



GOVERNMENT OF PUERTO RICO

**Puerto Rico Fiscal Agency and Financial
Advisory Authority**

Scholarship Fund Management & Investment Management Services

For

The University of Puerto Rico Scholarship Fund sponsored by the Government of Puerto
Rico

Issue Date: November 7, 2019

Submission Date for Request for Qualifications: December 6, 2019

RFQ Number: 2019-06

Submission Location:

Responses to be mailed to: rfqsfm@aafaf.pr.gov

Documents will only be received electronically.

Hand delivery and postal mailed documents will not be accepted.

Amended Submission Time:

Responses to be received at the above submission email address on or prior

to: 5:00 pm (Puerto Rico time), December 6, 2019

Contact Person:

Blanca Fernández

No telephone queries

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REQUEST FOR QUALIFICATIONS

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Introduction

Founded in 1903, the University of Puerto Rico (the “UPR” or the “University”) is the state university system created by Law No. 1 of January 20, 1966, “Law of the University of Puerto Rico”, as amended, and is the island’s largest public institution of higher education. As of June 2019, it serves over 53,000 students across eleven (11) campuses accredited by specialized professional boards and by the Middle States Council on Higher Education. The University’s mission is to serve the people of Puerto Rico and contribute to the development and enjoyment of the fundamental, ethical and aesthetic values of Puerto Rican culture, and to the ideals of a democratic society. To advance its mission, the University strives to provide accessible high-quality education and create new knowledge in the Arts, Sciences and Technology.

Pursuant to Public Law 114-187 known as the “Puerto Rico Oversight, Management and Economic Stability Act” (“PROMESA”), the UPR is designated as a covered territorial instrumentality and, as such, was required to submit and certify a fiscal plan to the Fiscal Oversight Management Board for Puerto Rico (“FOMB”), which required significant budgetary and tuition exemption reductions and an increase in tuition costs.

As part of the budget redistribution of the Government of Puerto Rico (the “Government”), FOMB assigned funds to establish a scholarship fund (the “Scholarship Fund”) to benefit the students of the University.

Section 2.7.1 of the UPR Certified Fiscal Plan (June 5, 2019), titled “Additional detail on UPR scholarship funds”, expressly states that “the Commonwealth, in collaboration with the Oversight Board, will also contribute \$35 to \$50 million per year to external scholarships to be managed by an independent third party. This fund will be used to provide need-based scholarships to UPR students.”

Consequently, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“FAFAA” or the “Client”) is requesting such firms be able to provide Scholarship Fund Management and Investment Management services to participate in this Request for Qualifications (“RFQ”) and present qualifications to act as both scholarship fund manager (“Scholarship Manager”) and as an investment manager (“Investment Manager”). Interested firms should respond to this RFQ on an individual basis. If a joint scope basis is necessary in order to fully respond to this RFQ, an explanation of why any such firms are not able to serve individually must be included.

The Government, the FOMB and FAFAA are sometimes herein referred to collectively as the “Government Parties”.

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Sources of Funds

The funds allocated to the Scholarship Fund would come from expenditure reductions related to the projected budgets of the General Court of Justice, the Legislative Assembly, FAFAA, and the FOMB. As for the Legislative Assembly and the General Court of Justice, the reductions are based on comparative benchmarking (e.g., benchmarking against other full-time legislatures in the U.S.); while for FAFAA and the FOMB, a ~50% reduction compared to the average reductions to other agencies.

Annual Appropriation

As per the Certified Fiscal Plan dated May 9, 2019, the Government’s contribution to the Scholarship Fund is as follows:

Fiscal Year	Annual Contribution	Status:
2018-2019	\$34.70 million	<i>Held under the custody of the Department of Treasury</i>
2019-2020	\$38.80 million	<i>Included in FY’2019-2020 Budget</i>
2020-2021	\$42.75 million	<i>Projected</i>
2021-2022	\$46.73 million	<i>Projected</i>
2022-2023	\$50.79 million	<i>Projected</i>
Total	\$213.77 million	

Distribution and Funds Allocation Policy

The annual distributions from the Government will be deposited into a separate investment account in order to build the Scholarship Fund. The Scholarship Fund’s returns would be used for annual distribution of funds to UPR students in accordance with the student allocation policy to be developed with the third-party Scholarship Manager.

