

Chesapeake College Foundation
Investment Management Services
Request for Proposals

March 5, 2023

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Chesapeake College Foundations Investment Management Services Request for Proposal

TIME FRAME FOR PROCESS OF FIRM SELECTION, CONTRACT AWARD AND INITIATION

Dates currently established for the proposal process, selection of firm, contract award and contract initiation are stated below: *NOTE: FIRMS ARE HEREBY ADVISED THAT THESE DATES ARE SUBJECT TO CHANGE AS FOUNDATION AND COLLEGE OFFICIALS DEEM APPROPRIATE AND NECESSARY FOR PROPER FULFILLMENT OF THE INTENTIONS OF THE PROPOSAL PROCESS.*

- **March 5, 2023** Advertisement placed in Star Democrat, college website and E Maryland Marketplace

- **March 17, 2023** Pre bid Meeting – at 11:00 A.M.
Via Zoom
To register for Zoom meeting, email dcarroll@chesapeake.edu

- **March 21, 2023** Cut off for questions 1:00 p.m. Email questions to ksmith@chesapeake.edu

- **April 3, 2023** Due date for proposals. All proposals are due via email by **2:00 P.M. EST**
Karen Smith, Vice President for Administrative Services
ksmith@chesapeake.edu

- **April 14, 2023** Interviews/Presentations by selected firms with College Foundation
RFP Selection Committee. Firms will be notified if selected for an interview no
later April 7, 2023.

- **May 10, 2023** Anticipated approval and award of contract by the College Foundation
Board of Trustees.

Introduction and Background

A vision for the future of Chesapeake College inspires and guides the mission and work of the Chesapeake College Foundation. Founded in 1972, the Foundation is a tax-exempt organization under section 501 (a) of the Internal Revenue Code as described in section 501(c)(3). The Foundation enhances Chesapeake College's tradition of academic excellence and student success by providing additional resources to support the College's comprehensive mission.

Chesapeake College is a comprehensive public two-year regional community college serving educational, economic development and cultural needs of the residents of Caroline, Dorchester, Kent, Queen Anne's and Talbot counties on Maryland's Eastern Shore. The College's core commitment is to prepare students from diverse communities to excel in further education and employment in a global society. We put students first, offering transformative educational experiences. Our programs are comprehensive, responsive and affordable. The college is a catalyst for regional economic development and sustainability and a center for personal enrichment and the arts.

The business of the Foundation is managed by a Board of Directors, comprised local leaders who serve in a volunteer capacity, in accordance with the by-laws of the corporation. As the College's partner, the Foundation strives to assure that quality higher education is affordable and accessible for all area residents.

As the recipient of private individual, corporate and foundation donations, the Foundation Board of Directors has a fiduciary responsibility to manage these funds prudently and efficiently. An investment policy provides the framework within which the funds of the foundation may be invested.

The Foundation's asset manager will be asked to develop an investment portfolio for the Foundation that meets the requirements set forth in the investment policy. The majority of Foundation's assets are currently being managed by Brown Advisory.

Specifically, the asset manager will be expected to:

1. Invest Foundation funds and other negotiable assets in such a manner to produce maximum total investment return, while keeping risk to an acceptable level.
2. Develop an investment portfolio that is diversified both as to fixed income and equity holdings. Diversification should provide reasonable assurance that no single security (investment) or class of securities (investments) shall have a disproportionate or significant impact on the total portfolio.
3. Meet or exceed expectations as benchmarked by the Foundation's Investment Policy.
4. Attend Board and Finance Committee meetings at least annually, but also as requested.

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The Chesapeake College Foundation is seeking an investment management firm that has the experience and record of accomplishment to assist in this effort, by maximizing the Foundation’s return on investment within the stated guidelines, and constraints articulated in its investment policy.

Initial Investment: \$7,307,165 (Main investment account market value as of January 31, 2023).

Current Asset Allocations per Investment Policy

	Minimum	Long-Term Target	Maximum
Equities	55%	65%	70%
Large Cap	30%	40%	50%
International	5%	12%	18%
Small Cap	2%	7%	12%
Mid Cap	4%	6%	10%
Fixed Income	25%	33%	45%
High Yield	0%	2%	5%
Cash Equivalents	0%	2%	10%

Benchmarks: Investment management firms should explain in detail the indexes that the firm will be using as benchmarks and why they most closely reflect the investment portfolio of the Chesapeake College Foundation

Performance: Performance viewed through quarterly reports and a comprehensive annual review by the Finance Committee

Scope of Work

The successful investment firm must demonstrate in its proposal, and during a scheduled interview, if invited, an ability to fulfill the following expectations in a cost efficient manner.

