



Invitation to Bid (ITB) 07-S12060 for Investment Consulting Services

August 9, 2018

Background

The North Carolina Supplemental Retirement Board of Trustees (the “Board”) and the North Carolina Department of State Treasurer (the “Department”) administer the Supplemental Retirement Income Plan of North Carolina (the “NC 401(k) Plan”) and the North Carolina Public Employee Deferred Compensation Plan (the “NC 457 Plan” and with the NC 401(k) Plan, the “Plans”). The Board has the responsibility and authority to establish, monitor, and as necessary eliminate or change the investment options in the Plans and the underlying investment managers for such options. The Board also selects and monitors the Plans’ recordkeeper and custodian and adopts and revises an investment policy statement (IPS) and a manager selection policy. Both Plans have the same investment options, and the assets of both Plans are commingled in a group trust for purposes of investment. As of May 31, 2018, the Plans had combined assets of over \$11.4 billion across 11 white label funds and 273,906 unique participants. Additional information on the Plans and their investment options is available at the Department’s website ([Link here for information on the Plans](#)). Additional information on the Board and various governing documents is available at ([Link here for information on the Board](#)).

The North Carolina State Treasurer (the “Treasurer”), through the Department’s Investment Management Division (IMD), manages the assets of the Retirement Systems, a group of defined benefit plans that includes the Teachers’ and State Employees’ Retirement System and the Local Governmental Employees’ Retirement System. The Treasurer has the responsibility and authority to adopt and revise an investment policy statement (IPS) and a manager selection policy for the Retirement Systems and to hire individual investment managers to execute the various investment mandates described in the Retirement Systems’ IPS. The Retirement Systems’ investments include U.S. and foreign public equities (the “Public Equity Portfolio”), including the hedged equity component of the Public Equity Portfolio. As of May 31, 2018, the Retirement Systems had assets of approximately \$98.5 billion. Additional information on the Retirement Systems and the Investment Management Division is available at the Department’s website ([Link here for information on the Retirement Systems and IMD](#)).

Purpose

The Department and the Board seek bids from firms to provide investment consulting services for the Plans and for the Retirement Systems’ Public Equity Portfolios. The bid process is intended to select an investment consultant for the Plans and an investment consultant for the Retirement Systems. The same consultant may or may not be selected for both engagements. The selected consultant(s) would be required to sign investment consulting agreements (the “Investment Consulting Agreements”) with the Board and the Department. The investment consulting services for the Plans and the Retirement Systems are described in Appendices A and B, respectively. Please note that the services are subject to change. See Appendix C for the Plans’ standard Investment Consulting Agreement.



You may submit a response for the Plans, the Retirement Systems, or both the Plans and the Retirement Systems. If you submit a response only for the Plans or the Retirement Systems, you should respond only to the Items for Response (below) for the Plans or the Retirement Systems, as applicable.

Definitions

1. “Affiliate” means any person or entity that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person or entity.
2. Consultant” and “you” refer to the firm submitting a response to this ITB.
3. “Consultant Party” includes the Consultant, its Affiliates, and any of their respective Key Personnel.
4. “Key Personnel” include the relationship manager and other key personnel assigned to provide investment consulting services to the Plans and/or the Retirement Systems.

Process

Consultants must respond completely and specifically to all of the Items for Response listed below. The response should address the items in the order in which they appear below and should repeat and bold-type each item, including its number. In addition, each response should include a cover letter signed by an authorized signatory of the Consultant.

Evaluation criteria include the responses to this ITB (technical and cost) and any due diligence visits, interviews, presentations, and/or additional information requested by the Department.

Questions regarding this ITB must be submitted by 5:00 p.m. Eastern on **August 22, 2018** to Reid Chisholm, Assistant General Counsel, at reid.chisholm@nctreasurer.com. An Addendum providing a response to all written vendor questions received by the the question deadline will be posted on the Board’s website ([here](#)) by 5:00 p.m. Eastern on August 24, 2018.

Responses must be sealed, include six (6) paper copies and a copy on a USB drive and received by **5:00 p.m. Eastern Time on September 7, 2018**. Responses must be sent to:

North Carolina Department of State Treasurer
Attn: Reid Chisholm, Assistant General Counsel
3200 Atlantic Avenue
Raleigh, NC 27604

Timeline

1. ITB issued: August 9, 2018
2. Questions due: August 22, 2018



3. Responses due: September 7, 2018 at 5:00 p.m. ET
4. Semi-finalists selected: September 21, 2018
5. Presentations: October 3-4, 2018
6. Finalists selected: October 12, 2018
7. On-site visits: Week of October 22, 2018
8. Proposal selected: November 1, 2018

The timeline dates are subject to change.

Term

The terms of the Investment Consultant Agreements are expected to begin on March 1, 2019, and extend for five years.

Notices

1. No guaranteed contract or value. This ITB does not guarantee that a contract will be awarded or the value of any contract awarded.
2. Changes to this ITB. The Department reserves the right to amend or terminate this ITB at any time for any reason.
3. Public records disclosure. The Department and the Board are subject to the North Carolina Public Records Act, N.C.G.S. Chap. 132. All information submitted by a Consultant in response to this ITB is subject to disclosure, whether pursuant to a public records request or otherwise, unless such information meets the requirements of N.C.G.S. § 132-1.2(1), the trade secret exception to the Public Records Act. Purportedly trade secret information must be designated as “confidential” or “trade secret” by the Consultant at the time of its initial disclosure to the Department. Cost information shall be deemed a public record by the Department. If a Consultant is asserting that part of its response qualifies as a trade secret and is not subject to disclosure, then the Consultant must submit a redacted version of its response with its unredacted response to this ITB.
4. Expenses. All of the expenses associated with the Consultant’s response, including without limitation travel and copying, are the responsibility of the Consultant.

Items for Response

1. Background information. Provide the following information regarding the Consultant:
 - a. Name of firm;
 - b. Headquarters/Principal place of business;
 - c. Website URL;
 - d. Primary contact, including name, title, mailing address, telephone number, and email address;



- e. Additional contact (optional), including name, title, mailing address, telephone number, and email address; and
 - f. Authorized signatory, including name and title.
2. Scopes of Work
- a. If you are responding in regards to the Plans, confirm that you are willing and able to provide the services for the Plans described in Appendix A. Describe any additional services that are included in your proposal.
 - b. If you are responding in regards to the Retirement Systems, confirm that you are willing and able to provide the services for the Retirement Systems described in Appendix B. Describe any additional services that are included in your proposal.
3. Legal Qualifications and Standard of Care
- a. Fiduciary status. Please confirm that you (i) are an investment adviser under the Investment Advisers Act of 1940; and (ii) will provide the investment consulting services in a fiduciary capacity, as defined under ERISA (although the Plans and the Retirement Systems are not covered by ERISA).
 - b. CFA Institute's Code of Ethics and Standards of Professional Conduct. Has the firm adopted the CFA Institute's Code of Ethics and Standards of Professional Conduct? If so, how is employee compliance monitored? If not, explain why, and list any comparable standard to which you adhere.
4. Legal Disclosures
- a. Prohibition of Gifts to State Employees. Review the policy in Policy A, and indicate whether the Consultant or any of its officers, partners, principals or Affiliates has made any gift or favor to any employee in the Department of State Treasurer or member of the North Carolina Supplemental Retirement Board of Trustees on or after December 1, 2009.
 - b. Charitable Donations Policy. Review the policy in Policy B, and indicate whether the Consultant or any of its officers, partners, principals or Affiliates has made any charitable donation in excess of \$150.00 to any charitable organization as a result of a direct or indirect solicitation by an employee in the Department of State Treasurer or a member of the North Carolina Supplemental Retirement Board of Trustees on or after December 1, 2009.
 - c. Political Contributions. Are you in compliance with SEC Rule 206(4)-5 as it would apply if you were currently serving as an investment adviser to the Retirement Systems and the Plans?