Scope of Work & Required Expertise:

Activities and services to be provided may include, but are not limited to, the following:

Scholarship Fund Management Services:

- Develop an individualized accounting structure.
- Prepare annual financial statements, which summarize the contributions to the Scholarship Fund, as well as scholarships awarded annually.
- Prepare historical report of scholarships.
- Design the selection criteria and application forms, taking into consideration the UPR’s rules and regulations for scholarships.

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- Communicate with the UPR's financial aid offices to disseminate the scholarship opportunities and increase the outreach potential.
- Disseminate the scholarship opportunities throughout the University's social media network and in other media outlets.
- Develop a set-up for applicants to apply through an online system, making it accessible through the proponent's website and the UPR's website.
- Create a team in charge of answering inbound calls and emails to clarify questions and provide orientation, as needed.
- Receive applications and conduct preliminary screenings to guarantee that all candidates to be evaluated comply with the scholarship criteria.
- Determine the internal approval process, the scholarship agreements per candidate and the checks to be granted.
- Communicate results to selected candidates and to those not selected.
- Follow-up communications with scholarship recipients.
- Be a well-established community and/or private foundation with experience in education programs.
- Have the ability and willingness to receive the assigned funds.
- Have the ability and experience in establishing and administering a multi-million-dollar scholarship fund.
- Provide comparable scholarship award distribution procedures to the UPR's established guidelines and regulations.

Investment Management Services

- All Investment Managers services would need to comply with the Investment Policy Guidelines of 2019, published by FAFAA on March 21, 2019.
- Detailed experience and qualifications should be submitted.

The inability to satisfy one or more of the recommended areas of expertise will not necessarily disqualify a submission. Respondents to this RFQ will be required to comply with the requirements of the Puerto Rico General Services Administration.

Contents of the Response to the RFQ (the "Statement of Qualifications"):

The Statement of Qualifications must include the following:

1. **Firm Description.**
 - a. How long has the firm been in business?
 - b. What are the total assets under management?

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- c. How many clients does the firm / advisor have?
- d. Average client size?
- e. How many employees does the firm have?
- f. Regulatory registrations
- g. Custodian, Accountant, Legal Counsel?

2. Experience and Qualifications Related to the Scope of Work and Required Expertise.

In addition to current and past experiences, all firms submitting responses to this RFQ, must provide an overview of the following areas of focus:

Risk Management.

- What is the firm's philosophy with respect to risk?
- What risks are being measured?
- In regards to Investment Manager services, what is the portfolio composition compared to the index or the mandate?
- In regards to Investment Manager services, what is the firm's overview on credit risk and counterparty risk?
- Does the firm itself have a risk management strategy?

Reporting and Communication.

- What do the portfolio statements look like?
- Is there a detailed, written report provided to the Client?
- Is there flexibility in the type of reporting available?
- What is the frequency of the above?
- Is password protected electronic reporting available?
- How often are representatives of the firm available to meet and how does the firm define its service standards?
- What is the average response time for questions, emails, inquiries, etc.?
- Are Client meetings held in person?

Products and Services.

In regards to Investment Manager services, firms submitting responses to this RFQ must also provide

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the following overview on the area of products and services:

- Will the firm develop with the Client an Investment Policy Statement that reflects the Client's objectives including return expectations, risk tolerance and constraints including tax implications, time horizon and special circumstances?
- Will this be a document that can be signed off by both Client and the firm?

3. Key Individuals Responsible for the Firm.

Firms interested in submitting a Statement of Qualifications must provide an organizational chart of their team with the designated primary leaders and the day-to-day professionals to be responsible for the management services in regards to the proposed Scholarship Fund.

4. Management Fees.

- Is there a minimum fee?
- Break-up fees?
- Custodian fees?
- Any other fees?

Firms interested in submitting a Statement of Qualifications must also provide the following information in regards to Investment Manager services:

- On what basis are the investment management fees calculated? How often are they charged and what payment options does the client have?

5. The Firm's Prior Work for Puerto Rico Government Entities

The Statement of Qualifications should also include a description of any prior work done for the Government and/or its component units during the past five (5) years. Please provide information related to any involvement in any litigation and/or investigation concerning the Government and/or its component units, if any.

