



STATE OF TENNESSEE
RFS # 309.01-126
AMENDMENT # 3

August 11, 2008

THE SUBJECT QUESTIONNAIRE IS HEREBY AMENDED AS FOLLOWS.

- A. The following Questionnaire Schedule of Events updates or confirms scheduled Questionnaire dates.

| All Mandates | Date | Updated/ Confirmed |
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| Questionnaire Issued | 7/25/08 | CONFIRMED |
| Letters of Intent & Written Questions Deadline | 3:00 p.m. on 8/1/08 | CONFIRMED |
| TCRS Responds to Written Questions | 8/11/08 | UPDATED |
| Proposal Deadline | 3:00 p.m. on 8/15/08 | CONFIRMED |
| Broad EAFE and EAFE Regional Subset Mandates | | |
| Finalist presentations in Nashville (tentative) | 9/15/08 – 9/19/08 | CONFIRMED |
| TCRS Issues Evaluation Notice | 9/22/08 | CONFIRMED |
| Contract Signature Deadline | 10/6/08 | CONFIRMED |
| Effective Date of Contracts | 10/15/08 | CONFIRMED |
| Portfolio transitions completed | 10/31/08 | CONFIRMED |
| Concentrated EAFE and Small Cap EAFE Mandates | | |
| Finalist presentations in Nashville (tentative) | 10/14/08 – 10/24/08 | CONFIRMED |
| TCRS Issues Evaluation Notice | 10/29/08 | CONFIRMED |
| Contract Signature Deadline | 11/21/08 | CONFIRMED |
| Effective Date of Contracts | 1/2/09 | CONFIRMED |
| Portfolio transitions completed | 1/31/09 | CONFIRMED |

- B. The following TCRS responses to the questions detailed shall amend or clarify this Questionnaire accordingly.

| QUESTION/COMMENT | TCRS RESPONSE |
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| 1. In section L question 5, the RFP asks for the following: References for three current institutional clients invested in the proposed strategy. In order to protect the privacy of our clients, would it be acceptable to provide references should we be invited to a finals presentation? | No. |
| 2. In section L question 6, the RFP asks for the following: References for three institutional clients formerly invested in the proposed strategy that terminated your firm within the past year (or longer, if necessary). In order to protect the privacy of our former clients, would it be acceptable to provide references should we be invited to a finals presentation? | No. |

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| <p>3. We would request that Section A.7.a of the Pro Forma Contract (Exhibit B to the Questionnaire) be modified as follows:</p> <p><u>A.7. Warranties and Acknowledgments.</u></p> <p>a. <u>Registration of Contractor.</u> The Contractor warrants that it is registered under the Investment Advisers Act of 1940, or is exempt from such registration, and that it will notify the Retirement System in writing within ten (10) calendar days of the occurrence of any event that has caused or may cause this representation to be untrue or the occurrence of any other materially adverse action by the Securities and Exchange Commission directly affecting the Contractor or any person associated with the Contractor.</p> | <p>No.</p> |
| <p>4. We would request that Section A.9.a(2) of the Pro Forma Contract (Exhibit B to the Questionnaire) be modified as follows:</p> <p><u>A.9. Reports and Meetings.</u></p> <p>a. <u>Reports</u></p> <p>(2) The Contractor shall promptly notify the Retirement System in writing (i) if any of the Representations in Section A.7 and Section E.5 hereof shall cease to be true at any time during the term of this Contract, (ii) of any material change in the Contractor's directors, senior officers, or other employees who exercise investment discretion with respect to the Account, (iii) of any other material change in the Contractor's business or corporate organization or ability or potential ability to perform hereunder, (iv) of any material lawsuit threatened or filed against the Contractor in which investments in the Account are at issue, in which charges of fiduciary misconduct are alleged or which may, if proven, materially impair the ability of the Contractor to perform under this Contract, or (v) of any material adverse change or threatened change in the Contractor's financial condition.</p> | <p>No.</p> |
| <p>5. We would request that Section C.1, C.2, and C.3 of the Pro Forma Contract (Exhibit B to the Questionnaire) be modified as follows:</p> <p><u>C.1. Maximum Fees payable.</u> In no event shall the maximum fees payable of the Retirement System under this Contract exceed WRITTEN DOLLAR AMOUNT (\$NUMBER). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of</p> | <p>No, this is standard State contract language. However, see response to Question 30 below.</p> |

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| <p>the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.</p> <p>The Contractor is not entitled to be paid the maximum fees payable for any period under the Contract or any extensions of the Contract for work not requested by the Retirement System. The maximum fees payable represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the Retirement System requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in Section C.3. The Retirement System is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.</p> <p><u>C.2. Compensation Firm.</u> The payment rates and the maximum liability fees payable of the Retirement System under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.</p> <p><u>C.3. Payment Methodology.</u> The Contractor shall be compensated based on the payment rates herein for units of service authorized by the Retirement System in a total amount not to exceed the maximum fees payable established in Section C.1.</p> <p>a. The Contractor's compensation shall be contingent upon the completion of the service specified in Section A.</p> <p>b. The Contractor shall be compensated on a quarterly basis, in arrears, based on the net asset value of the Account. The fee shall be calculated on a monthly basis equal to one-twelfth (1/12) of the annual basis point fee multiplied by the net asset value of the Account at month end including a pro rata adjustment for capital injections and withdrawals. The annual basis point fee shall be [NUMBER OF BASIS POINTS FROM THE SUCCESSFUL PROPOSER'S COST PROPOSAL].</p> | |
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| <p>The net asset value of the securities held in the Account shall be determined in accordance with the Contractor's valuation policies. Fees shall not be paid on those assets invested in cash or cash equivalents when such represents more than fifteen percent (15%) of the net asset value of the Account at each month's end.</p> | |
| <p>6. We would request that Section D.3 of the Pro Forma Contract (Exhibit B to the Questionnaire) be modified as follows:</p> <p>D.3. <u>Termination for Convenience</u>. Either party may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract. The terminating party shall give the other party at least thirty (30) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the Retirement System be liable to the Contractor for compensation for any service which has not been rendered. The Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount as a result of any such termination.</p> | <p>No.</p> |
| <p>7. We would request that Section D.4 of the Pro Forma Contract (Exhibit B to the Questionnaire) be modified as follows:</p> <p>D.4. <u>Termination for Cause</u>. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the Retirement System shall have the right to immediately terminate the Contract. Notwithstanding the above, the Contractor shall not be relieved of liability to the Retirement System for damages sustained by virtue of any gross negligence, malfeasance or violation of applicable law by the Contractor.</p> | <p>No. However, please see Section C below for an amendment to Section D.4 of the Pro Forma Contract.</p> |
| <p>8. We would request that Section D.9 of the Pro Forma Contract (Exhibit B to the Questionnaire) be modified as follows:</p> <p>D.9. <u>Records</u>. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three at least (3) full years from the</p> | <p>No, this is standard State contract language. However, the three years maintenance requirement is a minimum. If a manager desires to keep the records longer, then the manager has more than complied with Section D.9.</p> |