Dale R. Folwell, CPA

CHIEF OF STAFF

CHRIS MARIE FARR

- d. Ethics Policies. Confirm that you have reviewed the Department's policies in Policy C entitled "Supplemental Ethics Policy for State Treasurer, Senior Executive Staff, and Investment Division" and "Supplemental Ethics Policy for Covered Persons *except* State Treasurer, Senior Executive Staff, and Investment Division."
- e. Litigation and Investigation.
- i. Is any Consultant Party, or has any Consultant Party been, the subject of, or a defendant in: (A) a non-routine investigation by the U.S. Securities and Exchange Commission or similar U.S., state, or foreign regulatory body; (B) an enforcement action or prosecution (or settlement in lieu thereof) brought by a governmental authority relating to a violation of securities, tax, fiduciary, or criminal laws; or (C) a civil action (or settlement in lieu thereof) brought by investors or clients relating to a violation of securities or fiduciary laws? If so, please explain.
 - ii. To the best of the Consultant's knowledge, is there any legal action, suit, arbitration, or other investigation or proceeding (whether federal, state, local or foreign) that (A) is pending or threatened against or may affect a Consultant Party; and (B) which, if adversely decided, could have a material adverse effect on the Consultant or its ability to provide investment consulting services.? If so, please explain.
- f. Contract Terminations and Non-renewals. Has any client terminated or declined to renew an investment consulting agreement with the Consultant since January 1, 2013?
- g. Insurance Claims. During the past five years, has the Consultant or any Affiliate used by the Consultant to provide consulting services submitted a claim under its professional liability (errors and omissions), commercial general liability, or fidelity bond insurance.
- h. Ownership. Describe any changes in the ownership of the Consultant or the Consultant's ultimate parent company within the past five years. Is there a pending, publicly-announced agreement to sell or merge part or all of the Consultant?
5. Conflicts of Interest
- a. Describe your use of any Affiliates in providing investment consulting services.
 - b. Describe your use of non-Affiliated third parties in providing investment consulting services and any financial interests that you have in such third parties or the services they provide.



- c. Does any Consultant Party provide investment management, ERISA 3(38)-style management services, or outsourced chief investment officer (OCIO) services? If so, please describe.
 - d. Do any of the Key Personnel also serve as principals, officers, or employees of any Affiliate that is an investment management firm, broker-dealer, or other organization that sells services to institutional investors and/or SEC-registered investment advisors? If so, identify the Key Personnel and describe the relationship(s).
 - e. Does any Consultant Party offer or manage a mutual fund, collective investment trust, annuity, or other collective investment product?
 - f. How many of your clients are investment managers? What percentage of your revenue comes from investment managers as clients?
 - g. Disclose any current or past professional, social, or familial relationship between any Key Personnel or principals or officers of the Consultant and any of the following: Treasurer, members of the Board or Investment Advisory Committee, or Departmental staff in the Investment Management Division or Supplemental Retirement Plans.
6. Confidentiality
- a. Describe the policies, procedures, training, and any other measures that you take to preserve the confidentiality of clients' information.
 - b. Are your investment consulting personnel subject to confidentiality agreements regarding the disclosure of clients' confidential information?
7. Reporting and Analysis
- a. Provide an example of a report that covers the information in Section IV of Appendix A – Scope of Work for the Supplemental Retirement Plans.
 - b. Provide an example of a report that covers the information in Section III of Appendix B – Scope of Work for the Retirement Systems.
 - c. Provide two examples of written recommendations for an investment manager – one for a defined benefit plan and one for a defined contribution plan.
 - d. How many managers do you track and evaluate in each of the following categories: U.S. public equity, international/global public equity, fixed income, and REITs?



- e. How frequently do you conduct on-site due diligence of managers? Provide an example of a written report of an on-site due diligence visit.
 - f. You may provide examples of other reports that are relevant to the services in Appendix A, Appendix B, or the additional services that you included in Section 2 above.
 - g. Describe the data and analytical and reporting tools that you use to provide investment consulting services, including performance evaluations and asset allocation modeling.
 - h. Provide your capital market assumptions.
 - i. Describe an investment policy project that you conducted for a public defined benefit plan and a public defined contribution plan within the past two years and any action that the plan took as a result of your work.
 - j. Describe a glidepath/target-date fund allocation project that you conducted for a public defined contribution plan within the past two years and any action that the plan took as a result of your work.
8. Risk Management
- a. Provide the most recent copies of the following documents:
 - i. Code of ethics and other policies related to confidentiality, trading, or conflicts of interest;
 - ii. Compliance manual (Table of contents only);
 - iii. Corporate structure chart;
 - iv. SOC 1 and SOC 3 Reports;
 - v. Certificates of insurance for professional liability (errors and omissions), commercial general liability, and fidelity bond;
 - vi. ADV Parts I and II; and
 - vii. Audited financial statements.
 - b. Describe your internal risk management and compliance functions. Include the name, title, experience, and professional biography of your chief compliance and risk officer(s). Also, include your process for monitoring employees' compliance with the firm's policies and applicable legal requirements.
 - c. Describe your business continuity plan. Have you ever had to activate any parts of the plan? If so, describe the effectiveness of the plan, and any post-activity modifications to that plan. Does an outside auditor or consultant review the plan? If so, who?



CHIEF OF STAFF

CHRIS MARIE FARR

- d. Describe your policies and procedures to protect clients’ information and your computer systems from cyber and other threats.

9. Background and Experience

- a. Provide an executive summary of your investment consulting business, including any area(s) of specialty, what differentiates you from other consultants, and how long have you provided investment consulting services.
- b. Describe your experience with defined benefit plans, including public plans. How many private and public defined benefit plan clients do you currently provide investment consulting services for, and what are the median asset sizes of the private plans and the public plans?
- c. Describe your experience with defined contribution plans, including public plans. How many private and public defined contribution plan clients do you currently provide investment consulting services for, and what are the median asset sizes of the private plans and the public plans?
- d. Complete the following table of the number and size of plans for which you have provided investment consulting services:

INVESTMENT CONSULTING EXPERIENCE – TOTAL PLANS					
<u>Year*/Type of Plan</u>	<u>Defined Benefit Plans</u>		<u>Defined Contribution Plans</u>		
	<u>Number of Plans</u>	<u>Median Asset Size (\$)</u>	<u>Total Number of Plans</u>	<u>Number of Plans with an Unbundled Structure</u>	<u>Median Asset Size (\$)</u>
2013					
Public Plan					
Private Plan					
2014					
Public Plan					
Private Plan					
2015					
Public Plan					
Private Plan					
2016					
Public Plan					
Private Plan					
2017					
Public Plan					
Private Plan					

*As of December 31 of each year.



- e. Complete the following table of the number and size of *public* plans added and lost as clients:

INVESTMENT CONSULTING EXPERIENCE – CHANGE IN PUBLIC PLANS				
<u>Year/Type of Plan</u>	<u>Number of Clients Added</u>	<u>Median Asset Size (\$)</u>	<u>Number of Clients Lost</u>	<u>Median Asset Size (\$)</u>
2013				
Defined Benefit Plan				
Defined Contribution Plan				
2014				
Defined Benefit Plan				
Defined Contribution Plan				
2015				
Defined Benefit Plan				
Defined Contribution Plan				
2016				
Defined Benefit Plan				
Defined Contribution Plan				
2017				
Defined Benefit Plan				
Defined Contribution Plan				
2018				
Defined Benefit Plan				
Defined Contribution Plan				

- f. Describe your experience working with The Bank of New York Mellon, the custodian for the Plans and the Retirement Systems. List any other custodians with which you have worked in the past five years.
- g. Describe your experience working with Prudential Retirement Insurance and Annuity Company, the recordkeeper for the Plans. List any other recordkeepers with which you have worked in the past five years.
- h. Describe your experience assisting public and private plans with the selection of investment managers (excluding transition managers). How many investment manager searches have you conducted since January 1, 2013?
- i. Describe your experience assisting public and private plans with the selection of transition managers. How many transition manager searches have you conducted since January 1, 2013?



Dale R. Folwell, CPA

CHIEF OF STAFF

CHRIS MARIE FARR

- j. Describe your experience assisting public and private plans with the selection of a custodian. How many RFPs or other procurements for a custodian have you worked on since January 1, 2013?
- k. Describe your experience assisting public and private defined contribution plans with the selection of a recordkeeper. How many RFPs or other procurements for a recordkeeper have you worked on since January 1, 2013?

10. Personnel

- a. Discuss any turnover (including the numbers of departures, arrivals, and promotions) among the investment consulting staff over the past five years, including the causes and impacts of the turnover and how you have managed it.
- b. Describe any other organizational changes that are currently planned or that have occurred within the past five years.
- c. Who would be the relationship manager(s) and other key personnel assigned to provide investment consulting services to the Plans and/or the Retirement Systems (“Key Personnel”)? Provide brief professional biographies for each person, including years with the Consultant and in investment consulting. On average, how many accounts are assigned to the Key Personnel at a given time? What are the maximum number of accounts that can be assigned to the Key Personnel?
- d. Briefly describe the experience that the Key Personnel have with public defined benefit plans and public defined contribution plans.
- e. How long have the Key Personnel worked together as a team?
- f. Do any of the Key Personnel who would be assigned to the account provide investment management or outsourced chief investment officer (OCIO) services?
- g. Describe generally how staff are compensated and evaluated.
- h. Provide an organizational chart and the number of employees that you have in each specific functional area of your firm.
- i. Describe the structure, number, and experience of your research staff. Provide a list of research topics published over the past year and a sample published research report from the past year.

11. Compensation

- a. Are any of your Affiliates compensated for services related to investment consulting?



