

*Securities Litigation Portfolio Monitoring and
Securities Litigation Services*

Request for Proposals

AMENDMENT NO. 2

Per Section 4.4.3 Amendments of the Securities Litigation Portfolio Monitoring and Securities Litigation Services Request for Proposals (“RFP”), verbal comments or discussion by RSIC relative to this RFP cannot add, delete, or modify any written provision. Any alteration to this RFP must be in the form of a written amendment to all Offerors. All Offerors shall acknowledge receipt of this Amendment No. 2 by email to Mr. Brad Gainey at compliance@ic.sc.gov as soon as possible.

In response to questions received from Offerors, the South Carolina Retirement System Investment Commission (“RSIC”) is providing the following responses below.

1. **Question:** Offeror has strong experience in the Securities Litigation Portfolio Monitoring Services outlined in Section III (3.1.1 and 3.1.2), but as we are a financial solutions provider and not a law firm, we do not have qualification in Section III (3.1.3) for Securities Litigation Services. Will this prohibit Offeror from being considered?

Response: Per Section 3.1.0 of the RFP, “Offerors may submit a bid to provide either (i) securities litigation portfolio monitoring services; (ii) securities litigation services; or (iii) Offerors may submit bids to provide both types of services. RSIC reserves the right to award less than all of the services to the winning Offeror, to make redundant awards, and/or to split the award by awarding some services to multiple Offerors, in its discretion and subject to agreement by Offeror(s).”

2. **Question:** From the RFP, we can see that that the portfolio is \$30.1 billion, could you provide the estimated equity/stock AUM that RSIC would include in the service?

Response: Please refer to the latest Annual Investment Report (“AIR”) for the most comprehensive information on equity/stock AUM holdings (<https://www.rsic.sc.gov/Reporting/AIR/PDFs/2016annualreport.pdf>). A real-time report of equity/stock AUM is not available. RSIC confirms that there have not been changes to the South Carolina Retirement Systems Group Trust (“Group Trust”) which would substantially change the types and amounts of equity positions since the last AIR was issued.

3. Can you provide insight into your current participation with securities class actions?

- **Question:** On an annual basis, how many cases do you participate in?

- **Response:** RSIC does not currently have a cumulative summary of the securities litigation cases in which RSIC has participated. In the last year (4th of Quarter 2016 – 3rd Quarter of 2017), RSIC has been a passive member of approximately 23 new

securities class action claims. In the last year (4th Quarter of 2016 – 3rd Quarter of 2017), RSIC has recovered on approximately 43 securities class action claims. RSIC has also served as the lead plaintiff in one securities class action filed in 2016.

- **Question:** On an annual basis, how much have you recovered?
- **Response:** RSIC does not currently have a cumulative summary of the amount RSIC has recovered from securities class actions. Based on the last four completed quarters, ending September of 2017 (4th Quarter of 2016 – 3rd Quarter of 2017), RSIC has recovered approximately \$1,806,620.38 from securities class action claims.

4. **Question:** It is mentioned that BNY Mellon is RSIC’s custodian. Could you confirm what level of interaction Offeror might have with BNY as well as other RSIC/Retirement system investment managers, consultants, legal counsel, or other advisors?

Response: Successful Offerors will work with RSIC’s custodian, the Bank of New York Mellon, and other service providers to access appropriate data to monitor, review, file, and oversee the claims filing process on behalf of RSIC. RSIC does not anticipate extensive interaction for routine matters but will provide heightened access to RSIC legal counsel, investment managers, and other appropriate resources as needed for specialized claims filings and ongoing claims management.

5. **Question:** Who is the group trust’s custodian?

Response: The Bank of New York Mellon currently serves as the physical custodian of the Group Trust’s assets. The Board of Directors of the South Carolina Public Employee Benefit Authority (“PEBA”) is the statutory custodian for the Group Trust, and RSIC has exclusive authority to select the custodial bank. See S.C. Code of Laws Ann. Section 9-1-1320.

6. **Question:** Have there been changes made to the custodians in the past?

Response: The Bank of New York Mellon (“BNY Mellon”) and its predecessor entities have served as the custodial bank since the time when RSIC was formed to invest and manage the assets of the Group Trust (2005). The legal authority to select the custodial bank and the naming of PEBA as the statutory custodian, as referenced above, are amendments to governing law which became effective on July 1, 2017. Prior to the change in law, the South Carolina State Treasurer served as the statutory custodian for the Group Trust and was responsible for selecting the custodial bank.