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| <p>date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the Retirement System, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.</p> | |
| <p>9. We request that Section D.14. of the Pro Forma Contract (Exhibit B to the Questionnaire) be deleted.</p> | <p>No.</p> |
| <p>10. We would request that Section E.3 of the Pro Forma Contract (Exhibit B to the Questionnaire) be modified as follows:</p> <p><u>E.3. Subject to Funds Availability.</u> The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the Retirement System. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. The Contractor shall have no right to recover from the Retirement System any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount as a result of any such termination.</p> | <p>No, this is standard State contract language.</p> |
| <p>11. We would request that Section E.6 of the Pro Forma Contract (Exhibit B to the Questionnaire) be modified as follows:</p> <p><u>E.6. Confidentiality and Publicity.</u> The Contractor shall treat as confidential all proprietary information and materials affecting the Account. The Contractor further undertakes not to release any materials to third parties without the Retirement System's prior written permission other than in accordance with its privacy notice. The Contractor agrees that all reports, studies, analyses, specifications, recommendations and all other materials of whatsoever nature, prepared by the Contractor specifically for use under this Contract or furnished to the Contractor by the Retirement System specifically for use under this Contract, are to be considered confidential, and that the Contractor will neither publish, circulate nor use any of the foregoing, except in the</p> | <p>See Section C below for an amendment to Section E.6 of the Pro Forma Contract.</p> |

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| <p>performance of its work under this Contract. The Contractor Each party agrees that it will not issue any news releases to the public press or any publication wholly or partly related to its work under this Contract without first obtaining the prior written consent of the Retirement System other party. The Contractor Each party further agrees that it will not make speeches, engage in public appearances, publish articles or otherwise publicize its work under this Contract without prior written approval of the Retirement System other party. This Paragraph is not intended to prevent the Contractor from advertising the fact that the Contractor performed or performs the services hereunder on behalf of the Retirement System.</p> | |
| <p>12. We would request that Section E.8 of the Pro Forma Contract (Exhibit B to the Questionnaire) be modified as follows:</p> <p>E.8. <u>On-Site Visits</u>. The Retirement System or its duly appointed representatives shall be entitled to visit the Contractor's operational headquarters or other offices where the Account is serviced and to examine all records pertaining directly to the Account, and to make reasonable requests for copies of such records.</p> | <p>No.</p> |
| <p>13. Pro Forma Contract Section C.4., Reduction in Compensation, we would request that this section be removed from the final agreement.</p> | <p>No. However, please see Section C below for an amendment to Section C.4 of the Pro Forma Contract (Exhibit B to the Questionnaire).</p> |
| <p>14. Pro Forma Contract Section C.5., Subcontracting, we would like to revise this section to allow us to delegate certain non investment management functions to third parties.</p> | <p>No. However, if a proposer intends to delegate (subcontract) any of the services described in the Pro Forma contract (Exhibit B to the Questionnaire), the proposer must identify in its proposal the scope of the work to be subcontracted, and the name and qualifications of the subcontractor (including confirmation that the subcontractor meets the mandatory requirements set out in Section II. of the Questionnaire, if applicable). Any such subcontracts must be approved in advance by TCRS. Notwithstanding any use of approved subcontractors, the proposer will be the prime contractor and shall be responsible for all work performed.</p> |
| <p>15. Pro Forma Contract Section E.6., Confidentiality and Publicity, we would like to revise this section to allow us to disclose certain confidential information to third party service providers.</p> | <p>No. If a manager desires to release confidential information to a third party, the manager would need to seek TCRS' prior approval in accordance with Section E.6 of the Pro Forma Contract.</p> |

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| 16. We noticed that TCRS has a commission recapture requirement. Is this policy flexible? Our trading department does not engage in commission recapture. Is this a "deal breaker"? | Commission recapture is not a deal breaker. TCRS has suspended its commission recapture program for the balance of the year due to low realizations. If TCRS reactivates the program, then TCRS will work with the manager to determine reasonable levels of trading for recapture consistent with best execution and in the best interests of TCRS. All managers are expected to be able to show that commissions spent are in the best interests of TCRS. |
| 17. How strict is the requirement for 2 institutional, separate managed accounts with assets over \$50 million. We have several accounts in a commingled fund, one institutional account over \$50 million and another sub-advised account with our parent company. Will this suffice? | A sub-advised account with a parent company would be considered a valid institutional account for purposes of this Questionnaire. |
| 18. Is it possible to get an electronic copy of the Tennessee International Equity RFP in MS Word? | An electronic copy may be obtained by e-mailing Pete Keliuotis at pkeliuotis@sis-sf.com |
| 19. As of June 30, 2008, we use the MSCI EAFE Small Cap as the benchmark for our International Small Cap Equity strategy as changes implemented on May 30, 2008, make the MSCI series more appropriate. Prior to this date, we used the S&P/Citigroup EPAC <\$2 billion as the primary benchmark. Additionally, we consider South Korea to be a developed country (as does S&P/Citigroup), although the MSCI EAFE Small Cap does not. However, MSCI has begun the process of considering inclusion of South Korea as a member of the developed market list. As such, does the inclusion of South Korea in our portfolio meet the "no emerging markets" restriction? | See response to Question 69 below. |
| 20. We acquired our International Small Cap Equity team on July 3, 2006. This acquisition included the performance track record, but none of the clients/assets. If the answer is "no", will you accept performance ex-South Korea for the past 2 years only as we do not have the data prior to the 7/3/06 date? Please note that we are able to manage a portfolio ex-South Korea if TCRS instructs us to do so. | See response to Question 69 below. |
| 21. Section C.1 [Pro Forma Contract, Exhibit B to the Questionnaire] – We would like to change the last sentence of the first paragraph as follows: "The payment rates | No. This section relates to the compensation TCRS will pay the manager for performance of the services specified under the contract. Since the manager will not take possession |