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1. The firm will act as a strategic investment planner for the Chesapeake College Foundation to maximize the Foundation's endowments by establishing and maintaining an investment portfolio that is consistent with the Foundation's investment policy and strategies.
2. The Foundation's goal is to protect corpus, generate sufficient income to meet endowment payouts annually, increase net assets, while reducing risk to acceptable levels and maintaining approved asset allocations. Success will be measured by portfolio performance to pre-determined benchmarks on a total investment return basis.
3. The firm, working with the Foundation Finance Committee, will assign a portfolio manager who understands the mission of the Foundation, and has a proven track record of successful asset management for nonprofit organizations.
4. The portfolio manager will provide monthly statements and quarterly reports and analysis thereof based on the benchmarks and will attend meetings as necessary, at least once per year. Graphical and customized reports are necessary for Board reporting.
5. The portfolio manager will, at least annually, review, analyze and advise the Board regarding the Foundation's investment policy.
6. The portfolio manager will be responsive and meet all deadlines and schedules.
7. The firm's business philosophy, goals, objectives, and methodology should be presented to the Foundation in detail. The firm should describe investment results completed for other clients of similar size and non-profit corporations.
8. The firm must have demonstrated ten year minimum experience with managed endowments and document previous portfolio management experience of individuals designated to handle the Foundation's account.

RFP Terms and Conditions

Contract, Term, Cancellation, Termination, Requirements, Additions, Adjustments and Assignment

A binding contract will be developed which will incorporate the specifications, requirements, terms, conditions, and provisions included in the RFP and any additional elements of the selected firm's bid and proposal which the Foundation deems relevant for inclusion.

In the event that the selected firm breaches any of the terms and provisions of the scope of work, the Foundation reserves the right to accurately and specifically describe the unsatisfactory performance or condition in a written notice by registered or certified mail, and expect that this be corrected within a thirty (30) day period from the date the notice is received. If the described performance or condition is not corrected satisfactorily within this period, a thirty (30) day notice of cancellation of the relationship may be given to the firm, by registered or certified mail.

The Foundation may, at any time during the period of the relationship, terminate the contract by giving sixty (60) days notice, in writing, or its intention to do so, by registered or certified mail.

Official Notices –

All official notices to the Foundation shall be in writing and shall be delivered by registered or certified mail to:

Executive Director
Chesapeake College Foundation
P.O. Box 8, 1000 College Circle
Wye Mills, MD. 21679

Timelines

The firm should be prepared to begin work on or before July 1, 2023. The Foundation is seeking a five-year relationship with an option to renew for two additional years if firm performance is satisfactory and the renewal is recommended by the Finance committee of the Foundation Board of Directors.

Proposal Content for Submission

Each bidder must submit one electronic version (via email) for review by the Foundation evaluation committee of the final proposal. The electronic proposal should be submitted via email to ksmith@chesapeake.edu as one PDF document. The proposal should include the qualification and selection criteria listed below.

Qualifications and Selection Criteria

Company profile: A profile of the qualifications of the investment management firm shall describe the following:

A brief history of the organization, including its credit rating, and a description of its services.

The organization's experience in managing endowment funds.

A description of the investment alternatives the organization proposes, including:

Investment objective

Total assets under management by the designated account manager

Performance of investment fund or program for the past year, three-year and 10-year periods

Criteria used in individual asset selection

Copy of recent portfolio

Transition strategy

Guarantee: A description of bond or guarantee to protect Chesapeake College Foundation from any loss resulting from fraud or negligence by the organization employees or representatives.

Pending Agreements: A description of any pending agreements to merge or sell the organization as might be disclosed to the Securities and Exchange Commission.

Communication information: A description of the frequency and type of information that will be communicated to the Chesapeake College Foundation relative to the activities and performance of the investments.

Cost proposal: A detailed breakdown of all costs associated with the transition of the relationship (costs to liquidate current components of the portfolio, if proposed or required). This is necessary for both the current portfolio manager as well as others making a proposal.

