



October 16, 2014

Anne-Marie Fink  
Chief Investment Officer  
Office of the General Treasurer  
State of Rhode Island  
50 Service Ave  
Warwick, RI 02886

Dear Anne-Marie,

Per your request, this letter provides a proposal from Pension Consulting Alliance, Inc. ("PCA") to provide infrastructure consulting services for the Employees Retirement System of Rhode Island ("ERSRI"). This letter of engagement falls under services outlined in the agreement between PCA and ERSRI dated August 1, 2008 and outlines the services to be provided by PCA for the proposed assignment.

#### Overview of PCA's Investment Consulting Practice

PCA is an independent, full-service investment consulting firm that provides investment advisory services to pension plans and institutional investors of various sizes in the areas of general (including hedge funds), alternative investments (including private equity and infrastructure), and real estate consulting. Founded in 1988, PCA is built on the philosophy that consulting is a problem-solving process, not a commodity. We design our services to meet the client's specific needs in a cost effective manner. PCA maintains only non-discretionary consulting relationships with 32 clients that represent over \$1 trillion in institutional investor assets, and thus, the firm is able to offer conflict-free advisory services.

PCA is well suited to assist ERSRI with its Infrastructure Investment Program. The firm has followed the infrastructure market since 2006 and was one of the earliest players in the infrastructure consulting space. The firm provides institutional investors with a full suite of non-discretionary services including market insight, investment policy development, manager due diligence and partnership selection, asset allocation, research, new investment vehicle development, performance monitoring and reporting and informed opinions about the players in the infrastructure space. To date PCA has established \$10 billion of infrastructure portfolios for public pension plans.

#### **Scope of Work**

This section identifies the key tasks and deliverables PCA would expect to provide under the assignment highlighted above. To execute this assignment, PCA would contract as a fiduciary on behalf of ERSRI. However, it is expected that PCA would work closely with Staff across all aspects of the scope of services. The scope of services under the proposed consulting assignment includes:

#### *Infrastructure Investment Program Development*

- assist in developing a unique investment platform that captures ERSRI's investment objectives;
- review/develop investment strategy, policies, procedures, goals and objectives;
- identify range of acceptable assets;
- assess risk profiles of various sub-asset types;
- propose benchmark and risk measures;
- assist with portfolio target allocation and ranges;
- advise on investment structuring and commitment pacing; and
- advise on portfolio construction.

#### *Manager Search and Due Diligence*

- assist in searching for investment managers and unique opportunities;
- provide client with periodic updates on potential investment opportunities as they arise;
- perform comprehensive due diligence on potential investment opportunities for the program;
- provide written recommendation for all managers/opportunities to be added to the infrastructure portfolio; and
- assist in negotiating with prospective investment managers.

#### *Product-Level Assessments*

- quick initial review of investment opportunities,
- deal structuring and negotiation; and
- market trends and analysis.

#### *Investment Committee Meetings*

- attend ERSRI Board meeting to discuss the portfolio as requested.

#### *Evaluate Alternative Approaches*

- identify thought leaders;
- profile leading institutional investors; and
- research the range of investment approaches.

#### *Research and Education*

- provide timely notice of key events that may affect the program, including, but not limited to, market changes, changes in management or substantial reductions in portfolio value;
- provide Board education; and
- provide copies of PCA's research, including, but not limited to, market summaries, surveys and reviews of particular markets.

In addition, PCA will work with ERSRI to identify, when necessary, other consultants within ERSRI's pool of consultants to provide specialized services.

#### **PCA Resources**

If approved for this assignment, [REDACTED] will oversee all activities and will be responsible for all deliverables associated with the assignments' Scope of Work. Other PCA

resources will include [REDACTED] Managing Director, [REDACTED] Senior Analyst and [REDACTED] Analyst. [REDACTED] will provide strategic oversight and client advisory as requested. However, all PCA resources will be available to provide additional support as needed.

### **Proposed Costs of Assignments**

PCA proposes a retainer based fee of \$75,000 per year, inclusive of domestic travel and lodging. Any fees related to international travel, legal fees or any third party fees including expenses related to background checks will be submitted for approval by ERSRI. PCA will bill ERSRI on a quarterly basis for all retainer services.

### **Summary**

We at PCA express our sincere gratitude for allowing us the opportunity to submit this letter of engagement for your consideration. It would be an honor to serve ERSRI in the capacity of the described scope of work.

We look forward to discussing these opportunities with you in the very near future.

Best regards,




Judy Chambers  
Managing Director

cc: Allan Emkin, Managing Director, Pension Consulting Alliance

**Approved and Accepted**

**Employees Retirement System of Rhode Island**

**Pension Consulting Alliance, Inc.**

  
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Signature

Anne-Marie Fink.  
\_\_\_\_\_  
Name

Chief Investment Officer.  
\_\_\_\_\_  
Title

11/13/14  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature

Judy Chambers  
Name

Managing Director  
Title

November 13, 2014  
Date