- b. Does any Consultant Party receive any compensation from investment management, mutual funds, collective investment trusts, annuities, or other investment vehicle, whether such vehicle is provided by the Consultant Party or a third party? If so, please describe.
12. Education
- a. Describe the educational and training opportunities that you make available to clients.
- b. Describe the data and analyses (in addition to those described in the Scopes of Service in Appendices A and B) that you make available to clients.
13. Performance Evaluation. How does your firm measure success and evaluate its performance in an investment consulting engagement with a plan?
14. Investment Consulting Agreement. Provide (as a markup) any proposed exceptions or changes to the Investment Consulting Agreement in Appendix C.
15. Investment Policies.
- a. Confirm that you have reviewed the following policies for the Plans: (i) the Investment Policy Statement for the NC 401(k) and NC 457 Plans in Policy D; and (ii) the Policy and Procedures for Investment Transactions and Investment Manager Selection in Policy E.
- b. Confirm that you have reviewed the following policies for the Retirement Systems: (i) the Investment Policy Statement for the North Carolina Retirement Systems in Policy F; and (ii) the External Investment Manager and Vehicle Selection Policy in Policy G.
16. Plans' Investments. Describe your investment consulting experience – and any special expertise or differentiators that you have – with the following:
- a. The Plans' investment managers listed in Appendix D;
- b. White label/custom funds (see Appendix E for a description of the Plans' white label funds);
- c. Stable value funds;
- d. Asset allocation models and glidepaths, including Prudential's GoalMaker service and Morningstar's asset allocations;
- e. The use of alternatives in defined contribution plans; and
- f. Annuities and lifetime income products.
17. Retirement Systems' Investments. Describe your investment consulting experience – and any special expertise or differentiators that you have – with the following:
- a. The Retirement Systems' investment managers listed in Appendix D;



- b. Managed account platforms;
 - c. Internally-managed public equity programs;
 - d. REITs;
 - e. Non-REIT real estate investments;
 - f. Private equity;
 - g. Investments in the Opportunistic Fixed Income Portfolio (as described in the Investment Policy Statement for the North Carolina Retirement Systems in Policy F);
 - h. Investments in the Inflation Sensitive Portfolio (as described in the Investment Policy Statement for the North Carolina Retirement Systems in Policy F); and
 - i. Asset allocation reviews, analyses, and recommendations for defined benefit plans that are comparable to the Retirement Systems.
18. New Client Transitions. Describe how a new client would transition to your firm, including the length of the process and the years and types of data involved.
19. Clients and References.
- a. Provide a list of your current public plan clients, including whether the plan is a defined benefit or defined contribution plan, the plan's assets, and the year that you began providing investment consulting services to the plan.
 - b. Provide contact information for two public defined contribution plans and two public defined benefit plans that have agreed to serve as references for you. Include one defined contribution plan and one defined benefit plan that has transitioned to you within the past five years.
20. Cost Proposal. Complete the Cost Proposal in Appendix F, and submit it in an envelope separate from the other items in your response.

Appendices

- A. Scope of Work for the Plans
- B. Scope of Work for the Retirement Systems
- C. Standard Investment Consulting Agreement for the NC 401(k) and NC 457 Plans
- D. List of the Investment Managers for the Plans and the Retirement Systems
- E. White Label/Custom Funds for the Plans
- F. Cost Proposal

Policies

- A. Prohibition of Gifts to State Employees
([Link to Gifts Policy](#))
- B. Charitable Donations Policy
([Link to Charitable Donations Policy](#))
- C. Supplemental Ethics Policies
(Link to policies [here](#) and [here](#))



- D. Investment Policy Statement for the NC 401(k) and NC 457 Plans
([Link to Investment Policy Statement](#))
- E. Policy and Procedures for Investment Transactions and Investment Manager Selection
(Plans)
([Link to Manager Selection Policy](#))
- F. Investment Policy Statement for the North Carolina Retirement Systems
([Link to Investment Policy Statement](#))
- G. External Investment Manager and Vehicle Selection Policy (Retirement Systems)
([Link to Manager Selection Policy](#))



Appendix A – Scope of Work for the Supplemental Retirement Plans

The Consultant shall provide the Services described below for the NC 401(k) Plan and the NC 457 Plan, unless otherwise noted below. “Client” refers jointly to the Board and the Department. The Consultant shall be proactive in identifying and recommending to the Client changes and other actions that may benefit the Plans and their participants and beneficiaries.

I. Investment Policy Statement (IPS) Development and Monitoring

- A. Review the IPS at least annually and recommend modifications to the Client as appropriate based on current investment management industry best practices.
- B. Recommend and assist with establishing and revising rebalancing policies for separately managed investment options and white label funds.
- C. Assist in establishing and revising investment manager guidelines and restrictions.
- D. Provide recommendations on establishing, and as warranted changing, appropriate benchmarks and peer universes.

II. Investment Design

- A. Conduct an annual review of the Plans and advise the Client whether the structure, investment offerings, performance and management best meet the needs of the Plan participants.
- B. Provide recommendations on investment design, including the number and types of strategies, the active/passive mix, core/non-core mix, retirement income options, liquidity sleeves, and rebalancing strategies.
- C. Provide best practices research and advice in the area of investment design.

III. Investment Manager Searches and Ongoing Monitoring

- A. As requested by the Client, work with Departmental staff in searches for replacement and new investment managers and transition managers. Such searches shall be consistent with the Board’s manager selection policy.
- B. Conduct ongoing quantitative and qualitative monitoring of the (1) current investment managers and funds in the Plans; and (2) transition managers used by the Client.
- C. Provide a review of investment management fees at least annually, and proactively work with the Client on an ongoing basis to identify and implement opportunities to lower the fees paid by the Plans, including without limitation informing the Client of lower fees offered by investment managers and funds of which the Consultant is aware.
- D. Notify Departmental staff and the Board of any organizational, personnel or strategy changes to the (1) investment managers and funds in the Plans; and (2)



CHIEF OF STAFF

CHRIS MARIE FARR

transition managers used by the Client. Thereafter, continue to monitor and provide updates to Departmental staff and the Board.

- E. Provide recommendations to Departmental staff and the Board regarding placing managers on the watch list, and provide recommendations regarding terminating managers, including transition managers.
 - F. Provide recommendations to Departmental staff and the Board regarding removing investment managers from the watch list.
 - G. Conduct on-site due diligence reviews at the offices of the Plans' investment managers and all public equity (long-only), fixed income, and real asset investment managers' offices no less frequently than biennially. Provide the Client with a written summary and analysis of each review.
 - H. Provide proactive idea generation in all areas of the investment lineup and transition management.
 - I. Upon request, provide input regarding investment manager guideline exceptions.
- IV. Performance and Risk Reporting. The Consultant shall provide a quarterly report to the Department and at meetings of the Board and the Investment Subcommittee regarding the Plans' investment performance and costs (Investment Consultant Quarterly Performance Report), which shall include without limitation:
- A. Plan-level information, including (1) investment returns, fee structure competitiveness, investment returns and risk analysis versus peers and benchmarks; and (2) style research, factor analysis, and other material items as deemed appropriate upon request;
 - B. The information in Sections I.D, III.C, III.D, III.E of this Exhibit;
 - C. Working with the Plans' custodian, report the market value of the Plans' assets as of the last business day of the most recent quarter/calendar year. Report the portion of NC 401(k) Plan and NC 457 Plan assets allocated to each investment option as of the last business day of the most recent calendar quarter/year;
 - D. Time-weighted rates of return and risk for all options measured (a) net of all fees and all expenses; and (b) gross (as appropriate), relative to a peer group universe and a market benchmark for the most recent calendar quarter, year-to-date, and historical time periods since inception returns;
 - E. Time-weighted rates of return and risk for all investment managers in pooled investment options measured (a) net of all fees and expenses; and (b) gross of investment management fees, relative to a peer group universe and a market benchmark for the most recent calendar quarter, year-to-date, and historical time periods since inception returns;



- F. Simulated performance and qualitative review of the GoalMaker portfolios relative to appropriate target date benchmarks;
 - G. Portfolio characteristics (such as sector allocation, market capitalization, valuation ratios, credit quality) as appropriate for each investment option and underlying investment manager relative to the appropriate benchmark as of the last business day of the most recent calendar quarter; and
 - H. A summary of the economic and market environment.
- V. Data and Research
- A. The Consultant shall provide the Client with research and advice on best practices and trends for defined contribution plans, including plan design, commission recapture program, trade cost analysis, and monitoring investment managers' soft dollars.
 - B. The Consultant shall provide the Client with the Consultant's database of performance, analysis, and other information on investment managers and funds.
- VI. Glidepath Review
- A. The Consultant shall work with the Department to perform an annual review of the glidepath utilized within the Goalmaker Program, with the goal of leveraging industry best practices to recommend changes to create the most appropriate portfolio construction within the underlying growth-income allocations provided by the Department or a third party. It is not expected that the Consultant will develop a customized glidepath utilizing underlying demographic participant data, but will use general knowledge, such as through Prudential's quarterly reports and the Consultant's own knowledge of the Plans, to qualitatively assess the appropriateness of the glidepath provided by the Department or a third party. The Consultant shall compile performance attribution, risk and return analysis, and comparisons to common industry allocations and practices.
 - B. The Consultant shall make recommendations to the Department and the Board on new asset classes or strategies if the Consultant believes the recommendations could materially enhance outcomes for the glidepath.
 - C. The Consultant shall present any recommended changes to the glidepath to the Department in writing and upon the request of the Department, shall present such recommendations to the Board for approval.
- VII. Stable Value Fund Review
- A. The Consultant shall perform an annual review of the Stable Value Fund.
 - B. Such review shall include a detailed review of the structure, underlying sub-components (*e.g.*, investment managers, separate accounts, commingled funds, wrap providers), due diligence reports on underlying managers (when available),



appropriate benchmarking, monitoring process of the Stable Value Fund manager, fees, performance, and overall management of the Stable Value Fund, including a review of other alternatives and structures and the competitiveness of fees.