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| include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by of the Contractor, but not relating to transactions in the Account." | of or handle any cash, securities or other indicia of ownership of the assets in the Account, and since the sole responsibility for safekeeping of the assets and the consummation of all purchases, sales and deliveries of investments made pursuant to the manager's direction shall rest solely with TCRS' custodian bank (currently North Trust Company), the manager will not incur any transaction costs relative to the services specified in the Pro Forma contract. SEC fees, other charges at transaction level or foreign taxes withheld from dividend payments will be deducted from the Account. Registration fees, stamp duty fees, local market fees, capital gains taxes, and the like will be paid by TCRS' custodian bank and TCRS will reimburse the bank based on TCRS' contract with its custodian. |
| 22. Section D.1 - We would like to add the following sentence to the end of this section: "The Retirement System will provide notification to Contractor when such approval is obtained." | No. The appropriate State officials are the signatories on the signature page of the Pro Forma Contract (Exhibit B of the Questionnaire). The signatures of the signatories on that page is the approval contemplated by Section D.1. TCRS will notify the respective managers once the contract is executed. |
| 23. Section D.3 - We would like to add the following sentence to the end of this section: "Contractor can terminate this Contract without cause, and for any reason, upon ninety (90) days notice to the Retirement System." | No. |
| 24. Section D.13 - We would like to make the following changes within paragraph two: "The contractor, being an independent contractor and not an employee of the Retirement System, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms or insurance on the Contractor's employees, and to pay all of its applicable corporate taxes resulting from this incident to this Contract." | No. See response to Question 21 above. |
| 25. Section D.17 - We would like to change the jurisdiction to a federal court within the State of Tennessee. | No. |
| 26. Section E.6 - We would like to change the second sentence as follows: "The Contractor further undertakes not to release any materials to third parties, except as required by law or regulation, without the Retirement System's prior written | See Section C below for an amendment to Section E.6 of the Pro Forma Contract (Exhibit B of the Questionnaire). |

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| permission". We would also like to add the following phrase to the end of the third sentence: "..., except as required by law or regulation". | |
| 27. Section E.8 - We would like to add the following phrase at the end of the sentence: "... during regular business hours and upon _____ notice, all at the Retirement System's expense." | See Section C below for an amendment to Section E.8 of the Pro Forma Contract (Exhibit B of the Questionnaire). |
| 28. We would like to add the following as Section E.10 of the Contract, titled "Acknowledgement.": "The Retirement System acknowledges receipt of the Contractor's Form ADV, Part II, or disclosure brochure containing similar information, at least two (2) days prior to the date hereof." | No. A manager may be exempt from registration. Further, Section III.K.1 of the Questionnaire requires any firm registered as an investment advisor under the Investment Advisors Act of 1940 to provide through this procurement process a copy of the proposer's Form ADV, Part II. |
| 29. Section A.6(c) - Will the Retirement System be participating in a commission recapture program for international securities? | See response to Question 16 above. |
| 30. Section C.1 - What is the dollar amount that will be submitted as the maximum liability? Can you please confirm that all transactions costs, including local fees, taxes, etc. relating to securities transactions will be taken from the Account? | The amount will be determined based on the manager's cost proposal and the estimated amount of the net asset value of the Account. If it is later determined that the amount was underestimated, an amendment to Section C.1 must be made to increase it accordingly. See response to Question 21 above. |
| 31. Section C.3(a) - There is no definition of "units, milestones, or increments of service" provided within Section A. Please confirm that the referenced descriptions are all defined with the Investment Policy Statement and other appendices to the Pro Forma Contract as referenced within Section A.4 and A.5. | The phrase "units, milestones, or increments of service" in Section C.3.a means all the services a manager is required to perform under Section A of the Pro Forma Contract (Exhibit B of the Questionnaire). |
| 32. Section D.9 - The last sentence of this section refers to "financial statements". Is this reference to statements prepared by the Retirement System investment staff? | No. The reference to "financial statements" is the manager's financial statements with respect to the compensation paid to the manager under the contract. |
| 33. In section 'II. Mandatory Requirements & Proposal Submission Instructions', page 9, requirement 'I. Independent Price Determination', it states that "any company submitting a proposal is prohibited from submitting more than one proposal". Does this refer to pricing proposal or to product proposals? Would we be allowed to submit a proposal for two different strategies? For example, submitting a Pan European product and separately submitting a Pacific Basin product? | A manager may only submit one proposal per product; that being the best offer the proposer intends to make at the best price for that product. TCRS sees two distinct products (EAFE Standard and EAFE Small Cap) for which it would consider separate proposals from each manager. TCRS views Broad, Regional and Concentrated as variations on the same team, process and investment universe for which it only wants to see one best proposal. Expressly not allowed are multiple entries |

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| | with different fee schedules, multiple entries from joint proposers, etc. The maximum number of proposals that one manager may submit is two with one of those being the EAFE Small Cap mandate. Separate proposals for the Europe mandate and the Pacific mandate will result in disqualification; the manager should submit a proposal for either Broad EAFE or the best of the regional mandates. |
| 34. In Exhibit B, section A.2. Appointment, it states that the "investment performance of the Account shall be measured against the MSCI EAFE net Index as published by Morgan Stanley Capital International." Will all sub-portfolios be measured against the MSCI EAFE net Index? If we propose a regional mandate, will it be measured against a regional index or the MSCI EAFE net Index? If the regional mandates are benchmarked against the MSCI EAFE net Index, what then would be the tracking error? | See Section C below for an amendment to Section A.2 of the Pro Forma Contract, and to Attachment A of the Pro Forma Contract. |
| 35. In section H. 17. of the Questionnaire, it requests the returns of a "carve-out or live client account that represents a developed-country ONLY version of the proposed product." Since it has stated throughout the RFP that TCRS cannot invest in emerging markets at this time, does this mean that the product can invest in emerging markets? Will this be implemented as a restriction against emerging markets, if the product is selected? | This question requests historical returns for the proposed product both cum and ex emerging market equities. TCRS cannot invest in emerging markets but anticipates some managers may propose a product that includes some emerging market equities in their live performance record (even if the benchmark is MSCI EAFE or similar). If the proposed product has a live record that includes emerging market equities and the manager is willing to manage the TCRS portfolio with the same strategy and process but excluding emerging market equities, then TCRS will need to see both the actual live record and the record with emerging market equities excluded. Since the TCRS portfolio is and will be a separate account there should be no need to place any restrictions on the product for other investors. |
| 36. Is the questionnaire portion of the RFP available in Word format? | See response to Question 18 above. |
| 37. <u>Section I.A. of Questionnaire - Statement of Intent (pg. 2).</u> Can you please provide additional insight as to the approximate account sizes for the Broad EAFE and EAFE Small Cap mandates as this could impact the pricing proposal? Are the Broad EAFE mandates at least \$500 million and the EAFE Small Cap mandates at least \$250 million? | TCRS expects the largest allocations to be about \$1 billion for broad EAFE mandates with a smaller allocation for the regional mandates in the same proportions as their market capitalization within EAFE and adding up to \$1 billion. Concentrated and small cap portfolios will likely be about \$200 million. TCRS may hire more or fewer managers depending on the evaluation of the proposals received which may affect allocations. TCRS has in the past actively managed its exposure to regions and may do |