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A breakdown of all ongoing fees and costs associated with the investment services provided for Chesapeake College Foundation shall include:

- | | |
|---|---------|
| 1. Total Projected Basis Points | _____ |
| 2. Advisory or Management Fee | \$_____ |
| 3. Manager Fee (Included in Rate of Return) | \$_____ |
| 4. Estimated Annual Fees__ | \$_____ |

Evaluation Criteria

In selecting the semi-finalists and finalist, the Foundation will consider a number of factors in combination. These factors will include, but not be limited to, the following, which are not listed in order of importance:

1. Completeness and responsiveness of the written proposal;
2. Marketplace success;
3. Full-service capabilities;
4. Completeness and demonstrated thoroughness of reporting;
5. Qualifications and experience of the proposed portfolio manager including total assets under management.
6. Completeness and responsiveness of the oral proposal given at the semi-finalist stage;
7. Financial proposal, including fee structure.

Additional Information

In addition to demonstrating the ability to meet the scope of work and addressing the evaluative criteria, proposals should include:

1. A minimum of three references of non-profit clients, with contact names provided.
2. Curriculum Vitae of key staff recommended for supporting our account.
3. A description of how the firm is organized including an organizational chart.

4. Notice of current intention of known change of ownership or control plans.

Evaluation Resources provided by Chesapeake College Foundation

1. Investment Policy of the Foundation (Attachment A)
2. Information on the College and the Foundation is accessible at <https://www.chesapeake.edu/chesapeake-college-foundation>

Attachment A

Chesapeake College Foundation, Inc. Investment Policy Statement

I. STATEMENT OF PURPOSE

The purpose behind the Investment Policy of the Chesapeake College Foundation, Inc. shall be to provide a framework within which the funds of the Foundation may be invested in a manner that will increase the financial resources available to Chesapeake College, its faculty and students for capital projects, scholarships, and other identified needs.

II. MISSION OF THE FOUNDATION

The Chesapeake College Foundation builds the resources to support scholarships, teaching and learning, innovative projects, and community partnerships at Chesapeake College.

III. INVESTMENT OBJECTIVES

To build and preserve funds by balancing the objectives of income generation, preservation of capital and capital growth through the following goals, which are listed in order of priority:

- A. Corpus protection.
- B. To generate sufficient income to meet the current year endowment payouts consistent with the Foundation's Payout Policy and keep pace with inflation.
- C. Principal growth to provide a larger base for income generation.
- D. Adhere to the asset allocation adopted to accomplish investment objectives.
- E. Long Term Objective: The portfolio will be managed to provide for an annual Spending Policy of up to six percent plus inflation as measured by the Consumer Price Index (CPI).

IV. SPENDING POLICY

The Executive Director will prepare a budget that shows the market value of each endowed scholarship and non-scholarship fund. The award will be between 3 % and 5% of the twenty-quarter rolling average of the market value of each fund, using the previous December 31st as the most recent quarter. Additionally, an administrative fee may be assessed annually on endowment funds subject to the implementation of a Policy for Administrative Fee.

V. PROCEDURES

To ensure that the Investment Policy is consistent with the current mission of the Foundation and accurately reflects the current financial condition of the Foundation, this Investment Policy shall be reviewed annually by the Finance Committee which shall submit any recommendations for any revisions or modifications to the Board of Directors for approval.

The following persons are authorized to provide directions to the investment manager(s): Executive Director, Chairperson of the Finance Committee, and the President of the Foundation Board of Directors.

VI. SELECTION OF INVESTMENT MANAGER

It is anticipated that from time to time the services of an Investment Manager may be sought to manage portions of the Foundation's funds. The following procedures shall be followed to engage or replace an Investment Manager. The same procedure shall apply for both individually managed accounts and mutual funds.

- A. When the Finance Committee deems it necessary, it will recommend to the Board of Directors that a Request for Proposal (RFP) for Investment Management services be issued.
- B. The Finance Committee will review the candidate(s) who respond to the RFP and make a recommendation to the Board of Directors, who shall have final approval.

VII. ROLES AND RESPONSIBILITIES

FINANCE COMMITTEE PURPOSE

The finance committee is responsible for leadership and oversight around the Chesapeake College Foundation's finances. The committee assures fiscal responsibility, internal controls, independent audit, financial analysis, and budgeting for the organization and reports on financial activity to the full board of directors.

