

**RHODE ISLAND
STATE INVESTMENT COMMISSION**

**GUIDELINES FOR
SELECTING INVESTMENT MANAGERS,
CONSULTANTS AND CUSTODIANS**

1. Introduction

The State Investment Commission (the “Commission”) was created for the purpose of investing money of the State fund structure. The Commission is authorized by Rhode Island General Laws § 35-10-1(c) to “engage one or more fund managers and to delegate to the manager or managers the authority to carry out the investment of the funds within the Commission’s control, or any portion thereof, in accordance with the objectives of the Commission as set forth in its Statement of Investment Objectives and Policies”.

The purpose of these guidelines is to establish procedures to be followed in the future employment of the Commission’s investment managers, as well as its consultants and custodians. In carrying out these procedures and guidelines, the Commission shall give primary consideration to its fiduciary duty in the investment of the money of the State funds.

2. Office of the General Treasurer

The Office of the General Treasurer shall supply the staff and support for the Commission to carry out these procedures and guidelines.

3. Procedures for Selecting Investment Managers, Consultants and Custodians

Procedures for selecting investment managers, consultants and custodians may include the following:

3.1 Requests for Proposals; Requests for Qualifications

3.1.1 Requests for Proposals. The Commission may prepare a written Request for Proposals from investment managers, consultants and custodians to provide information regarding their firm’s capabilities and proposing to render the services sought by the Commission. The Requests for Proposals shall set forth the terms of the proposed engagement and may outline the minimum criteria for selection. The Commission may reserve to itself the options of: modifying the terms of the proposed engagement; revising the minimum qualifications and all other required qualifications; and otherwise making any changes of any nature whatsoever, which the Commission deems advisable, including not making a selection.

3.1.2 Requests for Qualifications. In lieu of Requests for Proposals, when the

Commission deems it appropriate, the Commission may request statements of qualifications from firms to be solicited for possible selection.

3.2 Identification of Firms to be Solicited for Possible Selection.

3.2.1 Compilation of Firm Lists. The Commission may compile a list of firms for the Commission to approach based on its familiarity with the financial community. In addition, the Commission may rely on the advice of its consultants or other advisors to identify firms to approach. Moreover, if it so elects, the Commission may delegate entirely to its consultants or other advisors the identification of appropriate firms to approach.

3.2.2 Advertising. If the Commission deems it necessary or advisable, the Commission may place an advertisement or cause an advertisement of its upcoming search to be placed in one or more publication circulated in the industry. This will have the effect of soliciting firms with an interest in providing services to the Commission.

3.3 Review of Proposals. The Office of the General Treasurer shall review all proposals or statements of qualifications, as the case may be. The Office of the General Treasurer may utilize the assistance of the Commission's consultants or advisors to assist in the process of evaluating the proposals and statements of qualifications.

3.4 Recommendations to Commission. The Office of the General Treasurer shall recommend to the Commission a list of finalist firms. The Commission may make its selection(s) from the list of finalist firms or reject any recommendation(s) in its sole discretion.

4. Guidelines for Selection

4.1 Expertise, Etc. Criteria for evaluation of candidates shall include, but shall not be limited to:

4.1.1 Competence to perform the services as reflected by expertise in providing the required services, qualifications of the firm, and the experience, qualifications and competence of persons who would be assigned to perform the services;

4.1.2 Ability to perform the services as reflected by other commitments and availability of adequate personnel, equipment, and facilities to perform the services;

4.1.3 Past performance as reflected by the evaluation of other clients which have retained the services of the firm with respect to such factors as performance, quality of work, and responsiveness; and

4.1.4 Where applicable, the firm's proposed approach to the assignment.

Further, the Commission shall evaluate the proposals in light of: the criteria set forth in the solicitation, statements submitted in response to the search, and any other required statements of qualifications and performance data.

4.2 Cost

It is expected that the firms will charge a fee for services rendered to the Commission. The Commission shall review the fee structure of the firms wishing to serve the Commission. Cost shall not, however, be the sole determining factor in the selection process.

5. Negotiations

After selection of a firm, the Commission may, if it deems it advisable, negotiate with the firm selected to secure more advantageous terms and conditions and/or to reduce fees or other costs. In addition, the Commission may elect to delegate to the Office of the General Treasurer and its consultants or counsel the responsibility of negotiating any terms and conditions the Commission may specify with the firm selected.

6. Modifications to Engagements

The Commission intends whenever possible and practicable, to continue its practice of requiring agreements that are terminable at will by the appropriate State fund, subject to a brief notice period (often thirty days). Accordingly, the Commission, if it so deems advisable, may modify the terms of the engagement of any firm (subject to the firm's consent), without engaging in a search for another firm. Such modifications may include but are not limited to: changes in the fee, expansion or other modification of the investment guidelines, changes in the amount or percentage of funds under management, changes to the scope of services including expanding the mandate for investment managers to include additional assignments and extension of the expiration date of the contract.

7. Other Procedures

In addition to the procedures set forth herein, the Commission may utilize any procedures which comply with the State Purchase Act (Rhode Island General Laws, Chapter 37-2).