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| | <p>the same on its exposure to small cap stocks versus large cap stocks.</p> <p>TCRS hopes to find complementary managers and may favor one style over another. TCRS has in the past rewarded outperforming managers with an outsized allocation at the expense of other managers within a mandate. TCRS has in the past let the allocation to international equities vary from its strategic target (now 15% of TCRS assets). Each of these actions would make it difficult to say in advance what the precise allocation to a particular mandate will be; nor can TCRS guarantee that an allocation will stay fixed in the future. TCRS has generally made one allocation adjustment per year on data that is updated monthly and quarterly. With all that as background, please prepare a basis point fee schedule (expressed as an annual rate) that starts at \$0 assets and would be scalable over a wide range using fee breakpoints as necessary. Fees will be part of the evaluation by TCRS and will be part of the allocation decision on an ongoing basis.</p> |
| 38. <u>Section I.J. of Questionnaire - Statutory Restrictions (pg. 3).</u> Does TCRS currently require notification should a purchase of a 2% stake or greater in the outstanding shares of any one issuer occur? | Yes. |
| 39. <u>Section I.K. of Questionnaire - Commission Recapture (pg. 4).</u> Does TCRS currently engage in commission recapture for any of its international equity mandates? | See response to Question 16 above. |
| 40. <u>Section I.K. of Questionnaire - Commission Recapture (pg. 4).</u> Does TCRS currently direct brokerage for any of its international equity mandates? | No. |
| 41. <u>Section I.L. of Questionnaire - Corporate Actions (pg. 4).</u> Does TCRS currently vote any international proxies or are all TCRS' international equity managers voting the proxies themselves without direction from TCRS? | <p>The international managers will be expected to act on corporate actions and to vote proxies on behalf of the TCRS without any requirement of prior notification to TCRS.</p> <p>Notwithstanding, TCRS does reserve the right to instruct a manager on a case-by-case basis on how to vote a particular proxy. Managers are also required to keep accurate records of all proxies voted by the manager in sufficient detail to enable TCRS to review the manager's voting procedures and the votes cast by the manager in specific cases.</p> <p>TCRS has included its Proxy Voting Guidelines as Attachment E to Exhibit B on page 61 of the Questionnaire. These guidelines allow for flexibility and usually</p> |

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| | allow manager discretion on a case-by-case basis. The only issues where TCRS does not allow flexibility is annual election of directors (TCRS favors), confidential voting (TCRS favors) and the payment of greenmail (TCRS opposes). |
| 42. <u>Section II.A. of Questionnaire - Mandatory Requirements (pg. 5).</u> Regarding EAFE Small Cap, will you accept a track record that is less than 3 years for an index-like portfolio (25 – 35 bps alpha target with similar risk)? We currently manage approximately \$2.0 billion in international small cap index/index-like assets but have a shorter track record as we were waiting for MSCI to develop more robust benchmarks for the international small cap asset class. The revised benchmark was not officially available until June 2007. | No. TCRS requires a three-year track record managing Small Cap international. See also, Response to Question 69 below. |
| 43. <u>Section B.1. of Pro Forma Contract - Term (pg. 32).</u> Please clarify the following sentence, "The Retirement System shall have no obligation for services rendered by the Contractor which are not performed within the specified period." Can you provide an example of when a Contractor would perform services that are not during the term of the contract? | Work that a contractor performs before the start date of the contract and the assignment of assets will not be compensated. This may include some work in preparing the initial portfolio in advance of the performance start date. After the end date of the contract, the contractor may be asked for reconciliation by accounting or data by auditors which will not be compensated. These examples may not exhaust all other possibilities but are similar to past experience. |
| 44. <u>Section J: Operations and Controls Question 3 Page 23 of 66.</u> The usual standard in Singapore is the Form 7 which is a regulatory form prescribed by the Monetary Authority of Singapore in the Securities and Futures Act. In particular, Paragraph 3 addresses the internal control systems and procedures to ensure that they are adequate for the size and nature of the operation. May we submit our Form 7 which has been signed off by Deloitte and Touche in place of a SAS 70? | Not all managers will have a formal SAS 70 review but some may have other mandated or independent auditor reviews of internal controls. Please describe the best review of internal controls and submit your auditor's opinion. |
| 45. <u>Pro Forma Contract Clause A.5. Page 29 of 66.</u> As our intention is to sub delegate the management of the Japan equities portion of the portfolio to our sister company, may we confirm that we would be permitted to do so with the prior written approval of TCRS? | Yes. Please note, however, that if a proposer intends to sub delegate (subcontract) any of the services described in the Pro Forma contract (Exhibit B to the Questionnaire), the proposer must identify in its proposal the scope of the work to be subcontracted, and the name and qualifications of the subcontractor (including confirmation that the subcontractor meets the mandatory requirements set out in Section II. of the Questionnaire). Notwithstanding any use of approved subcontractors, the proposer will be the prime contractor and shall be responsible for |