- C. This review shall be presented in written form to the Department annually and may be presented to the Board, upon request of the Department.
- D. The Consultant shall conduct ongoing quantitative and qualitative monitoring of the Stable Value Fund, including notifying Departmental staff and the Board of any organizational, personnel or strategy changes to the manager.
- E. The Consultant shall provide recommendations for potential alternatives, if warranted, including potential replacement Stable Value Fund managers/vehicles, alternative structures or alternative investment options, considering the fees, competitiveness, and overall risks of the current Stable Value Fund and alternative options.

VIII. Board Meetings

- A. The Consultant shall attend and present performance reports, research, benchmarking reports, and other deliverables at the quarterly meetings of the Board and the Investment Subcommittee.
- B. The Consultant shall attend other meetings or teleconferences as needed.
- C. The Consultant shall provide materials for meetings of the Board and Investment Subcommittee by the deadline reasonably established by the Department in order for the Department to provide meeting materials to members two weeks prior to such meetings.

IX. Recordkeeper Benchmarking

The Consultant shall conduct an annual benchmarking of service levels and fees for the Plans' provider of recordkeeping and communications services. Fees shall be compared to plans of similar size. The review of service levels shall include the level of on-site education provided, processing speeds for administrative processes such as the mailing of statements and the payment of distributions, as well as call center statistics. The Consultant shall assist in the development of an annual employer and participant service survey and report the results as compared to industry standards.

X. Procurement

If requested by the Client, the Consultant shall provide advice on the procurement process for a recordkeeper and/or custodian for the Plans.

XI. Education



The Consultant shall offer the same educational opportunities for the Department's staff that the Consultant offers to other clients, including, including access to research papers and periodicals and attendance at conferences and workshops.

XII. Additional Services

The following services are not included in the scope of services to which the Consulting Fee applies ("Additional Services"). The Consultant shall propose prices for the Additional Services and shall provide an Additional Service upon written request from the Client. The Client is not required to request any Additional Services. For clarity, the Additional Services are not included in the services provided by the Consultant pursuant to this Scope of Work.

- A. Fund fact sheets.
- B. Equity trade cost analysis.
- C. Foreign exchange trade cost analysis.
- D. Benchmarking of service levels and fees for the Plans' custodian.
- E. NC 403(b) Program performance reporting and fund searches.



Appendix B – Scope of Work for the Retirement Systems

The Consultant shall provide the Services described below for the Department’s management of investments for the Retirement Systems in public equities (the “Public Equity Portfolio”), including the hedged equity component of the Public Equity Portfolio (the “Hedged Equity Portfolio”). The Consultant shall be proactive in identifying and recommending to the Department changes and other actions that may benefit the Investment Management Division or the investments of the Retirement Systems.

I. Investment Design and Investment Policy Statement (IPS)

- A. Review the IPS at least annually and recommend modifications to the Department as appropriate based on current investment management industry best practices.
- B. Assist in establishing and revising investment manager guidelines and restrictions.
- C. Provide recommendations on establishing, and as warranted changing, appropriate benchmarks and peer universes at the plan and investment manager levels.
- D. At least annually, review and provide recommendations for the investment structure of the Public Equity Portfolio, including both (1) a “clean sheet” recommendation for each portfolio; and (2) an analysis of each existing portfolio.
- E. Provide ongoing risk monitoring and evaluation at the Public Equity Portfolio and investment manager levels

II. Investment Manager Searches and Ongoing Monitoring

- A. As requested by the Department, work with Departmental staff in searches for replacement and new (1) investment managers for the Public Equity Portfolio; and (2) transition managers. Such searches shall be consistent with the Department’s manager selection policy.
- B. Conduct ongoing quantitative and qualitative monitoring of the (1) Public Equity Portfolio; and (2) transition managers used by the Department.
- C. Provide a review of investment management fees at least annually, and proactively work with the Department on an ongoing basis to identify and implement opportunities to lower the fees paid by the Retirement Systems, including without limitation informing the Department of lower fees offered by investment managers and funds of which the Consultant is aware.
- D. Notify the Department of any organizational, personnel, or strategy changes to the (1) investment funds or investment managers in the Public Equity Portfolio; and (2) transition managers used by the Department. Thereafter, continue to monitor and provide updates to the Department.



Dale R. Folwell, CPA

CHIEF OF STAFF

CHRIS MARIE FARR

- E. Provide recommendations to the Department regarding terminating managers, including transition managers.
 - F. Conduct on-site due diligence reviews no less frequently than biennially at the offices of the Retirement Systems' Public Equity Portfolio investment managers and transition managers and at all public equity (long-only) investment managers' offices. Provide the Department with a written summary and analysis of each review.
 - G. Conduct *ad hoc* quantitative and qualitative monitoring and evaluations of the (1) real estate investment trusts (REITs) (the "REIT Portfolio"); and (2) Treasury Inflation-Protected Securities (TIPS) in the Retirement Systems' Inflation Sensitive Portfolio.
 - H. Provide proactive idea generation in all areas of the investment lineup and transition management.
- III. Performance and Risk Reporting. The Consultant shall provide a quarterly report to the Department regarding the investment performance and costs for the Public Equity Portfolio. The report shall include without limitation the following information:
- A. A summary of the Retirement Systems' assets and change in quarterly value;
 - B. Actual versus target asset allocation for the Retirement Systems;
 - C. Investment performance at the portfolio and investment manager levels relative to the benchmarks and peer groups identified in the IPS;
 - D. Performance attribution at the portfolio and investment manager levels;
 - E. Risk evaluation at the portfolio and investment manager levels;
 - F. Composite-level reporting for the Public Equity Portfolio (*e.g.*, U.S. large cap equity, Non-U.S. equity, Hedged Equity Portfolio).
 - G. Performance and analysis of U.S. and global markets, including fund flows, valuations, and forward-looking projections.
- IV. Investment Advisory Committee Meetings
- A. If requested by the Department, the Consultant shall attend and present performance reports, research, benchmarking reports, and other deliverables at the quarterly meetings of the Investment Advisory Committee.
 - B. The Consultant shall attend other meetings or teleconferences as requested by the Department.



V. Data and Research

A. The Consultant shall provide the Department with research and advice on best practices and trends for investments for defined benefit plans, including without limitation asset allocation, commission recapture program, trade cost analysis, and monitoring investment managers' soft dollars.

B. The Consultant shall provide the Department with access to the Consultant's database of performance, analysis, and other information on investment managers and funds (including separately managed accounts and collective investment trusts).

VI. Procurement

If requested by the Department, the Consultant shall provide advice on the procurement process for a custodian for the Retirement Systems.

VII. Commission Recapture

If requested by the Department, the Consultant shall provide advice and recommendations on commission recapture programs, including reviewing the Department's commission recapture program.

VIII. Resource

As requested by the Department, the Consultant shall serve as a resource for the Department's internal public equity management team, including (1) providing advice on foreign and quasi-active strategies; and (2) analytical support.

IX. Education

The Consultant shall offer the same educational opportunities for the Department's staff that the Consultant offers to other clients, including access to research papers and periodicals and attendance at conferences and workshops.

X. Additional Services

The following services are not included in the scope of services to which the Consulting Fee applies ("Additional Services"). The Consultant shall propose prices for the Additional Services and shall provide an Additional Service upon written request from the Department. The Department is not required to request any Additional Services.



Appendix C

**INVESTMENT CONSULTING SERVICES AGREEMENT
NC 401(K) AND NC 457 PLANS**

This AGREEMENT is made and entered into as of April 1, 2019 (the “Effective Date”), by and between the North Carolina Department of State Treasurer (the “Department”) and the North Carolina Supplemental Retirement Board of Trustees (the “Board,” and with the Department, the “Client”), on the one hand, and _____ (“Consultant”), on the other hand. The Client and Consultant are referred to herein individually as a “Party” and collectively as the “Parties.”