6. Related Activities and Investments.

In order to allow FAFAA to conduct an initial assessment of potential conflicts of interest, please provide a brief description of any work you have performed for any creditors or guarantors of the Government and/or its public corporations regarding their positions in Puerto Rico debt obligations. Indicate whether this activity is ongoing, and if not, when the aforementioned assignment was concluded. Also, list any holdings of Puerto Rico's public debt, or holdings of securities issued by municipal bond insurance companies that are involved in debt restructuring proceedings of any Puerto Rico issuer. Puerto Rico debt obligations and securities issued by municipal bond insurance companies shall be referred

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to as “Related Investments.” Provide a list of these Related Investments that are held directly by your firm or its affiliated companies, or that your firm or affiliates may manage for others.

7. References.

Provide the contact information of your references for three separate past assignments that are directly relevant to the management services described in this RFQ in regards to the proposed Scholarship Fund.

8. Selection Criteria:

In order to identify qualified respondents, candidates that submitted a Statement of Qualifications will be evaluated based on the following factors and criteria:

- Experience with similar engagements based on examples whereby the respondent worked on endowment funds and investments.
- The team’s experience and credentials for the proposed engagement.
- Understanding of the extent and scope of the proposed engagement.
- Any actual or potential conflicts of interest.
- The completeness, quality, and presentation of the Statement of Qualifications.
- The presentation and quality of any additional responses required to the candidates throughout the selection process.
- Presence or current plans to establish a physical presence in Puerto Rico as evidence of the entity’s contribution to Puerto Rico’s economic development.

Confidential or Proprietary Information

All Statements of Qualifications, evaluations and the content of any discussions shall be kept strictly confidential throughout the evaluation and qualifying process. Only the Government Parties shall have access to the Statements of Qualifications and the evaluation results. A copy of each Statement of Qualifications will be retained for the Government Parties’ files. If a respondent considers that its Statement of Qualifications contains material that is confidential and/or proprietary, the respondent must clearly note or mark each section of material as confidential and/or proprietary. The Government Parties will determine whether such material meets the requirements for an exemption from disclosure. If so, that information will not be disclosed pursuant to a request for public documents. If the Government Parties do not consider such material to meet the requirements for exemption from disclosure, the material will be made available to the public, regardless of the notation or markings. It is the responsibility of respondents to be thoroughly informed and familiar with the requirements of disclosure of public documents.

Furthermore, by responding to this RFQ, respondents acknowledge and agree that the

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Government Parties will not be responsible or liable in any way for any losses that the respondent may suffer from the disclosure of information or materials to third parties. It is the responsibility of the respondent, as the real party in interest, to object any disclosure and defend any action that may be necessary to protect its confidential information.

Statement of Qualifications:

The Statement of Qualifications is due no later than 5:00 p.m. Puerto Rico time on December 6, 2019. Please respond in a thorough and timely fashion, but as concisely as possible. Statement of Qualifications shall be sent via email to rfqsfm@aafaf.pr.gov. Respondents are encouraged to confirm receipt of responses by either return e-mail or telephone. FAFAA reserves the right not to consider Statement of Qualifications or revisions received after the response due date.

The Government Parties prefer that firms submit individual responses and not submit joint proposals. However, if you feel your firm, or group of firms, would only be able to respond fully to the RFQ by joining with other firms, then submit a joint response, including an explanation of why your firm, or group of firms, would not be able to serve as a proponent individually.

FAFAA expects to review the Statement of Qualifications and conduct further discussions with a short list of firms. However, it is possible FAFAA could proceed directly to scope and fee negotiations with one or more firms based on the Statement of Qualifications.

Any initial question concerning the RFQ or the Statement of Qualifications should be addressed to the email addresses listed above. Any questions or comments, and related responses, may be made public for the benefit of all potential respondents to the RFQ. Under no circumstances should any representative of your firm make any contact concerning the RFQ with any representative not authorized by FAFAA.

FAFAA reserves the right to reject any submissions in their sole and absolute discretion. FAFAA also reserves the right to postpone the date on which the Statement of Qualifications are required to be submitted or take any other actions that they may deem to be in the best interests of the Government Parties. This RFQ does not commit FAFAA to enter into a contract or proceed with the procurement of a Scholarship Manager and Investment Manager, as described herein. FAFAA assumes no obligations, responsibilities or liabilities, fiscal or otherwise, to reimburse all or part of the costs incurred or alleged to have been incurred by the parties considering a response to and/or responding to this RFQ, or in considering or making any submission. All of such costs will be borne solely by each respondent.

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