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| | all work performed. |
| 46. Exhibit B Pro Forma Contract Clause E.4. Page 39 of 66. This clause is not relevant for us as a Singapore entity. May we delete this clause? | No. State contracting rules require the section to remain in each contract even if it is not applicable to the contractor. |
| 47. Our firm utilizes a third-party vendor for proxy voting. Given the variance in international laws regarding proxies, we request the opportunity to thoroughly review the TCRS Proxy Voting Guidelines and compare these to our third-party's guidelines before we commit to full compliance. | The review by your firm should be done before submitting a proposal in response to this Questionnaire. TCRS expects proposers having the best-evaluated proposals to sign and return the contract drawn by TCRS pursuant to the Questionnaire no later than the Contract Signature Deadline date detailed in the Questionnaire Schedule of Events. See also, Response to Question 41 above. |
| 48. Exhibit B - Pro Forma Contract, Section C.4 (page 33). We require the representation in Section C.4 to be forward-looking and not retrospective. Accordingly, we propose the following wording in substitution for the first sentence of Section C.4 of the Pro Forma Contract: "The Contractor represents and warrants that the fees set forth in Section C.3 above are no greater than the fees charged by the Contractor for its other ERISA or other U.S. public retirement fund clients where: (i) assets under management are substantially identical in investment style and investment program to the Retirement System; (ii) total assets under management are comparable to the market value of the assets in the Account; and (iii) the fee arrangement in question was not agreed with the other ERISA or US public retirement fund client prior to the date on which the Contractor and the Retirement System enter into the Contract. " | Agree. See Section C below for an amendment to Section C.4 of the Pro Forma Contract. |
| 49. Exhibit B - Pro Forma Contract, Attachment A (page 42). In the third paragraph, we would require that a reference to 'depository receipts' is added in the first sentence so it is clear that we would have authority to purchase such instruments. | Agreed. See Section C below for an amendment to Attachment A of the Pro Forma Contract. |
| 50. Exhibit B – Pro Forma Contract, Attachment E (page 61-64). We note the proposed voting procedures and would prefer to follow the current voting procedures which we operation with the Retirement System. | See response to Question 41 above. |
| 51. Exhibit B – Pro Forma Contract (pages 26-64). In the last quarter of 2007, the UK Financial Services Authority ("FSA") made various amendments to its rules to | Any proposed additions, changes, deletions, etc. to the Pro Forma Contract was required to be <i>specifically</i> delineated by the Written Comments Deadline. The Written |

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| <p>implement the European Union Markets in Financial Instruments Directive. As a result of these FSA Rule changes, we are required to include certain provisions covering the following points when we enter into a new agreement:</p> <ul style="list-style-type: none"> - “best execution” and agreement to our Order Execution Policy; - details of the Commission-sharing/soft dollar arrangements operated by us; - details of the Retirement System’s client categorization for the purposes of the FSA Rules; - details of our Conflict of Interest Policy; and - details of the complaint procedures and compensation schemes operated under the FSA Rules. | <p>Comments Deadline was on August 1, 2008, and TCRS will not consider any proposed changes, deletions, additions and etc. to the pro forma contract after August 1, 2008. Section II.G of the Questionnaire further states: “Proposers with the apparent best-evaluated proposals must sign and return the contract drawn by TCRS pursuant to this Questionnaire no later than the Contract Signature Deadline date detailed in the Schedule of Events. If a Proposer fails to provide the signed contract by the deadline, TCRS may determine that the Proposer is non-responsive to the terms of this Questionnaire and reject the proposal.”</p> |
| <p>52. Exhibit B, Pro Forma Contract</p> <p>Certain of our company’s investment and trading personnel have or will be relocating to our non-US offices in the coming years as we look to expand our global research capabilities and presence. As a result, partial management responsibilities are delegated to our non-US affiliates. We wish to emphasize that our company remains ultimately responsible for all of its investment and trading personnel and that all client services and client administration functions continue to be performed by our company in the US. Accordingly, our company requires that the following provision be included in all Investment Management Agreements:</p> <p>“The Contractor is hereby authorized to engage any of its affiliates to provide the Contractor with investment management or advisory and related services with respect to the Contractor performing its obligations under this Agreement. The Contractor shall remain liable to the Retirement System for performance of the Contractor’s obligations under this Agreement, and for the acts and omissions of such affiliates and the Retirement System shall not be responsible for any fees which any affiliate may charge to the Contractor in connection with such services.</p> <p>The Contractor may, where reasonable, employ agents (including its affiliates) to perform any administrative or ancillary services, including security and cash reconciliation, portfolio pricing and corporate</p> | <p>No. See response to Questions 14 and 45 above.</p> |

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| <p>action processing, required to enable the Contractor to perform its services under the Contract. The Contractor will act in good faith and with reasonable skill and care in the selection, use and monitoring of agents."</p> | |
| <p>53. We have noted that although the Pro Forma Contract addresses Retirement System Liability in the Standard Terms and Conditions, Part D.14 (page 37), no provision addresses Contractor liability. We therefore propose that the following provision be added into the Contract:</p> <p>Contractor Liability. "In rendering services under the Contract, Contractor will not be subject to any liability to the Retirement System or to any other party for any loss or error, unless such loss or error results from a breach of the Contract, willful misfeasance, bad faith or gross negligence on Contractor's part in the performance of, or failure to perform, its obligations or duties under the Contract. Nothing herein shall in any way constitute a waiver or limitation of any right of any person under any applicable federal or state securities laws of the United States of America."</p> | <p>No.</p> |
| <p>54. Part A.6.d. Proxies (page 30). With respect to the requirement that any manager awarded a contract under the questionnaire will be required to comply with the TCRS Proxy Voting Guidelines, our company wishes to advise TCRS that our operations are not set-up to vote proxies based upon custom or client-specific voting guidelines. Our company votes proxies in accordance our company's Global Proxy Voting Guidelines. As a result, we are unable to commit to voting proxies according to the TCRS guidelines. Accordingly, the following amendment to Part A.6.d. is proposed: "The Retirement System delegates the right and authority to the Contractor to vote and act upon all proxies with respect to securities in which the Account may be invested. In voting and acting upon such proxies, the Contractor shall comply with the Contractor's Global Proxy Voting Guidelines, which are attached hereto as Attachment E and which may be amended from time to time pursuant to Section A.3 of this Contract. Notwithstanding the foregoing, the Retirement System reserves the right to instruct the Contractor on a case-by-case basis on how to vote a particular proxy. The Contractor shall keep accurate records of all proxies voted by the Contractor in sufficient detail to enable the Retirement System to review the</p> | <p>See response to Question 41 above.</p> |

