



Investment Trust of California (CalTRUST)

Request for Proposal for Investment Management Services

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I. Introduction

The Investment Trust of California (CalTRUST) is seeking proposals for investment management services. The initial term of the agreement for services will be for between three and five years with optional one-year extensions. It is CalTRUST policy to issue an RFP for a service at least once every seven years. The last time an RFP for this service was issued was in 2017.

CalTRUST is a joint powers authority (JPA as defined in California Government Code 6500) and was created to provide a convenient method for California public agencies to pool their assets for investment. Public agencies can invest with CalTRUST directly, without the need for a council or board resolution to join the JPA. Any California local agency may participate in CalTRUST. There are currently 25 JPA members out of over 140 distinct actively participating public agencies with assets currently in the program.

CalTRUST is governed by a Board of Trustees comprised of local treasurers and investment officers. The Board sets overall policy for CalTRUST, and selects and supervises the activities of the Chief Executive Officer, Fund Accountant, Custody Provider, Investment Manager and other agents. Current service providers include BlackRock as the Investment Manager, U.S. Bank as the Custodian, and Ultimus Fund Solutions as the Fund Accountant and Transfer Agent.

CalTRUST has three proprietary funds – Liquidity (stable NAV), Short-Term (floating NAV), and Medium-Term (floating NAV) funds.

Asset size of each fund as of October 31, 2022:

- Liquidity: \$369,243,276
- Short-Term: \$1,049,968,170
- Medium-Term: \$918,099,769

Participants can select an account option which matches their investment time horizon and cash flow needs and easily reallocate among accounts as those needs change. Each of the funds seeks to attain as high a level of current income as is consistent with the preservation of principal by investing only in high-quality, fixed-income securities. All CalTRUST funds comply with the limits and restrictions placed on local investments by California statutes; no leveraging is permitted in any of the CalTRUST accounts.

CalTRUST governing documents, including the Joint Exercise of Powers Agreement, the Information Statement, and the Investment Policy, can be found at <https://caltrust.org/resources/>.

Per California Government Code California Government Code Section 6509.7, the Investment Manager must meet the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive, of Government Code Section 53601.
3. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

II. Timeline

RFP Release Date:	November 2, 2022
Questions Due:	November 10, 2022
Responses to Questions Posted:	November 18, 2022 (https://caltrust.org/rfps/)
Proposals Due:	December 16, 2022
Interview Notification:	January 18, 2023
Finalist Interviews:	February 10, 2023
Due Diligence Visits:	Late Feb/Early March 2023
Selection by Board:	March 2023
Anticipated Start Date:	TBD by May 15, 2023
Attend CalTRUST Board Meeting:	Week of May 15, 2023 (exact day(s) TBD)

III. Contact Information

Proposals and questions shall be submitted *electronically* by the aforementioned deadlines to:

Laura Labanieh
Chief Executive Officer
CalTRUST
Email: laura@caltrust.org

Electronic proposals MUST be received by 5pm on December 16, 2022.

IV. Scope of Services

The Investment Manager shall be responsible for exercising sole investment discretion in the management of the funds and to direct the purchase, sale, exchange and/or transfer of securities in the funds consistent with the CalTRUST investment policy, California Government Code 53600, and any other applicable law. Please visit <https://caltrust.org/resources/> to access a copy of the CalTRUST Investment Policy and other pertinent documents.

The Investment Manager shall also produce and deliver, and/or assist in the production and delivery of, presentations, newsletters, seminars, webinars, economic and market updates, and other applicable information as they are beneficial to the growth and marketing of the CalTRUST program.

Specific tasks and obligations required of the Investment Manager include:

1. Assist in the review of, and make recommendations for, the CalTRUST Investment Policy as needed.
2. Prepare an annual report of legislative changes that could directly impact the management of the CalTRUST Funds.
3. Prepare a monthly report for dissemination by CalTRUST, including fund performance charts and an economic commentary as well as review statistics reports compiled by the fund accountant
4. Actively participate in growth of the CalTRUST program including participating in CalTRUST strategy meetings and participating in conferences, trade shows, conduct webinars and individual meetings to promote the program.
5. Attend meetings of the CalTRUST Board of Trustees (typically up to three in-person annually) as well as CalTRUST Investment Committee (remote meetings quarterly at minimum) and provide written and verbal reports on the investment, market, and portfolio strategy.
6. Coordinate with CalTRUST's rating agency(ies) and prepare reports for rating surveillance as required. Participate in annual rating presentation.
7. Coordinate with CalTRUST staff and assist in providing customer support for all participants.

