AGENDA ITEM #5

State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

March 4, 2020

Members of the Investment Advisory Council ("IAC")

Re: Consideration of the Emerging Manager Program Search – Liquid Asset Classes

Dear Fellow IAC Member:

At the March 11, 2020 meeting of the IAC, I will present for your consideration the proposed project plan and required screening and selection criteria for the purpose of procuring fund managers for the Emerging Manager Program across liquid asset classes within the Connecticut Retirement Plans and Trust Funds ("CRPTF"). My office will conduct a competitive search through a Request for Proposal ("RFP"), resulting in the hiring of one or possibly more managers.

The Emerging Manager Program is designed to provide the CRPTF with the potential to enhance risk adjusted portfolio returns through active management plus provide opportunity for investment managers who, for multiple reasons, would not typically have full access to the CRPTF.

Currently, the Emerging Manager Program (formerly Connecticut Horizon Fund), has three fund managers that source emerging manager funds for the public asset classes, and contracts with these managers will expire at the end of the fiscal year.

I look forward to discussing this search with you at the March 11th IAC meeting.

Sincerely,

Shawn T. Wooden

Shawn T. Wooden
State Treasurer

State of Connecticut Retirement Plans & Trust Funds
Emerging Manager Program Search
Proposed Project Plan

GENERAL PROCESS	Timing	PFM	Treasurer	IAC
Review and Approve Draft RFP and Proposed Project Plan and Search Criteria	Week of March 2, 2020	Incorporate Treasurer's comments; send to Treasurer for approval	Review and approve project action plan	
Present Proposed Project Plan/Selection Criteria	March 11, 2020		Present to IAC	Comment and advise
Issue RFP	March 20, 2020	Post RFP on Treasurer's website		
RFP Deadline	April 17, 2020	Verify submissions		
Conduct Due Diligence and Select Semi-Finalists	Apr - May 2020	Review RFP responses; Conduct due diligence, interview candidates and provide semi-finalist recommendations	Review recommendation and approve semi-finalist candidates	
Interview Semi-Finalists	April - May 2020	Participate in interviews	Interview firms/ Select finalist(s) for presentation at June 6th IAC meeting	IAC invited to participate in interviews
Present Treasurer's Recommendation to IAC	June 6, 2020[1]		Present finalist(s) and request waiver of 45-day comment period to IAC	Review Treasurer's recommendation and communicate feedback. Act on waiver request
Treasurer's Review	Week of June 11, 2020		Consider feedback of IAC	
Designate Preferred Vendor	Week of June 11, 2020		Finalize selection/designate Preferred Vendor. Announce decision to IAC at June 10th meeting	
Notify Preferred Vendor	Week of June 11, 2020	Draft Preferred Vendor notification letter	Issue notification letter	
Negotiate Fee and Contract Terms	Initiate June if IAC waives comment period.	Participate in negotiations; prepare and review contract and submit to Treasurer for approval	Approve contract terms and consultant fees; sign contract	
Obtain Final Contract Authorization	July 2020	Work with the Attorney General's Office to secure final execution of contract		
Award Contract	July 2020			

[1] 45 day comment period ends July 21, 2020

State of Connecticut Retirement Plans & Trust Funds
Emerging Manager Program Search
Screening and Selection Criteria[2]

1. **Organization/Management**
   a. Firm size, management, and ownership
   b. Stability (financial and organization)
   c. Technology infrastructure (e.g., for trading, analytics, operations, compliance, cybersecurity, and reporting)
   d. Risk management – organization, process and integration
   e. Compliance operations
   f. Client service resources and coverage
   g. Commitment of firm to emerging manager industry
   h. Percentage of institutional assets in emerging managers
   i. Number and dollar amount of client relationships gained and lost over past five years

2. **Relevant Experience and Client Base**
   a. Overall investment experience of the management team in the diverse emerging manager industry
   b. Depth of research and analytics resources supporting the emerging manager program
   c. Minimum three-year performance track record for an emerging manager mandate versus applicable public benchmarks and peer comparisons for similar mandates
   d. Investment and operational due diligence process
   e. Quality and timeliness of performance attribution reporting, monitoring, compliance and other CRPTF reporting requirements
   f. Experience with and references from pension funds or similar institutional clients
   g. General understanding of CRPTF investment needs and emerging manager program guidelines

3. **Other Specific Criteria**
   a. Responsible corporate citizenship and commitment to CRPTF's Policies (e.g., Diversity Principles, Guns)
   b. Incorporation of Environmental, Social and Governance issues into the investment selection process
   c. Site visit
   d. Manager's identification of any terms of CRPTF's Investment Management Agreement that are <u>not</u> negotiable

4. **Cost of Proposal**

[2]Such factors as conformance with RFP instructions/specifications and state-mandated contractual terms and disclosure requirements.