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| <p>Contractor's voting procedures and the votes cast by the Contractor in specific cases."</p> | |
| <p>55. Part C. 4 Reduction in Compensation (page 33). We suggest replacing the language in Part C.4 dealing with reduction in compensation with the following:</p> <p>"The Contractor represents and warrants, to the best of its knowledge as of the date of this Contract, that there is no other fee schedule currently in effect (except as previously disclosed to the Retirement System) with respect to any Comparable Client that results in a lower effective annual fee rate than that obtained by the application of the Fee Schedule set forth in this Contract to the market value of the assets in the Account as of the date of this Contract. A Comparable Client is defined as a Contractor, US separate account client that has or receives: comparable investment objectives and style, comparable services, and comparable account and relationship asset size, excluding sub-advisory clients, clients subject to relationship and temporary discounts, clients that have multiple assignments at the Contractor and clients whose fees are based on performance.</p> <p>In addition, the Contractor agrees that, at any time upon the reasonable request of the Retirement System, the Contractor will provide the same representations and warranties, as of the date of such request or such other mutually agreed upon date, with respect to Comparable Clients that have become US separate account clients of the Contractor since the date of this Contract. If the Contractor agrees to a fee schedule with respect to such a Comparable Client that results in a lower effective annual fee rate than that obtained by the application of the Fee Schedule set forth in this Contract to the market value of the assets in the Account (a "lower fee schedule"), then the Contractor will apply such lower fee schedule to the Retirement System. Such lower fee schedule would be applied beginning with the first full quarter after the quarter in which the lower fee schedule was agreed to, and funded with respect to such Comparable Client and ending when the lower fee schedule no longer exists or the client is not longer a Comparable Client.</p> <p>The Investment Manager agrees to notify the Retirement System promptly in the event it provides such a lower fee to another client since the date of this Contract."</p> | <p>See Section C below for an amendment to Section C.4 of the Pro Forma Contract.</p> |

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| <p>56. Part A.8. Insurance (page 31)</p> <ul style="list-style-type: none"> • A.8.a — Could TCRS please provide the minimum levels of insurance that will be required; we could not find where this was specified in the RFS. • A.8.a — With respect to the sentence that states the Contractor shall notify the Retirement System of any claim received from its issuer pertaining to the Retirement System, we need further clarification on what is meant by "claim received from its issuer". • A.8.b. — Is this section amendable? If so, we would propose removing the material change language from the notification provision. We would not view the change of an insurance company provider as a material change if there is no disruption in service and would like propose the following change: <p>b. Notification of Change. The Contractor shall notify the Retirement System of any material change in, or cancellation of the policies if replacement coverage is not secured. For purposes of this Paragraph, a "material change" shall include, but shall not be limited to, a reduction in the levels of coverage, the elimination of a type of coverage, or the transition to another insurance carrier. If at any time during the period of this Contract insurance as required is not in effect, the Retirement System shall have the following options: (1) obtain insurance providing coverage equal to that required above, the cost of such insurance shall be payable by the Contractor immediately; or (2) terminate this Contract in accordance with Section D.4 below.</p> | <p>The Questionnaire does not specify the required minimum levels of insurance. Instead, Section III.K.5. of the Questionnaire requests each manager to provide a summary of the amount of errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by the manager, and to include applicable term sheets. Each manager's response to this question will be a part of the evaluation process, and the answer to the question will be incorporated into Section A.8 of the Pro Forma contract for managers who are awarded a contract under the Questionnaire.</p> <p>The issuer is the insurance company that maintains the insurance policy required in Section A.8. TCRS needs to be aware of any claim received by the contractor's insurance company that pertains to any of the services the contractor provides under the contract.</p> <p>We will not modify Section A.8.b. We consider a change of the insurance company provider to be a material change.</p> |
| <p>57. Our international equity strategy and composite, which only invests in developed countries, is benchmarked against the S&P/Citigroup Broad Market Index (BMI) World ex-U.S., which includes exposure to Canadian securities. As such would TCRS:</p> <ul style="list-style-type: none"> • Consider a developed, international equity portfolio which includes Canadian securities? • Consider the S&P/Citigroup BMI World ex-U.S. benchmark for this mandate? | <p>TCRS is allowed to invest in Canada but it is not a part of any equity benchmark tracked by TCRS. (It is actually a part of the United States per the Investment Policy.) Some managers have asked for and received Canada as an approved country in Appendix A, Account Content, of the pro forma contract. TCRS would consider allowing investments into Canada as part of an EAFE mandate but is not interested in a benchmark that includes Canada.</p> |
| <p>58. Pro Forma Contract <u>Section A.7.a. – Registration of Contractor</u> – We request to change "adverse actions" to material adverse actions".</p> | <p>See response to Question 3 above.</p> |

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| 59. Pro Forma Contract <u>Section A.9.a.(1) – Reports</u> – We request a provision which would obligate us to notify TCRS of any changes in our general partner. | No. |
| 60. Pro Forma Contract <u>Section B.1 – Term</u> – We request a side letter to the contract, which would give us the ability to terminate the contract with cause if necessary. | No. |
| 61. Pro Forma Contract <u>Section C.4 – Reduction in Compensation</u> – We currently have our own Most Favored Nation clause, which is substantially similar to that stipulated by TCRS. Should we be awarded the mandate, we would request a discussion of the terms at the time of contract negotiations. | See response to Question 51 above. See also Section C below for an amendment to Section C.4 of the Pro Forma Contract (Exhibit B to the Questionnaire). |
| 62. Pro Forma Contract <u>Section D.9. – Records</u> – We request clarification in terms of the type and source of financial statements referenced in the last sentence “The financial statement shall be prepared in accordance with generally accepted accounting principals.” | See response to Question 32 above. |
| 63. Other – We request an explicit authorization in the contract permitting us to engage in soft dollars activities falling within Section 28(e) of the Securities Exchange Act of 1934. | See Section C below for an amendment to Section A.6.c of the Pro Forma Contract (Exhibit B of the Questionnaire). |
| 64. Pro Forma Contract <u>Section A-3: Is there an established notification period for addition, transfer or removal of assets?</u> We understand that, as currently drafted, notice is required but we were seeking guidance on amount of notice. Please note that for this type of portfolio we generally request 5 business days’ notice for asset movements in order to avoid cash drag and more efficiently manage the portfolio from a cost and efficiency standpoint. We are happy to discuss further. | TCRS can work with the manager to give adequate notification of changes in assets assigned to the portfolio. Generally some days of advance notification was given but perhaps not always five days (but five days is not unreasonable). There have been other issues in the rebalancing process namely unwanted tracking error produced by managers waiting for the custodian to make a transaction entry before committing the cash rather than relying on TCRS's instruction. TCRS will not go back and revise cash but TCRS can exchange documents saying a manager may rely on TCRS's instructions for portfolio allocations. TCRS intends to use a transition manager to make the initial allocation and to manage large allocation changes. |
| 65. Pro Forma Contract <u>Section A-4: Please note that our international equity strategy to which this RFP relates combines three active sub-strategies: stock, country and currency selection. The country and currency selection components are implemented through a derivatives-based overlay, specifically utilizing equity index futures and currency forward instruments. The TCRS Investment Policy does not appear to allow</u> | All managers must follow the TCRS Investment Policy. In particular, this is an equity only strategy where equity index futures may not be utilized. Currency management is limited to selling portfolio currencies into U. S. dollars using forwards only. Amendments to the Investment Policy are made from time to time but no assurance can be made that a particular proposed change can be put into policy. |