STATEMENT OF PURPOSE

WHEREAS, the Board and the Department administer the Supplemental Retirement Income Plan of North Carolina (the “NC 401(k) Plan”) and the North Carolina Public Employee Deferred Compensation Plan (the “NC 457 Plan,” and with the NC 401(k) Plan, the “Plans”); and

WHEREAS, the Consultant was selected to provide investment consulting services to the Plans pursuant to the Client’s Request for Proposals for Investment Consulting Services, issued on August 7, 2018 (the “RFP”); and

NOW, THEREFORE, for and in consideration of the mutual promises to each other and other good and valuable consideration, as hereinafter set forth, the Parties hereto do mutually agree as set forth below:

1. **Incorporated Documents.** The following documents are incorporated into this Agreement by reference:
 - A. The RFP;
 - B. The Consultant’s proposal, submitted in response to the RFP (the “Proposal”).

Unless otherwise provided by law, all documents comprising this Agreement and any other information provided by the Consultant to the Client are subject to Chapter 132, Public Records, of the North Carolina General Statutes, and interpretations thereof under North Carolina law (the “NC Public Records Act”). The Consultant understands and acknowledges that the Client will disclose any such information that the Client determines in good faith it is obligated to disclose pursuant to the NC Public Records Act. To the extent permitted by law, the Department will notify the Consultant as soon as reasonably possible of requests made pursuant to the NC Public Records Act that involve this Agreement and/or information provided by the Consultant.

2. **Order of Precedence.** In the event of an inconsistency or conflict between or among the terms and conditions of this Agreement, including any documents incorporated by reference, any inconsistency or conflict shall be resolved by giving precedence in the following order:



- A. This Agreement, including any exhibits;
 - B. The Consultant's Proposal, as previously defined; and
 - C. The RFP, as previously defined.
3. **Services.** The Consultant hereby agrees to perform, in a manner satisfactory to the Client, investment consulting services for the Plans as described in Exhibit A attached hereto and the documents listed in Paragraph 1 above (the "Services"). The Client may request from time to time additional services not covered in these documents. Such additional services, and the associated additional fees, will be documented by an amendment to this Agreement as described in Section 23 below and will become part of the Services. Consultant shall exercise initiative and proactively assist the Client to achieve the Client's goals, objectives, and responsibilities solely in connection with the Services and the Plans, as communicated by the Client to Consultant in advance or as Consultant may become aware through its own reasonable inquiries.
 4. **Fiduciary Standard Applicable to Consultant.** During the term of this Agreement, the Consultant acknowledges and agrees that it is a fiduciary with respect to the Services and any investment advice it provides to the Plans and will perform the Services solely in the interest of the Plans, and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
 5. **Compensation.** The Parties agree that the Consultant's sole compensation for Services provided under this Agreement shall be in accordance with the Fee Schedule attached as Exhibit B, except for any additional services and their associated additional fees, which will be documented by an amendment to the Agreement.
 6. **Disclosures; Fee Reimbursement to Plan.** The Consultant shall disclose in writing to the Department any direct or indirect compensation received by the Consultant from any source in connection with the Services provided to the Plans, other than the compensation described in Exhibit B (collectively, "Additional Compensation"), prior to receiving such compensation. The Consultant represents and warrants that as of the Effective Date, the Consultant has received no Additional Compensation in anticipation of providing the Services pursuant to this Agreement. The compensation payable to the Consultant in accordance with Exhibit B shall be offset by the amount of such other compensation received by the Consultant. In addition, the Consultant shall promptly disclose in writing (a) any compensation, gift, or other perquisite received from a current, future, or potential service provider or fund manager for the Plans; and (b) any other fact or relationship that would compromise or affect its ability to faithfully perform its duties hereunder.



7. **Consultant's Employees.** The Consultant represents that it has, or will secure at its own expense, all personnel required to perform the Services. Such employees shall not be employees of, or have any individual contractual relationship with, the Client.
8. **Key Personnel.** The Consultant shall not replace Key Personnel assigned to the performance of this Agreement without the prior approval of the Department. The individuals designated as Key Personnel for purposes of this Agreement are specified in Exhibit C.
9. **Subcontractors.** The Consultant shall not delegate any of its performance or responsibilities pursuant to this Agreement without the prior written consent of the Client. The Consultant remains solely responsible for the performance of its subcontractors, including the Consultant's Affiliates, and subcontractors shall adhere to the same standards required of the Consultant. Any contracts made by the Consultant with a subcontractor shall include provision that (a) the Client is an intended third-party beneficiary of the contract; (b) the subcontractor has no contract with the Client; and (c) the Client shall be indemnified by the Consultant for any claim presented by the subcontractor to the Client. The Consultant shall timely exercise its contractual remedies against any non-performing subcontractor and when appropriate, substitute another subcontractor. The term "Affiliate" in this Agreement shall mean any person or entity that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person or entity.
10. **Term of the Agreement.** The term of this Agreement shall commence on the Effective Date and expire on March 31, 2024, unless otherwise terminated as provided herein.
11. **Termination.** The Client may terminate this Agreement for any reason upon 90 days' notice to the Consultant. The Consultant may terminate this Agreement for a material breach of this Agreement that remains uncured for 90 days following notice from the Consultant to the Client.
12. **Indemnification.**
 - A. The Consultant shall indemnify, defend, and hold harmless the Client from and against all claims, liabilities, losses, costs, damages, obligations, and expenses (including without limitation reasonable attorneys' fees and other reasonable legal expenses) of any kind or character (a "Losses") arising out of or in connection with any of the following: (i) any breach of any provision of this Agreement; (ii) a claim or threatened claim that the Services (in whole or in part and including without limitation the Deliverables and the Consultant's Content) violate the patent, copyright, trademark, trade secret, or other proprietary rights of any third party, provided that such Loss does not result from the Client's use of the Services in violation of this Agreement; or (iii) the negligence, willful misconduct, bad faith conduct, or fraud of the Consultant in the performance of any duty or obligation pursuant to this Agreement.



Dale R. Folwell, CPA

CHIEF OF STAFF

CHRIS MARIE FARR

- B. The Client shall provide written notification to the Consultant within a reasonable period of time of any claim covered by this Section; provided that any failure to provide such notice shall not relieve the Consultant of its obligations pursuant to this Section, except to the extent the Consultant is materially prejudiced by such failure.
 - C. Subject to the approval of the North Carolina Department of Justice, the Consultant may elect to have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise, provided, however, that the Client shall have the option to participate in such action at its own expense.
 - D. Neither Party shall settle, terminate, compromise, appeal, or otherwise dispose of any such claim without the prior written consent of the other Party, which consent shall not be unreasonably withheld.
 - E. If the Services (in whole or in part and including without limitation the Deliverables and the Consultant's Content) become, or in the Consultant's or the Client's reasonable opinion are likely to become, the subject of a claim of violation of the patent, copyright, trademark, trade secret, or other proprietary right of any third party, then the Consultant shall, at the Consultant's expense, (i) procure for the Client the right to use the affected Services; (ii) replace or modify the affected Services so that they become non-infringing and continue to meet the Agreement's specifications; or (iii) procure substitute Services that are approved by the Client, such approval not to be unreasonably withheld. In the circumstances described in this Paragraph, the Department shall have the option of terminating this Agreement, or applicable portions thereof, without penalty, termination charge, or the required notice period in this Agreement.
 - F. The foregoing indemnification provisions are in addition to, and not in derogation of, any other remedy available to the Client, including without limitation any statutory, equitable, or common law remedy.
13. **Forum, Situs, and Jurisdiction.** The validity of this Agreement and any of its terms or provisions, as well as the rights and duties of the Parties to this Agreement, are solely governed by the laws of the State of North Carolina. Consultant, by signing this Agreement, agrees and submits, for all matters concerning this Agreement, to the exclusive jurisdiction of the State courts of North Carolina and agrees, solely for such purpose, that the only venue for any legal proceedings shall be Wake County, North Carolina. The place of this Agreement, and all transactions, agreements relating to it, and their situs and forum, shall be Wake County, North Carolina, where all matters, whether sounding in contract or tort or otherwise, relating to its validity, construction, interpretation, and enforcement, shall be determined, unless the law of North Carolina requires a venue other than Wake County.



