

Samuel Merritt University
Request for Proposals (RFP) for 403(b) Advisory Services– Questions and Answers
Tuesday, October 26, 2021

<u>Question Submitted</u>	<u>Samuel Merritt University (SMU)'s Response</u>
How often does the committee meet?	The Investment Subcommittee meets four times per year.
What is the desired frequency of investment performance reports?	We plan for the advisors (both investment advisor as well as the 403(b) advisor) to present a quarterly report at all four Investment Subcommittee meetings during the year.

Samuel Merritt University
Request for Proposals (RFP) – Questions and Answers
Friday, October 22, 2021

<u>Question Submitted</u>	<u>Samuel Merritt University (SMU)'s Response</u>
Should we assume that all of the assets that make up the \$288MM are to be managed within a single pool, and that it is likely to remain that way? I.e.: unrestricted, special purpose, endowment & quasi endowment fund are currently co-mingled and managed with a singular view of risk tolerance?	The assets have not been managed in a single pool. At this time, we anticipate a similar structure. Investments in the different pools will be made according to SMU's Investment Policy Statement (IPS) and will reflect the different investment horizons associated with the different pools.
How many firms will compete in the RFP process for both the endowment and the 403b?	It is unknown how many vendors will choose to submit proposals for both the investment and 403(b) advisor roles
What can you share about your investment sub-committee make-up? Would you be prepared to share its membership? Is this committee also responsible for the 403b or is there a different body and different individual members and staff?	The SMU Subcommittee includes Board of Regents members, SMU staff and independent members with varied areas of expertise. The majority of members possess expertise in finance and/or investment management. This Subcommittee is also responsible for the oversight of SMU's 403(b) plan.
Aside from the corporate event, and the separation from the parent organization that has led to this RFPs, are there any notable service level or scope changes that you are looking to add to your new advisor / OCIO service for the endowment. Put another way, what elements are important to keep from the current arrangement, and what elements are you hoping to improve with this crossroads?	No, there are no notable service-level or scope changes that we are looking to add to the advisor's responsibilities.
The RFP asked for comments on current asset allocation, manager allocation and overall performance. Can you share a recent performance report – either through December 2020 or June 2021 or both?	Yes, performance reports for December 2020 and June 2021 are attached.

<u>Question Submitted</u>	<u>Samuel Merritt University (SMU)'s Response</u>
Can you share the latest IPS (even the draft would be helpful) with us? Otherwise question 6 would be tough to address. What asset allocation changes / or big decisions if any were made in the last several years?	Please address this question with an explanation of how you would approach revising or updating an existing IPS. A new Investment Policy Statement (IPS) has been drafted by SMU's Investment Subcommittee but has not yet received final approval from the Board of Regents. Historically, approximately ten to fifteen percent of investments have been invested in alternative instruments.
Who is your current custodian and do you have any reason to believe you wish or need to change this relationship?	Securities are currently held by individual investment firms. This arrangement will likely change in the future.
You mentioned that you're open to having separate providers for each the consolidated assets pool and for the 403(b) plan. That said, would there be a preference for a single provider, were you to identify a single provider that had expertise in both?	There is no preference at this time.
Are you asking us to provide performance of similar clients? A composite? or something else?	Similar clients or a composite of similar clients are acceptable.
Can you provide budgeted spend rate for F22? Do you currently have any admin rate for endowment funds? If you are not able to provide, can you give an anticipated hurdle rate or expected rate of return to guide us in our asset allocation recommendation?	The University's endowment spending policy allows the appropriation of between 4% and 5% of the quarterly rolling average market value of assets in the endowed fund(s), based on at least 12 and at most 20 quarters of data. Amounts appropriated for spending may exceed actual realized earnings from endowments.
Once separation is completed do you anticipate managing all three asset categories (unrestricted funds, SPF, etc.) under one portfolio or separate?	Investments will be made according to SMU's Investment Policy Statement (IPS) and will reflect the different investment horizons associated with unrestricted, special purpose and endowment/quasi funds.
Are any of your current assets being earmarked for the new campus project?	Yes, approximately \$110 million of unrestricted investments are currently earmarked for the new campus project.