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| <p>non-U.S. index futures or the usage of currency forwards for purposes of active currency management. Can you please confirm this position and/or clarify whether TCRS would consider making any accommodations so that we may utilize these instruments in the portfolio for which we would be responsible. Please note that if such instruments are not allowed, we would propose a pure stock selection strategy where the portfolio would primarily hold equity positions. We currently run similar equity-only portfolios for many of our other clients due to their guideline restrictions but would need to discuss any resulting constraints on the implementation of our country/currency overlay strategy.</p> | |
| <p>66. Pro Forma Contract Section C-4: Would you consider a forward-looking most-favored nation provision? Depending on the tracking error of the account and certain other variables including mandate size, we may be restricted from making certain representations.</p> | <p>Please see Section C below for an amendment to Section C.4 of the Pro Forma Contract (Exhibit B of the Questionnaire).</p> |
| <p>67. Pro Forma Contract Section D-4: Can you please clarify what you mean by “for cause”? As currently drafted in the Agreement, In the event of termination “for cause” TCRS can withhold payments in excess of fair compensation for completed services. We assume this would only apply with respect to material breaches of the agreement and/or a manager's negligence in failing to act in a prudent manner in accordance with fiduciary requirements under applicable law.</p> | <p>Please see Section C below for an amendment to Section D.4 of the Pro Forma Contract.</p> |
| <p>68. Section II. Mandatory Requirements & Proposal Submission Instructions. How will TCRS define the Small Cap mandate market cap?</p> | <p>TCRS defines Small Cap EAFE as a portfolio that has characteristics and performance similar to the MSCI Small Cap EAFE Index. The manager will be allowed to buy stocks in non U. S. developed countries, including stocks not in the Index, provided they are allowed by the Investment Policy. A stock that graduates or drops out of the Index would not need to sold. Large and Mid Cap Index stocks may be bought for the small cap portfolio provided the portfolio's characteristics continue to be representable by the Small Cap Index.</p> |
| <p>69. Section II. Mandatory Requirements & Proposal Submission Instructions. What benchmarks are acceptable to TCRS for the small cap mandate?</p> | <p>TCRS believes that the MSCI Small Cap EAFE Index is the appropriate MSCI benchmark for the EAFE Small Cap mandate. We do ask the manager to propose an appropriate MSCI benchmark to confirm that manager expectations are in line with TCRS'.</p> |

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| | <p>TCRS understands that other benchmarks are in use for Small Cap International. If a manager is proposing a product that uses another benchmark and is willing to manage a similar portfolio as a separate account for TCRS using the MSCI Small Cap Index for a benchmark, then please provide an attribution versus both benchmarks.</p> <p>TCRS understands that some Small Cap benchmarks consider South Korea to be a developed market whereas MSCI does not (yet). In that case, please state the benchmark used in the product's composite and provide an attribution versus that benchmark. If possible, provide an attribution versus MSCI Small Cap ex the portfolio emerging market securities or estimate the weighting and impact of such emerging market securities.</p> |
| <p>70. Section II. Mandatory Requirements & Proposal Submission Instructions. Regarding the Mandatory Requirements for each mandate, is there any flexibility regarding the breakdown of the AUM? Will a manager be considered if they meet the Product AUM and has a meaningful, albeit less than the required Institutional AUM? For example, presume the Int'l Small Cap AUM is >\$500mm but the Institutional AUM is ~175mm. Would it help if the same PM managed significant assets in a similar style that is closed to new investors?</p> | No. |
| <p>71. Section II. Mandatory Requirements & Proposal Submission Instructions. Over what time period should we use to measure the annualized excess return over the stated benchmark?</p> | All data should be provided as of 6/30/08. All performance-related figures should be since inception through 6/30/08, gross of fees, and reflect a carve-out or live client account that represents a developed-country ONLY version of the proposed product. |
| <p>72. Section II. Mandatory Requirements & Proposal Submission Instructions. How will TCRS define emerging markets exposure? By domicile or by incorporation? What countries do they consider to be emerging markets and is that a function of the benchmark chosen?</p> | TCRS considers any country/company classified to be emerging by MSCI to be an emerging market country/company. If an equity is not followed by MSCI, then TCRS will consult the country of domicile code DX113 on Bloomberg function FPRP and use that code if reasonable. If it is not reasonable, TCRS will consider where the company's headquarters are located and where the company's majority of business is conducted, etc. |
| <p>73. B. Pro Forma Contract, Section II. Will TCRS allow for a change of amendment to the Pro Forma Contract to allow the investment manager to engage any of its affiliates to provide investment or advisory</p> | No. However, see responses to Questions 14 and 45 above. |

| and related services? | |
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| <p>74. How strict are the EAFE Regional Subset Product AUM requirements listed on Page 5, Section II.A.2.c.i, and would TCRS consider lowering and/or waiving the requirements?</p> <p>My firm manages approximately \$335 million in the proposed product (on behalf of two institutional clients, both with separate accounts). As a Japanese firm specializing in the region's equity markets, the majority of our assets are based locally in Asia; however, the proposed product (benchmarked to the MSCI Pacific) has been designed with international clients in mind and it is partially for this reason that the product assets do not meet the stated \$500mm requirement. We have over 40 years of experience investing in the Pacific markets, and believe we can offer something unique to TCRS in terms of our management of the mandate. We are wondering at this point whether any exceptions could be made to this requirement and offer the following explanations.</p> <p>a. The portfolio managers who manage the product we are proposing to TCRS also manage approximately \$7 billion in other products covering the Pacific markets (approximately \$1.7 billion in Japan, benchmarked to the MSCI Japan, and approximately \$4.4 billion in the Asia ex Japan markets, also benchmarked to the MSCI). In addition, we manage approximately \$23 billion in the Japanese equity market alone and, unlike our US and international counterparts, Asian equities are the very foundation of our investment management capabilities. These figures also serve to illustrate our experience and comfort level investing in the Pacific markets as well as demonstrate our capabilities in handling large accounts and/or significant assets in these markets which, we believe, is the primary purpose of TCRS imposing the AUM requirements in the first place.</p> <p>b. The proposed products satisfies the other AUM requirements listed in the questionnaire (of at least \$250mm in institutional AUM and \$50mm in institutional separate accounts). Again, as a Japanese firm, the majority of our client assets are based in Asia, where the MSCI Indexes are not used as frequently as they are here in the US. So, although the particular proposed product assets do not meet the listed requirements, we have successfully managed billions of dollars in</p> | <p>No, TCRS will not lower or waive the requirements. However, if a proposer is managing Asian ex-Japan, and Japanese strategies for the same customers that exceed \$500 million in aggregate (the "Product"), then the Product meets the Assets Under Management (AUM) requirement.</p> |