Dale R. Folwell, CPA

CHIEF OF STAFF

CHRIS MARIE FARR

14. **Equal Employment Opportunity.** The Consultant shall maintain a non-discrimination policy and shall comply with all State and Federal laws relating to equal employment opportunity.
15. **Care of Data.** The Consultant shall take all steps necessary to safeguard any data, files, reports, or other information provided to the Consultant or its agent or subcontractor by or on behalf of the Client from loss or destruction. Liability for any costs or expense of replacing, or damages resulting from the loss of, such data, shall be borne by the Consultant.
16. **Confidentiality.** All information, data, documents, studies, or reports given to the Consultant by or on behalf of the Client under this Agreement (“Confidential Information”) shall be kept confidential by the Consultant and shall not be divulged or made available to any individual or organization by the Consultant without the prior written approval of the Client, except (a) in reports prepared in connection with quarterly presentations to the Board; (b) pursuant to legal or regulatory process, following prior written notice to the Client; (c) as used by the Consultant to create analytical trend data (in anonymous form) to improve the quality of the Consultant’s advice to all clients; and (d) to the Consultant’s subcontractors, Affiliates, and representatives who need the Confidential Information for the proper performance of their assigned duties as contemplated by this Agreement and who are subject to confidentiality restrictions at least as restrictive as those that apply to the Consultant. Confidential Information does not include information that is (i) publicly available or becomes publicly available not as a result of a breach by the Consultant; (ii) known to the Consultant prior to the Client’s disclosure of such information and without a confidentiality obligation on the Consultant; (iii) disclosed by a third party with a right to disclose and without a confidentiality obligation on the Consultant; or (iv) independently developed by the Consultant or its Affiliates without reference to the Confidential Information. The Consultant’s obligations under this Paragraph shall terminate after five (5) years from the date of termination of this Agreement; provided that, any Confidential Information that is (y) identified as a trade secret by the Client; or (z) information that the Client would be prohibited from publicly disclosing under the NC Public Records Act, HIPAA, or any other provision of state or federal law (collectively, “Perpetual Confidential Information”) shall be maintained in confidence in perpetuity or until such time as the Client no longer considers it to fall within (y) or (z) above.
17. **Document Retention.** The Consultant shall retain the books, records, documents, and reports maintained or created by the Consultant pursuant to this Agreement for a period of seven (7) years following the termination of this Agreement. In addition, the Consultant will follow any litigation document hold or audit document hold instruction sent to the Consultant by the Client.
18. **Audit.** Pursuant to N.C. Gen. Stat. § 147-64.7, the North Carolina State Auditor and his or her respective authorized employees or agents are authorized to examine copies of all books, records, and accounts of the Consultant to the extent they are directly pertinent to the Services in this Agreement or to costs charged by the Consultant under this Agreement.



Any such examination shall be conducted at the State Auditor's expense and made upon reasonable prior written notice to the Consultant and during the Consultant's normal business hours. Any person examining such books, records, or accounts must comply with the Consultant's security rules, policies, and procedures. In addition, the Client and the Client's auditor shall have the right to examine copies of all books, records, and accounts of the Consultant to the same extent and under the same terms provided in the first three sentences of this Paragraph. Such right shall include without limitation the right to make copies of such books, records, and accounts. The Consultant shall cooperate reasonably with the Client, the Client's auditor, or the State Auditor in any examination pursuant to this section.

19. **Force Majeure.** Neither Party shall be deemed to be in default of its obligations hereunder if and so long as it is prevented from performing such obligations by any act of war, hostile foreign action, power interruption, common carrier delay, acts or orders of governmental authority, fire, nuclear or other explosion, riot, strikes, civil insurrection, earthquake, flood, hurricane, tornado, or other catastrophic natural events or act of God.
20. **Compliance with Laws.** The Consultant shall comply with all laws, ordinances, codes, rules, regulations, and licensing requirements that are applicable to the conduct of its business, including those of Federal, State, and local agencies having jurisdiction or authority.
21. **Independent Contractor.** The Consultant and its employees, officers, subcontractors (if any), and Affiliates shall be independent contractors and not employees or agents of the State of North Carolina, the Client, or the Plans. This Agreement shall not operate as a joint venture, partnership, agency, or any other business relationship. As an independent contractor, the Consultant shall be wholly responsible for the work or services to be performed and for the supervision and payment of its employees, officers, and subcontractors (if any, including Affiliates).
22. **Entire Agreement.** This Agreement and the documents incorporated specifically by reference represent the entire written contract and agreement between the Parties regarding the subject matter of this Agreement and supersede all prior oral and written statements or agreements.
23. **Amendments.** This Agreement may not be amended orally or by performance. This Agreement may be amended only by a written amendment duly executed by the Client and the Consultant. The Parties waive the right to amend the provisions of this Paragraph orally.
24. **Notices.** Any notice, instruction, consent, or other communication required or contemplated by this Agreement (a "Notice") shall be directed to the address shown below. All Notices shall be in writing and sent by (i) hand delivery; (ii) United States registered or certified mail, return receipt requested; (iii) a national third party courier who provides signature receipts of delivery; or (iv) email. Notices are effective as of the date of actual



receipt. If a Notice is sent by email and there exists an e-mail acknowledgement confirming receipt, then the Notice is effective as of the time of the e-mail transmission. Either Party may change this address upon written Notice sent in accordance with this Paragraph.

If to the Client:

Mary Buonfiglio (or her successor)
Deputy Director, Supplemental Retirement Plans
North Carolina Department of State Treasurer
3200 Atlantic Avenue
Raleigh, North Carolina 27604
Email: mary.buonfiglio@nctreasurer.com

With a copy to:

Loren de Mey (or her successor)
Assistant Director, SRP Investments
North Carolina Department of State Treasurer
3200 Atlantic Avenue
Raleigh, North Carolina 27604
Email: loren.demey@nctreasurer.com

If to the Consultant:

Name: _____
Address: _____

Email: _____

With a copy to:

Name: _____
Address: _____

Email: _____

25. **Survival.** The following Sections shall survive the termination or expiration of this Agreement: 1, 2, 12, 13, 16, 17, 18, 22, 23, 24, 24, 26, 28, 30, 34, 35, 36, 41, 42, and 44. In addition, all provisions of this Agreement shall continue to apply to actions taken before the termination or expiration of this Agreement.
26. **Insurance.** During the term of this Agreement (and for one year following the term for policies written on a claims basis), the Consultant at its sole cost and expense shall procure and maintain the following types and levels of insurance: (a) professional liability insurance (errors and omissions) with limits of \$5,000,000 per claim and aggregate; (b) commercial general liability insurance, with limits of \$5,000,000 per occurrence and



aggregate; and (c) fidelity bond insurance, including coverage for loss caused by employee dishonesty or resulting from theft, with limits of \$5,000,000 per loss and aggregate. The commercial general liability policy shall include the Client as an additional insured with respect to liability imposed on the Client arising directly from the acts or omissions of the Consultant while providing the Services hereunder. Obtaining and maintaining the required insurance coverage, as described above, is a material obligation of the Consultant and is of the essence of this Agreement. All such insurance shall comply with all applicable laws of the State of North Carolina. Such insurance coverage shall be obtained from companies that (i) are authorized to provide such coverage; (ii) have at least an A- rating by the A.M. Best Company; and (iii) are authorized by the North Carolina Commissioner of Insurance to do business in North Carolina. The Consultant shall at all times comply with the terms of such insurance policies and all requirements of the insurer under any such insurance policies, except as they may conflict with existing, applicable North Carolina laws. The limits of coverage under each insurance policy maintained by the Consultant shall not be interpreted as limiting the Consultant's liability and obligations under this Agreement. Proof of insurance shall be provided concurrent with the execution of this Agreement and, thereafter, upon request by the Client.

27. **Additional Representations, Warranties and Covenants of Consultant.** The Consultant represents, warrants, and covenants that:
- A. It has received and reviewed the Department's policy and procedure dated December 1, 2009, entitled "Prohibition of Gifts to State Employees," and none of the Consultant, its Affiliates, or their respective officers, board members, or employees (each of the entities or individuals a "Consultant Party") has made or will make any gift or favor to any employee in the Department or member of the Board, on or after December 1, 2009.
 - B. It has received and reviewed the Department's policy and procedure dated December 1, 2009, entitled "Charitable Donations Policy," and no Consultant Party has made or will make any charitable donation in excess of \$150.00 to any charitable organization as a result of a direct or indirect solicitation by an employee in the Department or member of the Board, on or after December 1, 2009.
 - C. It has received and reviewed the Department's policies entitled (1) "Supplemental Ethics Policy for State Treasurer, Senior Executive Staff, and Investment Division" and (2) "Supplemental Ethics Policy for Covered Persons except State Treasurer, Senior Executive Staff, and Investment Division."
 - D. If the Department revises any of the policies in Sections 27(A)-(C), the Consultant will work in good faith with the Client to agree on an amendment to this Agreement that incorporates compliance with the revised policy into Sections 27(A)-(C), as applicable.