<u>Question Submitted</u>	<u>Samuel Merritt University (SMU)'s Response</u>
<p>Standard terms and conditions of SMU to be included in the contract are attached as Sample Agreement. In submitting a proposal, the firm shall be deemed to have agreed to each provision set forth in the Sample Agreement unless the firm identifies the provision to which objection is made and submits alternative language to make the provision acceptable to the firm. Can you please provide a copy of the SMU Sample Agreement?</p>	<p>SMU's standard contract template is attached.</p>

<u>Question Submitted</u>	<u>Samuel Merritt University (SMU)'s Response</u>
<p>Would you please provide a copy of the "Scope of Services" mentioned in section 3.3.3.?</p>	<p>The scope of services will be consistent with the services provided by an advisor serving in a 3(21) capacity:</p> <ol style="list-style-type: none"> 1) Initial and on-going vendor evaluation 2) Plan design and employer contribution cost estimates 3) On-going IRS/ DOL compliance guidance 4) Plan document review and 5300 filing services (if necessary) 5) Mergers and acquisitions services 6) Employee enrollment and coordination of payroll implementation services 7) Non-discrimination ACP) and SEC. 415 and 402(g) testing review 8) "Top Heavy" testing guidance 9) Minimum coverage Sec. (410(b)) and general non-discrimination 401(a)(4) testing guidance 10) Employee communication services, including; on site employee meetings (Up to four meeting days per year), preparation of custom materials (excluding material costs), and four investment education seminars. Meetings may include one to one consultations. 11) Notice to interested parties and sample board resolution service 12) DOL Sec. 404(c) compliance due diligence services 13) Investment fund selection services 14) "Investment Policy" Statement document drafting services 15) Fiduciary services; investment performance monitoring, using Lipper Indexes, and Morningstar data. 16) Conduct quarterly plan review with committee/sponsor 17) Annual 5500 filing assistance and guidance 18) Compliance guidance with DOL and IRS correction programs under VFC and EPCRS <p style="text-align: center;">Additional Services:</p> <p>In addition to the Services outlined in above, during the term of this Agreement, Client may request additional services outside of the items mentioned in above. Compensation for additional services will be negotiated proactively with the Client and agreed upon before services are rendered.</p>

Samuel Merritt University
Request for Proposals (RFP) – Questions and Answers
Wednesday, October 20, 2021

<u>Question Submitted</u>	<u>Samuel Merritt University (SMU)'s Response</u>
Can you provide a copy of the established Investment Policy Statement?	A new Investment Policy Statement (IPS) has been drafted by SMU's Investment Subcommittee but has not yet received final approval from the Board of Regents. The funds have been managed with a mix of active and index investment funds. Historically, approximately ten to fifteen percent of investments have placed in alternative instruments.
Regarding the "Unrestricted Funds", will these assets have a long-term focus and adhere to the Investment Policy? If not, what are the purposes of these funds and how will they be used?	<p>The Unrestricted Funds will adhere to the Investment Policy Statement (IPS). These funds are expected to be used primarily in the following ways:</p> <ul style="list-style-type: none"> • A source of working capital, when needed • Investment in a new Oakland campus • Surplus funds that generate unrestricted revenue and gains for use in the University's General Fund.
Can you provide additional context around the distinction between unrestricted funds and endowment and quasi endowment funds?	<p>The distinction between funds is as follows:</p> <ul style="list-style-type: none"> • Unrestricted Funds: The planned uses of these funds are described in the previous response • Special Purpose Funds: A restriction on the use of the funds has been placed by the contributor. Both the original contribution and unspent earnings are available for expenditure • Endowment Funds: A restriction on the use of the funds has been placed by the contributor. Only the unspent earnings are available for expenditure. • Quasi Endowment: A restriction on the use of the funds has been placed by the University's Board of Regents. Only the unspent earnings are available for expenditure.