7. **Question:** Would the trust be interested in an audit of past securities class actions at no cost?

Response: Section 2, Question 12 of Exhibit B – Offeror Questionnaire of the RFP asks: “Does Offeror provide settlement audit services to ensure that claims are being filed correctly?” Please provide any information concerning Offeror’s ability to perform an audit of past securities class actions in response to this question.

- 8. Question:** Would the trust be interested in seeing other versions of calculations in addition to LIFO, FIFO?

Response: Section 3.1.1(g) of the RFP requests that Offerors “[c]reate a preliminary calculation of the Portfolio’s investment losses, if any, on a LIFO and FIFO basis, noting the methodology and transaction data used and the appropriate measure of losses in the action.” Offerors should respond to the question as asked.

- 9. Question:** Can you expand on the trusts policies regarding op out cases.

Response: RSIC’s Securities Litigation Policy is the official guidance on all matters related to how RSIC conducts securities litigation. RSIC’s Securities Litigation Policy can be found in RSIC’s Statement of Investment Objectives and Policies, as amended and adopted on June 22, 2017 and reaffirmed on September 28, 2017 (<https://www.rsic.sc.gov/documents/Commission/2017.09.28-SIOP.pdf>).

- 10. Question:** Would the trust use the monitoring party to file claims missed by the custodian?

Response: Section 3.1.2(b) of the RFP states that an Offeror may provide information about “[p]roviding backup to RSIC’s custodian and/or administrator for filing of proofs of claim and making other required filings on an as-needed basis.” Offeror should provide any information about assisting RSIC’s custodian and/or administrator in response to this question.

- 11. Question:** Does the trust need preparation and filing services in all non-U.S. cases?

Response: Successful Offerors will perform an analysis on non-U.S. cases to determine the approximate cost of preparing and filing potential claims on behalf of the Group Trust. Based on the analysis, the Successful Offerors will provide a recommendation as to the fiscal responsibility of filing potential claims in these cases (i.e. if the cost of filing exceeds the potential recovery, RSIC expects a recommendation that the Group Trust not pursue the claim).

- 12. Question:** Is the trust interest in claim monetization services particularly for closed or closing accounts?

Response: RSIC does not currently engage in any claims monetization activities.

- 13. Question:** Is there a preferred fee structure?

Response: RSIC has not identified a “preferred fee structure”. Offeror should respond to Exhibit C – Fee Proposal – Securities Litigation Portfolio Monitoring Services with all of Offeror’s available fee arrangements.

14. Question: Does South Carolina Retirement System Investment Commission ("SC-RSIC") wish to receive an email copy of the Response to the RFP?

Response: No, Offerors need not provide an email copy of their proposals.

15. Question: With respect to Exhibit B, Section 2, Question 2: Is SC-RSIC requesting a full list of clients and their contact information, or would a listing of representative clients suffice?

Response: Offerors should provide a listing of representative clients. Please also include a list of any public pension plans for which Offerors currently provide services.

16. Question: With respect to Exhibit D, Question 2: Do you wish to know about all fees awarded in the past five years or just fees in cases in the past five years where we have agreed to a multitiered, multi-variable fee schedule where counsel's compensation depends solely on the size of the total of recovery and the timing of the settlement?

Response: Offerors should provide a list of all multi-tiered, multi-variable fees that have been agreed to by Offerors in the past five years, if any.

17. Question: With respect to Exhibit G - Cloud Computing Security Assessment, Question 6(a): What circumstances does SC-RSIC foresee that could necessitate an audit of policies and procedures?

Response: In the event RSIC has concerns about the security of RSIC’s data or a suspected or actual breach of security that could impact RSIC’s data, an audit of an Offeror’s information technology policies and procedures could be necessitated.

18. Question: With respect to Exhibit G - Cloud Computing Security Assessment, Question 6(e): What circumstances does SC-RSIC foresee that could necessitate a forensic investigation?

Response: In the event RSIC has concerns about the security of RSIC’s data or a suspected or actual breach of security that could impact RSIC’s data, a forensic investigation could be required.