- E. All representations made by the Consultant in the Proposal are materially true and correct as of the Effective Date of this Agreement.
- F. (i) The Consultant has or will obtain all of the rights necessary to grant the Client the rights to the Deliverable and other Services pursuant to this Agreement; (ii) neither the Services nor the programs and data used to develop or provide the Services violate any patents, trademarks, copyrights, trade secrets, or other proprietary rights of any third party; and (iii) the Consultant is not aware of any cause of action or claim asserting such infringement or violation.
- G. In the past five (5) years, no Consultant Party is or has been the subject of, or a defendant in, any actual or threatened: (i) investigation, complaint, enforcement action or prosecution (or settlement in lieu thereof) brought by a governmental authority or self-regulatory organization relating to investment consulting services or to a violation of securities, tax, fiduciary, or criminal laws; or (ii) civil action (or settlement in lieu thereof) brought by a client relating to investment consulting services or to a violation of securities or fiduciary laws. During the term of the Agreement and to the extent legally permissible, the Consultant shall immediately disclose to the Client any actual or threatened action against a Consultant Party of the type described in (i) or (ii) of the preceding sentence.
- H. It will complete and deliver to the Client a disclosure form (the “Disclosure Form”) in substantially the same format as Exhibit D, as may be modified by the Client and accepted by Consultant from time to time. Such completed Disclosure Form shall be submitted (i) as of the execution of this Agreement covering the period starting January 1 of the immediately preceding calendar year through the Effective Date (except as otherwise indicated in Exhibit D); (ii) by January 31 of each year this Agreement is in effect covering the immediately preceding calendar year; and (iii) from time to time during the term of this Agreement for a specified period not to overlap with any previously disclosed periods under (i) and (ii), within ninety (90) days of the Client’s written request. In completing the Disclosure Form, Consultant shall not be required to breach any confidentiality obligations by which it is bound but shall advise the Client in writing where it is not disclosing information due to such confidentiality obligations.
28. **Waiver.** Any waiver of any term or condition of this Agreement shall be effective only if in writing and signed by all Parties hereto. Waiver by either Party of any default or breach by the other Party shall not be deemed a waiver of any subsequent default or breach.
29. **Time Is Of The Essence.** Time is of the essence in the performance of this Agreement with respect to the provision of the Services.
30. **Cooperation.** The Consultant understands and agrees that upon the termination or completion of this Agreement and for a period of three (3) years thereafter, it will cooperate at the Client’s sole expense with all reasonable requests of any successor consultant.



31. **Titles and Headings.** Titles and headings in this Agreement are used for convenience only and do not define, limit, or prescribe the language of terms and conditions identified by such titles and headings.
32. **Assurance of Performance.** Whenever the Client, in its sole discretion, has grounds for insecurity with respect to the Consultant's performance, it may, in writing, demand adequate assurance of due performance, and the Consultant shall promptly provide such information and documentation as the Client may require to receive such assurance.
33. **Signature Warranty.** Each undersigned individual warrants that he or she is duly authorized by the respective Party to sign this Agreement on behalf of and to bind their respective Party to the terms and conditions herein.
34. **No Publicity.** Without the prior written consent of the Client, the Consultant shall not use the name of the Client, the Plans, "North Carolina Supplemental Retirement Plans," or "North Carolina Total Retirement Plans" or any name derivative of or confusingly similar to the foregoing in any offering material, press release, brochure, notice, or other publication or in any written marketing presentation made in connection with the offering of the Consultant's services; provided that the Consultant may include the Department's name in the Consultant's representative client listing and may include the Department as a reference.
35. **Assignment.** Neither Party may make any "assignment" (within the meaning of the U.S. Investment Advisers Act of 1940, as amended) of this Agreement without the prior consent of the other Party. However, the Client's rights, duties and obligations under this Agreement shall continue without interruption notwithstanding any reorganization of State government in accordance with N.C. Gen. Stat. § 143A-6.
36. **Severability.** It is the intent of the Parties that the provisions of this Agreement shall be enforced to the fullest extent permitted by applicable law. To the extent that the terms set forth in this Agreement or any word, phrase, clause, or sentence is found to be illegal or unenforceable for any reason, such word, phrase, clause or sentence shall be modified, deleted, or interpreted in such a manner so as to afford the Party for whose benefit it was intended the fullest benefit commensurate with making this Agreement, as modified, enforceable, and the balance of this Agreement shall not be affected thereby, the balance being construed as severable and independent.
37. **No Advice on Legal Matters.** The Consultant is not engaged in the practice of law and the Services provided hereunder, which may include commenting on legal issues or drafting documents, do not constitute and are not a substitute for legal advice.
38. **Discretion.** The Client will retain all decision-making authority with respect to the management and administration of the Plans, including appointment and termination of investment managers and final decisions regarding investment policy. The Consultant's



responsibility does not include discretionary control of any of the Plans or the assets contained therein.

39. **Form ADV, Part 2.** The Client acknowledges receipt of the Consultant's Form ADV, Parts 2A and 2B. The Consultant shall promptly furnish the Client (a) an updated version of its Form ADV, Parts 2A and 2B annually; and (b) each interim amendment to its Form ADV, Parts 2A and 2B. The Consultant shall email its Form ADV, Parts 2A and 2B to the Department at the email address provided to the Consultant by the Department.
40. **Department's Responsibilities.** The Department agrees (a) to provide or to instruct the Department's third party service providers to provide any and all data required for the Consultant to perform the Services; and (b) to be available to meet with the Consultant at times deemed convenient for both Parties.
41. **Deliverables.** The Client shall own (a) the reports, recommendations, and other deliverables provided to the Client as part of the Services (the "Deliverables"); and (b) the copyright and other rights in the Deliverables; provided that, the Consultant and any third-party providers shall retain their rights in any of their data, models, methodologies, and other tools incorporated into or used to provide the Services (the "Consultant's Content"); provided further that, the Consultant hereby grants the Client a nonexclusive, transferable, sublicensable, irrevocable, royalty-free license to publish, copy, display, create derivative works from, and otherwise use, in whole or in part, the Consultant's Content in the Deliverables and any derivative works created from the Deliverables.
42. **No Third-party Beneficiaries.** Neither this Agreement nor the provision of the Services hereunder is intended to confer any right or benefit on any third party. The provision of Services under this Agreement cannot reasonably be relied upon by any third party.
43. **Counterparts.** This Agreement may be executed in one or more counterparts, including counterparts by facsimile or e-mail transmission, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
44. **Sovereign Immunity.** The Consultant acknowledges and agrees that the Client reserves all immunities, defenses, rights, and actions arising out of its sovereign status or under the Eleventh Amendment to the U.S. Constitution, and no waiver of any such immunities, defenses, rights, or actions shall be implied or otherwise deemed to exist by reason of its execution of this Agreement, by any express or implied provision thereof, or by any actions or omissions to act by the Client or any of the Client's representatives or agents, whether taken pursuant to or prior to the Client's execution of this Agreement. Notwithstanding the foregoing, the Client hereby acknowledges that the foregoing does not limit the validity of the contractual obligations of the Client hereunder and the legally binding nature of those obligations against the Client.



IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the date first above written.

North Carolina Department of State Treasurer

By: _____
Dale R. Folwell, CPA
Treasurer of the State of North Carolina

North Carolina Supplemental Retirement Board of Trustees

By: _____
Steve Toole
Executive Director, Retirement Systems Division, North Carolina Department of State
Treasurer

Consultant

By: _____
Print Name: _____
Title: _____



Dale R. Folwell, CPA

EXHIBIT A – SCOPE OF SERVICES

EXHIBIT B – FEE SCHEDULE

The Consultant's compensation for the Services described in Exhibit A of this Agreement shall be \$ _____ per year (the "Consulting Fee"), payable in quarterly installments in arrears.

In the event this Agreement is terminated, the Consulting Fee shall be prorated based on the number of days in the quarter prior to termination.

The compensation payable to the Consultant hereunder is intended to, and shall, cover all expenses of the Consultant in providing the Services under this Agreement, including travel, lodging, meals and other out-of-pocket expenses, which shall be the sole responsibility of the Consultant.

EXHIBIT C – KEY PERSONNEL



EXHIBIT D – REQUIRED ANNUAL DISCLOSURE

For Compliance Period: January 1, [____] through December 31, [____]

Complete and return this form to: Reid Chisholm
Assistant General Counsel
Department of State Treasurer
3200 Atlantic Avenue
Raleigh, NC 27604

The information in this disclosure is provided pursuant to Investment Consulting Services Agreement (the “Agreement”) by and between the North Carolina Department of State Treasurer (the “Department”) and the North Carolina Supplemental Retirement Board of Trustees (the “Board,” and with the Department, the “Client”), on the one hand, and _____ (the “Consultant”), on the other hand. Capitalized terms not otherwise defined in this Required Annual Disclosure have the same meaning as in the Agreement. References to “calendar year” include the compliance period listed above if such period is not a calendar year. “Investment management” includes without limitation acting as an ERISA 3(38)-style manager (or Outsourced Chief Investment Officer) for a defined contribution plan and providing services as an SEC-registered investment advisor.