<u>Question Submitted</u>	<u>Samuel Merritt University (SMU)'s Response</u>
<p>Are you open to investing in illiquid strategies, (specifically private equity, venture capital, and real estate)? If yes, are all three types of funds (unrestricted funds, special purpose funds, and endowment funds) eligible to invest in illiquids?</p>	<p>At this time, we do not anticipate investing unrestricted funds in illiquid investment vehicles. A new Investment Policy Statement (IPS) has been drafted by SMU's Investment Subcommittee but has not yet received final approval from the Board of Regents. The funds have been managed with a mix of active and index investment funds. Historically, approximately ten to fifteen percent of investments have placed in alternative instruments.</p>
<p>Question 6 asks for our recommended changes to the investment policy. Do you plan to provide the current IPS for our review once the Board of Regents has approved it? Or would you prefer that we address this question with an explanation of how we approach revising/updating an existing IPS?</p>	<p>Yes, please address this question with an explanation of how you would approach revising or updating an existing IPS. As was mentioned in a previous response, a new Investment Policy Statement (IPS) has been drafted by SMU's Investment Subcommittee but has not yet received final approval from the Board of Regents.</p>

Samuel Merritt University
Request for Proposals (RFP) – Questions and Answers
Monday, October 18, 2021 and Tuesday, October 19, 2021

Question Submitted	Samuel Merritt University (SMU)'s Response
<p>1. The RFP states that “This Request for Proposals is being issued pending SMU achieving corporate independence. Investment advisory services were previously provided by SMU’s corporate parent.”</p> <p style="padding-left: 40px;">a. Were SMU’s funds managed as a separate pool with unique investments, or did the University receive a pro-rata allocation of your corporate parent’s investments?</p> <p style="padding-left: 40px;">b. Who is currently overseeing SMU’s funds today? A subcommittee of SMU’s Board of Regents?</p>	<p>1.a. SMU received a pro-rata allocation of our corporate parent’s pooled investments. Additional unrestricted investments were managed as a separate pool.</p> <p>1.b. SMU’s Investment Subcommittee is currently overseeing the investments with supervision provided by SMU’s Board of Regents.</p>
<p>2. What are the key factors you are assessing in your selection of an OCIO?</p>	<p>The responses to the information requested in Attachment B of the RFP document</p>
<p>3. For question 5(d) can you confirm the requested quarter end period?</p>	<p>September 30, 2021, if available. June 30, 2021 is acceptable</p>
<p>4. How important is the incorporation of ESG, mission-related, or impact investments to SMU?</p>	<p>While ESG factors are considered important, they was not chosen for inclusion in Attachment B of the RFP document at this time</p>
<p>5. How important is diversity, equity, and inclusion to SMU in the selection of its OCIO partner? Between diversity of the firm/team servicing SMU, or the selection of diverse-owned and managed investment funds, are either materially important to your decision making process?</p>	<p>While diversity, equity and inclusion are considered important, they was not chosen for inclusion in Attachment B of the RFP document at this time</p>

<u>Question Submitted</u>	<u>Samuel Merritt University (SMU)'s Response</u>
<p>6. Would you be willing to share the current Investment Policy Statement, Portfolio, and/or SMU's current asset allocation? If not, could you comment on the use of active management and alternative investments?</p>	<p>A new Investment Policy Statement (IPS) has been drafted by SMU's Investment Subcommittee but has not yet received final approval from the Board of Regents. The funds have been managed with a mix of active and index investment funds. Historically, approximately ten to fifteen percent of investments have placed in alternative instruments.</p>
<p>7. Do you plan on inviting firms with successful proposals to present to your staff and Board? If so, have you determined a date for that presentation?</p>	<p>Yes. The date has not yet been determined but we believe it will take place in November.</p>
<p>8. Is there a requirement to submit a proposal for both the investment advisory services as well as the 403(b) advisory services? Is it the desire of SMU to select one provider for both or are you open to separate providers?</p>	<p>No, SMU is definitely open to separate providers.</p>