving the firm or any registered employees and/or principals as defendants in the last 5 years.
- 36) Are you currently or have you been in the last 5 years out of compliance with the SEC? If yes, please explain thoroughly.
- 37) Are you currently or have you been in the last 5 years out of compliance with the DOL? If yes, please explain thoroughly.
- 38) Are you currently or have you been in the last 5 years out of compliance with any regulatory agency? If yes, please explain thoroughly.
- 39) Has your firm been audited by the SEC, DOL, or any regulatory agency in the past 5 years?
- 40) When was your last audit, please be specific by month and year, by the SEC, DOL or any regulatory agency?
- 41) Please explain any and all findings on your most recent SEC audit, including minor deficiencies. Please attach a copy of the SEC Review findings and firm responses.
- 42) Are you a registered investment advisor? Please attach a copy of your ADV Part II.
- 43) Please describe the firm's anti-money laundering process.
- 44) What are your firm's Errors & Omissions (E&O) Insurance and Cyber Liability Insurance policy limits in millions? Please attach proof of E&O and Cyber Liability Insurance coverage.
- 45) Do you have a dedicated compliance officer?
- 46) Does this person serve other roles within the firm? If so, please describe.
- 47) Who is the firm's independent auditor?
- 48) How long has the firm's independent auditor been serving in this capacity?
- 49) Who is the firm's legal counsel or do you use an in-house legal team?
- 50) Please provide brief biographies for your legal counsel, indicating how long they have been serving in this capacity.

- 51) What is your firm's personal trading policy?
- 52) What are your procedures for personal trading policy violations?
- 53) How many violations of your personal trading policy have occurred in the past 12 months?
Please describe the nature of each violation.
- 54) What software, systems and/or processes ensure client-specific guidelines and regulations are adhered to?

VI. IT & Cyber Security

- 55) Please describe your firm's disaster recovery and business continuity plans.
- 56) Please address the most recent date and the numbers of times you have practiced and tested your disaster recovery procedures in the past 5 years, and the results of those exercises.
- 57) Please provide a copy of your firm's disaster recovery and business continuity procedures.
- 58) Please address your back-up capabilities and/or offsite location, particularly related to your trading desk, in the event your primary office location was inaccessible.
- 59) Describe the firm's security environment. Specifically cover the physical, digital security, and policy measure safeguards that you have put in place to control access to portfolio reporting systems and client account information.
- 60) Does your firm's information technology systems meet or exceed industry best practices related to cyber-security, including but not limited to the U.S. Department of Labor's Cybersecurity Program Best Practices and the requirements of the State of Illinois Cybersecurity Strategy and the NIST Cybersecurity Framework? If not, explain the details of how your firm is not compliant.
- 61) Describe your firm's approach to securing email and web communications.
- 62) How does your firm defend against cyber attacks?
- 63) How does your firm secure mobile devices such as phones, tablets, and laptops?
- 64) Have you had your security assessed by a third party? If so, when was this last completed and by which provider?

65) Has your firm ever had a data security breach? If so, please describe the incident as well as the corrective actions.

VII. Trading and Soft Dollars

66) Please describe your firm’s trading capabilities and experience, highlighting U.S. equity, non-U.S. equity, fixed income, and FX trading and futures capabilities as they relate to overlay management. What aspects do you feel are unique?

67) Please discuss your portfolio manager’s interaction with your trading desk.

68) How are orders communicated, does the portfolio manager specify prices, etc.

69) How would margin requirements be handled (initial versus variation) and who would you recommend being the clearing broker?

70) What mechanisms are in place to gauge counterparty risk at third-party brokers?

71) Do you utilize minority-owned, women-owned, veteran, or business owned by a person with a disability brokerage firms for trades?

72) Please provide a list of the minority-owned, women-owned, veteran, or business owned by a person with a disability brokerage firms you utilize.

73) Please describe your firm’s policy on soft dollar trading.

74) If your firm utilizes soft dollar, please list the top five brokers utilized in the **last calendar year**:

Broker
1)
2)
3)
4)
5)

75) If your firm utilizes soft dollars, please rank by dollar value, in descending order, your top-five soft dollar relationships within the last year:

Item/Vendor	Dollar Value (\$)
1)	
2)	

3)	
4)	
5)	

- 76) If a client requests no soft dollars be used in the construction of their separate account, can you comply?
- 77) If you didn't use soft dollars, what impact would that have on portfolio performance and trading costs?

VIII. Product Investment Process

- 78) Please describe your capabilities, history, and processes in specifically providing cash overlay services in detail. Please include a description of your investment philosophy and process for an overlay strategy and how it has changed over the past several years?
- 79) Please describe the details of the process in establishing a cash overlay program, including a sample timeline.
- 80) What would be the expected interaction between your firm, the custodian, external managers, and staff?
- 81) Please explain your methodology for replicating various asset class exposures (both liquid and illiquid) and how you minimize tracking error.
- 82) How frequently do you recommend that a portfolio be monitored to maintain asset allocation weightings and to invest residual cash?
- 83) What software, systems and/or processes ensure client-specific guidelines and regulations are adhered to?
- 84) Please describe the important factors to consider when evaluating overlay services and how your implementation improves fund performance and efficiency.
- 85) Please describe in detail your risk management process. How would your firm ensure that all data are correct, that the trade instructions are correct, and the plan is not leveraged?
- 86) What combination of futures contracts, options, and or swaps would you anticipate using to gain exposure to the following benchmarks?

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Weight</u>
Fixed Income	Barclays Aggregate	17.5%
US Equity	Dow Jones Total US Stock (or Russell 3000)	42.5%
Non-US Equity	MSCI ACWI ex US	20%
Infrastructure	CPI + 400 basis points	10%
Real Estate	NCREIF	10%

- 87) On average, what would you expect the tracking error to be for the cash overlay mandate? Explain how much of the expected tracking error is due to the cost of the derivatives and how much is due benchmark mismatch. What events might cause actual tracking error to exceed expectations?
- 88) What unique features of your cash overlay approach do you feel add the most value over time?
- 89) Specify the approach you would use for measuring and reporting the performance of the overlay program. Please provide sample(s) of your client reporting in respect to the overlay services you have undertaken. How often are reports available and how are they delivered?

IX. Fees and References

- 90) What is the minimum you will accept to implement an overlay strategy? Is there a size (clients or dollars) at which the firm might find it difficult to pursue the current investment strategy?
- 91) What is your proposed fee schedule for the cash overlay program? Is there a minimum fee?
- 92) Are you open to side letters to address client legal concerns?
- 93) Do you act as an ERISA fiduciary?
- 94) Please provide three references, including contact phone number and email address. Please include, at least, one current and one former client in your references.

X. Attachments and Disclosure

Please check off items included as attachments. If any **required** items are excluded, please indicate an alternate means for our review of requested items.

Required	Included?
ADV Part II	_____
SEC Review Findings Letter	_____
Disaster Recovery and Business Continuity Plans	_____
Code of Ethics	_____
Marketing/Investor Presentation	_____
Proof of E&O and Cyber Liability Insurance Coverage	_____

Include, if Applicable	Included?
State or Local Registration for M/WBE	_____
GIPS Verification Letter	_____

Chief Compliance Officer Signature

I, chief compliance officer of _____, have reviewed all of the aforementioned statements and documents and certify under penalty of perjury that all documents and statements are true, accurate, and complete. I acknowledge and agree that, under 40 ILCS 5/1-135, any person who knowingly makes any false statement or falsifies or permits to be falsified any record in an attempt to defraud the Fund is guilty of a Class 3 felony.

Signature

Print Name