MEMBERSHIP

The finance committee may be chaired by the board treasurer and be composed of at least two additional directors as well as former Foundation directors as appropriate. Ideally, a majority of the members of the finance will have experience with financial procedures, financial statements, and budgeting. The

Executive Director of the Foundation and the President of Chesapeake College will serve on the committee as ex-officio, non-voting members.

Finance committee members will serve on the committee for a one-year term.

MEETINGS

Regular meetings of the finance committee shall be held at least two weeks in advance of each Foundation board meeting on a standing day of the week and time agreed upon by the committee members at the beginning of each fiscal year. Additional meetings of the committee may be called as needed to handle specific or time-sensitive financial issues as they may arise.

ROLES AND RESPONSIBILITIES

- A. Ensure the preparation of an annual audit, 990 tax form, and Maryland charities registration.
- B. Work with the Executive Director to develop an annual budget for the Foundation; approve the annual budget for approval by the board.
- C. Monitor financial performance against the approved budget and recommend actions as necessary based on performance.
- D. Oversee the management of organizational assets and investments.
- E. Monitor investment performance with the Foundation's investment manager through performance reports and updates provided by the investment manager.
- F. Provide an annual report to the board on the investment manager's performance as compared to the Foundation's investment policy statement.
- G. Review annually the investment policy statement and other financial policies to ensure relevance to current Foundation needs and priorities; revise and develop new policies as needed to ensure fiscal responsibility.
- H. Conduct competitive request for proposal process for an investment manager in a time frame no greater than every seven years.

INVESTMENT MANAGER

The Investment Manager will have full discretion to make all investment decisions for the assets placed under its discretion, while operating within the policies, guidelines, constraints, and philosophies as outlined in this Statement, as it may be updated or amended from time to time. Specific responsibilities of the Investment Manager include:

- A. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- B. Reporting, on a timely basis, investment performance results.

- C. Communicating any significant changes to economic outlook, investment strategy, or any other factors, which affect implementation of its investment process or the investment objective of the portfolio.
- D. Informing the Foundation of any qualitative, material change in its investment management organization (examples include changes in portfolio management personnel, ownership, structure etc.).

CUSTODIAN

The Custodian will physically (directly, or indirectly through agreement with a sub-custodian) maintain possession of securities owned by the portfolio, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the portfolio accounts.

VIII. INVESTMENT GUIDELINES

A balanced investment philosophy, a portfolio of stocks, high quality fixed income and short-term interest-bearing obligations will achieve the following:

- A. Income generation from the fixed income positions
- B. Income generation from the money market accounts
- C. Capital appreciation from the income producing stock positions
- D. Capital preservation from cash positions
- E. Capital preservation from fixed income positions

In accordance with this philosophy and consistent with the investment objectives outlined in Section II, the Investment Manager shall adhere to the following investment guidelines:

	Minimum	Long-Term Target	Maximum
Equities	55%	65%	70%
Large Cap	30%	40%	50%
International	5%	12%	18%
Small Cap	2%	7%	12%
Mid Cap	4%	6%	10%

Fixed Income	25%	33%	45%
High Yield	0%	2%	5%
Cash Equivalents	0%	2%	10%

The investment returns of the Investment Manager’s asset allocation will be measured against those of a relative blended benchmark based on the asset allocation targets set forth in the table above.

RELATIVE BLENDED BENCHMARK:

40% Russell 1000, 12% MSCI All Country World ex-U.S., 7% Russell 2000, 6% Russell Midcap, 33% Barclays Aggregate, 2% Merrill Lynch 0-3 Month Treasury Index.

Over a three to five-year period, the Investment Manager is expected to achieve a return above the target mix, net of fees and commissions, without additional risk as measured by the variability of quarterly return.

IX. INVESTMENT POLICIES AND RESTRICTIONS

The investment policies and restrictions presented in this statement serve as a framework to help the Investment Managers achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with the Investment Manager’s efforts to attain overall objectives, and to minimize excluding the Investment Manager from appropriate investment opportunities. The Investment Manager has broad responsibility to shift the commitment of assets among industry sectors and individual securities to pursue opportunities presented by the long-term secular changes within the capital markets.