19. Question: With respect to Exhibit G - Cloud Computing Security Assessment, Question 9(b): What circumstances might cause SC-RSIC to request access to documented security controls listed below?

- i. Firewall;
- ii. Two-factor authentication;
- iii. Security training;

- iv. Desktop protection;
- v. Whole disc encryption;
- vi. Access controls;
- vii. Physical and environmental controls;
- viii. Security log monitoring;
- ix. Patch management; and
- x. Intrusion detection system/intrusion prevention system.

Response: In the event RSIC has concerns about the security of RSIC’s data or a suspected or actual breach of security that could impact RSIC’s data, RSIC may request to access the documented security controls listed above.

20. Question: Exhibit G – RSIC Cloud Computing Security Assessment Questionnaire” appears to concern portfolio monitoring. Are we required to respond to this questionnaire even if we were applying to be selected to provide securities litigation services only?

Response: All Offerors are required to complete Exhibit G – RSIC Cloud Computing Security Assessment Questionnaire regardless of whether Offerors are submitting a proposal to provide securities litigation portfolio monitoring services, securities litigation services, or both.

21. Question: RSIC notes BNY as its custodian bank. How long has this relationship been in place?

Response: Please see the response to Question 6 of this Amendment No. 2.

22. Question: If the relationship with BNY has been in place for less than 10 years, who was the previous custodian? Can historical data be retrieved going back 10 years (even if the custodian was someone other than BNY)?

Response: Not applicable. RSIC’s relationship with Bank of New York Mellon and its predecessor entities has been in place for longer than ten years.

23. Question: In total, how many custodian accounts will RSIC expect to be monitored?

Response: Please refer to the latest Annual Investment Report (“AIR”) for the most comprehensive information on equity/stock AUM holdings (<https://www.rsic.sc.gov/Reporting/AIR/PDFs/2016annualreport.pdf>).

24. Question: What is the Disclosure Statement referenced on page 16, Section 4.1.18 of the RFP, and where can we obtain a copy to include in our response? Also, the proposal format as described in 4.1.5 et seq. does not indicate where in our response a Disclosure Statement should be included—please let us know where it should be provided.

Response: The “Disclosure Statement” referenced in Section 4.1.18 of the RFP refers to the statement referenced in Section 4.1.6(e) of the RFP, which should be included in Offeror’s cover letter.

25. Question: Exhibit H - Key Employee List (p. 39 of the RFP). The proposal format as described in 4.1.5 et seq. does not indicate where in our response a the Key Employee list should go—please let us know where it should be provided.

Response: The information requested in Exhibit H – Key Employee List should be included as Exhibit H to Offeror’s proposal.

26. Question: P. 40 of the RFP is a “Nonresident Taxpayer Registration Affidavit Income Tax Withholding” Form. Do we need to fill this out and include it with our response? On the form it requires the nonresident taxpayer to certify registration with either the South Carolina Secretary of State or the South Carolina Department of Revenue—does this need to be done prior to submitting a response to this RFP? In addition, the proposal format as described in 4.1.5 et seq. does not indicate where in our response this form should go—please let us know where it should be provided if it is to be included.

Response: The Nonresident Taxpayer Registration Affidavit Income Tax Withholding Form need not be included with Offeror’s response to the RFP. Selected Offerors must complete the appropriate registrations to do business with the State of South Carolina prior to doing business with RSIC. RSIC does not administer and has no authority over tax issues.

27. Question: Section VI of the RFP seems to list the terms of a contract that will be awarded, if any. In subsections 6.1.6 and 6.1.7, it requires the disclosure of any potential conflicts and the firm’s involvement in litigation, among other things. Is this information to be included with our proposal? If so, where should this information be provided? While the Exhibit B Offeror Questionnaire does seem to cover the disclosure of some of this information (See Section 1: General Information, questions 5. And 6.)—more information seems to be required by subsections 6.1.6 and 6.1.7.

Response: Section VI. Terms and Conditions of the RFP sets forth various contractual terms and conditions that must be included in any contract awarded by RSIC to successful Offerors. Offerors need not disclose the information required under Sections 6.1.6 and 6.1.7 in their proposals, but finalist Offerors will be required to disclose such information at the beginning of contract negotiations with RSIC.