8. Provide all necessary requested information in support of the CalTRUST annual audit.

V. Proposal Questionnaire

General Overview

1. Provide a complete overview of your firm's structure, history, services offered, and current assets under management.
2. Provide your firm's organizational structure for investment management services. Include the number of staff, average tenure, and turnover rate.
3. Provide the names, titles, and biographies of key individuals who would be directly responsible for providing services. Include the year each individual joined the firm and their current responsibilities, experience, education, and professional designations. Detail their roles and the scope of their involvement.
4. How many investment staff have joined or left the firm in the past five years? Describe the firm's compensation and incentive program for professionals.
5. Describe your firm's approach to client services. Discuss how issues and problems are escalated within your organization. Discuss your firm's commitment to quality control and customer service policies.
6. Please list the hours (Pacific Time zone) the Relationship Manager will be available. What is the typical response time (in hours) to both general questions and urgent problems presented by your clients?
7. Briefly describe your firm's business recovery plans for ensuring that management of the investments continue in the event of a disaster.
8. Describe any significant developments that have affected your firm in the past five years, such as changes in ownership, restructuring, personnel changes, reorganization, or philosophy. If anticipated, describe any future, significant changes in your firm.
9. Within the past five years has your organization or an officer or principal been involved with any business litigation or legal proceedings relating to your activities? Please provide details with respect to the current status.
10. Within the last five years has any regulatory or governmental entity conducted an audit or review of or taken any action against your firm? If so, state the matter and briefly describe the actions taken by your firm to resolve or correct any deficiencies or problem. Also if yes, provide a statement of assurance as to why the violation does not have any material adverse effect on your firm's ability to perform the required services.

11. Please provide a copy of your Service Organization Controls (SOC) 1 report as an appendix. Were there any previous findings in your SOC that were not corrected? Describe your company's system backup, security, and disaster recovery procedures. Are files archived and stored at an off-site location? If so, where is the location? Have procedures been tested? When did you last perform a full-scaled disaster recovery test?

Investment Management Services

12. Describe your experience with managing funds for California public agencies and California Government Code 53601. What are your total assets under management for California public agencies?
13. Do you manage any funds/pools that are rated? Describe your proposed team's experience with, and knowledge of, the rating criteria of Fitch, Moodys, and S&P.
14. Provide a chart of historical returns and characteristics of any funds you currently manage that are similar in duration to the CalTRUST funds.
15. Provide your firm's investment philosophy. Generally describe the process used by your firm to evaluate investments.
16. What role does interest rate forecasting play in the firm's portfolio management strategy?
17. How will the firm position a portfolio in a rising interest rate environment?
18. Describe the process you will use to help achieve the following:
 - a. Appropriate policy statements and objectives;
 - b. Asset allocation;
 - c. Disciplined rebalancing;
 - d. Tactical asset allocation changes.
19. Describe your process for managing securities should they fall out of compliance with the CalTRUST Investment Policy.
20. What is your process for assessing risk in any portfolio? How are investment pool's risks measured, managed, and monitored? What is your process for notification/management of securities when there is a notable credit risk event?
21. How does your firm handle fluctuating cash flows and cash forecasting?
22. Describe your buy/sell discipline. What size, quality, and liquidity criteria apply to security purchases? What factors dictate your decision to sell a security or

position? Under what circumstances would your firm deviate from these disciplines?

23. How do you reconcile significant pricing differences between your pricing service and prices quoted by external investment managers?
24. What is the typical turnover of pool strategies?
25. Provide a general description of your research department. If no separate department exist, describe how this function is performed.
26. Describe your firm's philosophy and approach regarding the use of benchmarks. How do you determine the appropriate benchmark? How is a manager's performance measured against the benchmark?
27. Has your firm ever experienced serious or significant liquidity problems in any pool programs for which you have acted as investment manager? If so, please discuss and describe what efforts were undertaken to resolve the liquidity problems.
28. Have you ever had to contribute capital to any of your short-term pools under your management to prevent shareholders from sustaining a loss in principal value? If so, please describe in detail.
29. Did any of your short-term pools under management hold securities that did not repay at par or are in default?
30. Describe the firm's internal system of quality assurance. Describe how the firm would facilitate CalTRUST's responsibility to conduct a due-diligence inquiry that proves your capacity and fitness to undertake any service responsibilities.
31. Provide a summary of ad-hoc reporting capabilities.
32. Provide an estimated timeline for implementation, if selected.

Program Growth

33. How will your firm leverage existing relationships and other internal business channels to support growth of the CalTRUST program?

Fees and References

34. List your firm's ten largest government clients and the amounts managed. Identify the types of relationships. If you do not have ten government clients please list all government clients and additional non-governmental clients for a list of ten.
35. Identify other government investment pools your firm has managed, the amount of assets under management, and the length of time you have managed the assets.

36. Provide a detailed fee schedule for your services, distinguishing between fees for each fund.