The following investment restrictions will apply to assets classes:

- A. Securities will not be sold short or bought on margin.
- B. No options, derivatives, or futures will be traded unless included in a mutual fund.
- C. Private placements, restricted securities, securities not traded in a public market, and direct real estate investment may be placed only upon recommendation of the Finance Committee and approval of the full Board.
- D. These funds will never be fully invested in any single market and should always maintain a level of money in liquid form, for new investment

purchases or to allow for immediate cash disbursements.

The Investment Manager shall observe investment policies and restrictions for each asset class as follows:

Equities

The Investment Manager should maintain the equity portion of the portfolio at a risk level roughly equivalent to that of the equity market as a whole, with the objective of exceeding its results as represented by each asset class's respective index (including income) over a three year moving time period net of fees and commissions. The Investment Manager is prohibited from investing in private placements, letter stock, and options; or from engaging in short sales, margin transactions or other specialized investment activities. It is expected that no assets will be invested in securities whose issuers have filed a petition for bankruptcy.

- A. The Investment Manager has full responsibility for security selection and diversification, subject to the following portfolio guidelines:
 - a. Maximum 15% commitment of the market value for an individual stock within a mutual fund, exchange-traded funds (ETFs) or separated managed account (SMAs)
 - b. Maximum 25% for a particular broad industry within a mutual fund, exchange-traded funds (ETFs) or separated managed account (SMAs)

Investment in securities issued by foreign companies is permissible if the value of such "international" securities does not exceed 18% of the Portfolio. Foreign investments may be in the form of listed international mutual funds and/or stocks either listed on a U.S. stock exchange or in the form of American Depository Receipts (ADR's).

Fixed Income

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums.

All types of U.S. dollar denominated fixed income securities may be used, including but not limited to: U.S. Treasuries, Government Agencies, Government sponsored enterprises (GSEs), Corporates, Mortgage-Backed Securities, Asset Backed Securities, Issues of U.S. state and local governments.

Mutual funds and exchange-traded funds (ETFs) that consist of the above

security types are permitted.

Diversification

- A. No limitation on securities that represent the full faith and credit of the U.S. Government
- B. Other than fully guaranteed mortgage-backed securities, exposure to a single Government Agency or GSE will not exceed 10% of the fixed income portfolio
- C. Exposure to a single corporation, state or local government is limited to 3% of the fixed income portfolio.
- D. Industry concentration is limited to 25% of the portfolio

Credit Quality

- A. 80% of all holdings must be rated as investment-grade (i.e., minimum Baa3 or BBB-) by at least one Nationally Recognized Statistical Rating Organization (NRSRO).
- B. In the event of a split-rated issue, the lower of the two ratings will be utilized.
- C. The average credit quality of the portfolio will be A3/A-.
- D. Commercial paper or other short-term instruments must be rated in top tier ratings (i.e., A1 or P1) by at least one NRSRO.

Maturity

No maturity limit shall apply per individual issue. The portfolio's overall sensitivity to interest rate changes will be measured by duration. Expected average maturity/duration will be utilized in the case of bonds with periodic principal repayments (i.e., mortgage-backed securities, asset-backed securities, and bonds with sinking funds).

Duration

The portfolio's average duration will be in a range of 3.5 to 7.0. The Manager is prohibited from hedging the portfolio using derivative instruments such as futures or options.

Within the above restrictions, the Manager has complete discretion over timing and selection of fixed income securities.

Cash and Equivalents

The Manager may invest in commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the account's principal value. All such assets must represent maturities of one year or less at time of purchase.

Commercial paper assets must be rated A-1 or P-1 by Standard and Poor's and Moody's, respectively. The Manager may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and interest). The Manager also may not invest more than 5% of the account's market value in the obligations of a single issuer, except for the U.S. Government and its agencies. Uninvested cash reserves should be kept to minimum levels. Within the limitations mentioned above, the Manager has complete discretion to allocate and select short-term and equivalent securities.

Other Assets

The Manager will not purchase assets other than those mentioned above without written consent. The Manager is strictly prohibited from investing in options or futures contracts. Securities of foreign governments traded on foreign stock are prohibited. Investments not specifically addressed by this statement are prohibited without written consent.

X. EVALUATION AND MONITORING

The Investment Manager will monitor the funds. Regular meetings with the Finance Committee and the Investment Manager will occur to discuss goal attainment and any changes to either Investment Objectives or Investment Guidelines. A minimum period for performance measurement should be one market cycle, or three to seven years.

Approved by the Chesapeake College Foundation Board, March 9, 2022