

IC 1

Office of the Treasurer
February 18, 2016

Members, Investment Committee of the Board of Trustees:

AUTHORIZATION TO CONDUCT FURTHER DUE DILIGENCE AND ENTER
CONTRACT NEGOTIATIONS WITH IDENTIFIED FINALISTS IN
ENDOWMENT INVESTMENT CONSULTANT SEARCH

Recommendation: that the Investment Committee authorize investment staff to conduct further due diligence and enter into contract negotiations with the identified finalists in the endowment investment consultant search.

Background: Pursuant to University of Kentucky Governing Regulation (GR) II.E.2.f(1) and consistent with KRS 164A.550 through 164A.630, the Investment Committee has sole responsibility for the review and oversight of the endowment investment program of the University and its affiliated corporations. Action by the full Board of Trustees is not required. These responsibilities include appointing, monitoring and evaluating investment managers and consultants; and reviewing and approving plans for the general management of the endowment funds of the University.

The University's current endowment investment consultant is RVK, Inc. RVK was hired in 2008 as a result of an RFP process and the term of the initial contract was April 1, 2008 through March 31, 2012. The contract provided for four one-year extensions at the option of both parties under the same terms and conditions. In February 2012, the Investment Committee approved the first extension for the period April 1, 2012 through June 30, 2013 in order to convert the contract to a fiscal year contractual period. The contract was subsequently extended for three additional one-year periods, with the final extension expiring June 30, 2016.

The University issued a request for proposals (RFP) for an endowment investment consultant in October 2015 and received 11 proposals. The RFP Evaluation Committee (composed of the Investment Committee Chair and various University staff members, including investment staff) performed a preliminary evaluation of proposals and conducted conference call interviews with four consulting firms. The four firms were also interviewed by the Investment Committee in a closed session on February 18, 2016. The consulting firms selected for further due diligence were determined to be potential candidates to perform the following scope of services:

- Advise the Investment Committee and investment staff on asset allocation and other long-term investment policies
- Provide ongoing economic and financial market updates

- Provide a detailed quarterly performance report with total return and market value data, including a detailed review of the performance for each investment manager with market and peer comparisons
- Provide a monthly flash report with total return and market value data provided by the investment managers
- Attend all regular and special Investment Committee meetings
- Assist with manager searches and ongoing manager due diligence

The names of the identified consulting firms will not be disclosed as it could jeopardize contract negotiations. The initial term of the contract(s) will be four years with four one-year renewal option for a total term not to exceed eight years.

Action taken: Approved Disapproved Other _____