A. CONFLICTS

1. List any U.S. Affiliate(s) that offers ERISA 3(38)-style management services (or Outsourced Chief Investment Officer services) for a defined contribution plan, and any Key Personnel that provide services for such Affiliate(s).
2. Are any of the Key Personnel who are assigned to the performance of this Agreement principals, officers, or employees of any Consultant Affiliate that is an investment management firm, broker-dealer, or other organization that sells services to institutional investors and/or SEC-registered investment advisors? If so, identify the Key Personnel and describe the relationship(s).
3. Is the Consultant owned, in whole or in part, by an investment management firm? Has the Consultant received loans from any investment management firms? Does the Consultant provide investment management services for its Affiliates? Do any of the Consultant’s Affiliates provide investment management services for the Consultant? If so, explain.
4. Does the Consultant, any Key Personnel, or to the best of the Consultant’s knowledge and belief, any Consultant Affiliate(s) have any ownership interest in any investment management firm (a) with whom the NC 401(k) Plan or the NC 457 Plan invests; or (b) recommended by the Consultant to the Client with respect to the NC 401(k) Plan or the NC 457 Plan? If yes and to the extent not prohibited by existing contractual obligations, please disclose with whom, and describe the nature of the relationship.
5. Within the Compliance Period (above), has any Consultant Party (a) been the subject of, or a defendant in, any actual or threatened investigation, complaint, enforcement action, or prosecution (or settlement in lieu



thereof) brought by a governmental authority or self-regulatory organization relating to investment consulting services or to a violation of securities, tax, fiduciary, or criminal laws; (b) been the subject of, or a defendant in, any actual or threatened civil action (or settlement in lieu thereof) brought by a client relating to investment consulting services or to a violation of securities or fiduciary laws; or (c) submitted a claim to its errors and omission, fiduciary liability, and/or fidelity bond insurance carrier(s)? If this Required Annual Disclosure is being submitted concurrently with the execution of the Agreement, please provide any such information as to the last five (5) calendar years.

6. Within the last calendar year, if any officer or employee of Consultant, or any agent for the Consultant has registered as a Lobbyist per N.C. Gen. Stat. § 163A-270, attach copies of registration forms filed during the last calendar year.

B. REPRESENTATIONS

1. The Consultant currently is in compliance with all disclosure requirements under the Advisers Act, including but not limited to any and all required disclosures on Form ADV.

2. The Consultant is, and for the last calendar year has been, in compliance with all of the terms and conditions of the Agreement including, but not limited to, the representations and warranties.

Yes _____ No _____

If the response is No, explain: when Consultant was not in compliance; why it occurred; and what action was taken to return to compliance.

C. ATTESTATION

I hereby attest that all information submitted in this Required Annual Disclosure is accurate and complete. As an authorized representative of the Consultant, I confirm that, to the best of my knowledge, the Consultant's responses to the questions in this Required Annual Disclosure contain no material omission or misrepresentation by or on behalf of the Consultant.

Submitted by (signature): _____

Print Name: _____

Title: _____

Date: _____



Dale R. Folwell, CPA

APPENDIX D – LIST OF THE INVESTMENT MANAGERS FOR THE PLANS AND THE RETIREMENT SYSTEMS

<u>Manager</u>	<u>Strategy</u>	<u>Account Type</u>	<u>Plans</u>	<u>Retirement Systems</u>
Baillie Gifford	EAFE Plus Alpha	SMA		X
Baillie Gifford	ACWI ex US Alpha	SMA	X	
BlackRock	Russell 1000 Index	CIT	X	X
BlackRock	MSCI ACWI ex US IMI Index	SMA		X
BlackRock	EAFE Large Cap Growth	SMA		X
BlackRock	Emerging Markets Opportunities Fund	CIT		X
BlackRock	TIPS Index	CIT	X	
BlackRock	S&P 500 Index	CIT	X	
BlackRock	Russell 2500 Index	CIT	X	
BlackRock	MSCI ACWI ex US Index	CIT	X	
BlackRock	BB US Agg Bond Index	CIT	X	
Brown Advisory	US Small Cap Growth	SMA		X
Brown Advisory	US SMID Cap Growth	SMA	X	
Earnest Partners	US Small Cap Value	SMA		X
Earnest Partners	US SMID Cap Value	SMA	X	
Franklin Templeton	International Small Cap	SMA		X
Galliard	Stable Value	Fund of Funds	X	
Hotchkis & Wiley	US Large Cap Fundamental Value	SMA	X	



Dale R. Folwell, CPA

<u>Manager</u>	<u>Strategy</u>	<u>Account Type</u>	<u>Plans</u>	<u>Retirement Systems</u>
Hotchkis & Wiley	US SMID Cap Value	SMA	X	
Loomis Sayles	Large Cap Growth	SMA	X	
Macquarie	Large Cap Value	SMA	X	
Mondrian	Focused ACWI ex US IMI	SMA		X
Mondrian	Focused ACWI ex US	SMA	X	
Numeric	Small Cap Value	SMA		X
Piedmont	Russell 200 Index	SMA		X
PIMCO	Inflation Response Multi-asset	Mutual Fund	X	
Prudential	Core Plus Bond	CIT	X	
Sands	Large Cap Growth	SMA	X	
TCW	Core Plus Bond	SMA	X	
TimesSquare	U.S. Mid Cap Growth	SMA		X
Value Act	Mid Cap Value	SMA		X
Walter Scott	EAFE	SMA		X
Wedge	US SMID Cap Value	SMA	X	
Wellington	U.S. Large Cap-Opportunistic Growth	SMA		X
Wellington	Diversified International	SMA		X



Dale R. Folwell, CPA

APPENDIX E – WHITE LABEL/CUSTOM FUNDS FOR THE PLANS

Large Cap Index Fund

Investment Manager	Target Allocation
BlackRock	100.0%

Large Cap Core Fund

Investment Manager	Target Allocation	Allocation Range
Hotchkis & Wiley	18.75%	+/- 3%
Macquarie	18.75%	+/- 3%
Sands Capital	18.75	+/- 3%
Loomis Sayles	18.75	+/- 3%
BlackRock Russell 1000 Index	25.0%	+/- 3%

Small/Mid Cap Index Fund

Investment Manager	Target Allocation
BlackRock	100.0%

Small/Mid Cap Fund (as of September 17, 2018)

Investment Manager	Target Allocation	Allocation Range
Earnest Partners	15.83%	+/- 3%
Hotchkis & Wiley	15.83%	+/- 3%
Wedge Capital Management	15.83%	+/- 3%
Brown Advisory	23.75%	+/- 3%
BlackRock Russell 2500 Index	28.75%	+/- 3%

International Equity Index Fund

Investment Manager	Target Allocation
BlackRock	100.0%

International Equity Fund

Investment Manager	Target Allocation	Allocation Range
Baillie Gifford	50.0%	+/- 3%
Mondrian	50.0%	+/- 3%

TIPS Fund

Investment Manager	Target Allocation
BlackRock	100.0%

Inflation Sensitive Fund

Investment Manager	Target Allocation
PIMCO	100%

Fixed Income Fund

Investment Manager	Target Allocation	Allocation Range
TCW	50.0%	+/- 3%
Prudential Global Investment Management	50.0%	+/- 3%

Fixed Income Index Fund

Investment Manager	Target Allocation
BlackRock	100%



Dale R. Folwell, CPA

APPENDIX F – COST PROPOSAL

Annual Fees for Investment Consulting Services Pursuant to this ITB:

Supplemental Retirement Plans only: \$ _____

Additional fee for Subsection G (NC 403(b) Program performance reporting and fund searches) of Section XII (Additional Services) in Appendix A – Scope of Work for the Supplemental Retirement Plans: \$ _____

Retirement Systems only: \$ _____

Supplemental Retirement Plans and Retirement Systems combined

Without the NC 403(b) Program

Supplemental Retirement Plans:	\$ _____
Retirement Systems:	\$ _____
Total:	\$ _____

With the NC 403(b) Program

Supplemental Retirement Plans (NC 401(k) and NC 457 Plans):	\$ _____
NC 403(b) Program:	\$ _____
Retirement Systems:	\$ _____
Total:	\$ _____

The fees include all of the Consultant’s fees for providing the services described in Appendix A (Scope of Work for the Supplemental Retirement Plans), Appendix B (Scope of Work for the Retirement Systems), and any additional services described in Section 2 of the Items for Response, including without limitation expenses for travel, data, software, printing, and shipping.

The fee shall be payable in quarterly installments in arrears and shall be fixed for the the term of the contract.

The Consultant’s response is complete and accurate to the best of my knowledge.

Consultant : _____

By (Signature): _____

Name (Printed): _____

Title: _____

Date: _____