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| assets in the specific markets themselves through other institutional-only products. | |
| 75. On page 15 of the questionnaire (question III.D.10), we are asked to list any turnover among our senior staff. How many years back should we go when compiling this list? | Ten (10) years. |
| 76. Please clarify the purpose of Exhibit A (on page 27). Is this the format to be used to submit holdings? | TCRS requires its managers to submit daily transaction information to its portfolio inventory system independently of what it may be able to obtain from its custodian. Data may be sent by email or FTP to TCRS in a variety of formats including SWIFT. A sample CSV formatted data file is included as Exhibit A. A TCRS vendor, QED Information Systems, Inc., will assist the successful manager with the format and required fields. |
| 77. <u>Attachment A to Questionnaire - QED Transmission Format (pg. 27)</u> . Is QED a third party vendor for TCRS? Can the manager transmit data files using SWIFT? Can TCRS provide us with the CSV template so we can determine which fields are required? | See response to Question 76 above. |
| 78. Regarding the Pro Forma Contract (Exhibit B on page 28), should we include a red-lined version of this with our response, or will the selected manager handle that portion of the negotiation at some future point in the screening process? | No. Section II.G of the Questionnaire specifically states that "Each Proposer must carefully review this Questionnaire and all attachments, including but not limited to the <i>Pro Forma Contract</i> . If a Proposer has an exception to the scope of services, is unable to provide a listed service, or objects to (or desires to add to) any of the terms and conditions listed here or in the Pro Forma Contract, the exception or addition must be made in writing and received by the Consultant no later than the Written Comments Deadline detailed in the Schedule of Events (Section II.Q. of this Questionnaire)." The Written Comments Deadline was on August 1, 2008, and TCRS will not consider any proposed changes, deletions, additions and etc. to the pro forma contract after August 1, 2008. Section II.G of the Questionnaire further states: "Proposers with the apparent best-evaluated proposals must sign and return the contract drawn by TCRS pursuant to this Questionnaire no later than the Contract Signature Deadline date detailed in the Schedule of Events. If a Proposer fails to provide the signed contract by the deadline, TCRS may determine that the Proposer is non-responsive to the terms of this Questionnaire and reject the proposal." |

C. Delete Section A.2 of the Pro Forma Contract (Exhibit B of the Questionnaire) in its entirety and insert the following in its place:

- A.2. Appointment. The Retirement System appoints the Contractor to supervise and manage its international equity portfolio pursuant to the [NAME OF MANDATE(S)], designated as the Account and described in Attachment A hereto. The Contractor accepts the appointment and agrees to invest and reinvest the Account under the terms and conditions of this Contract. The investment performance of the Account shall be measured against the index described in Attachment A hereto.

Delete Section A.6.c of the Pro Forma Contract (Exhibit B of the Questionnaire) in its entirety and insert the following in its place:

- c. Allocation of Brokerage. When the Contractor places orders for the purchase or sale of securities for the Account, the Contractor may allocate such transactions to such brokers and dealers for execution on such markets at such prices and at such commission rates as in the good faith judgment of the Contractor will be in the best interest of the Account; provided, however, the Contractor shall select brokers in accordance with Attachment B "The Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria", and shall not select brokers which are related to the Contractor through shared ownership or control. The Contractor is authorized to engage in soft dollars activities falling within Section 28(e) of the Securities Exchange Act of 1934 provided such activities are in accordance with Attachment B "The Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria" and in accordance with pages [PAGE NUMBERS FROM SUCCESSFUL PROPOSAL WHICH RESPOND TO SECTION III.J.12 OF THE QUESTIONNAIRE] of the Contractor's Proposal. The Retirement System reserves the right to enter into agreements with brokers/dealers to recapture commissions or to direct brokerage commissions, in which case any research products and services generated by such commissions are the property of the Retirement System and its members.

Delete Section C.4 of the Pro Forma Contract (Exhibit B of the Questionnaire) in its entirety and insert the following in its place:

- C.4. Reduction in Compensation. The Contractor represents and warrants that the fees set forth in Section C.3 above are no greater than the fees charged by the Contractor for its other ERISA or other U.S. public retirement fund clients where: (i) assets under management are substantially identical in investment style and investment program to the Retirement System; (ii) total assets under management are comparable to the market value of the assets in the Account; and (iii) the fee arrangement in question was not agreed with the other ERISA or U.S. public retirement fund client prior to the date on which the Contractor and the Retirement System entered into this Contract. If, during the term of this Contract, the Contractor enters into a fee schedule that is lower than the fee hereunder for its other ERISA or U.S. public retirement fund clients for a class of assets and with an investment program substantially identical to that hereunder, and with a market value comparable to that of the Account, Section C.3 shall be deemed automatically amended to substitute said reduced fees in place of the fees provided in Section C.3 for the remainder of this Contract.

Delete Section D.4 of the Pro Forma Contract (Exhibit B of the Questionnaire) in its entirety and insert the following in its place:

- D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the Retirement System shall have the right to terminate the Contract and withhold payments in excess of fair compensation for completed services.

- a. The Retirement System will provide notification of termination for cause in writing. This notice will: (1) specify in reasonable detail the nature of the breach; (2) provide the Contractor with an opportunity to cure, which must be requested in writing no less than 10 days from the date of the Termination Notice; and (3) shall specify the effective date of termination in the event the Contractor fails to correct the breach. The Contractor must present the Retirement System with a written request detailing the efforts it will take to resolve the problem and the time period for such resolution. This opportunity to "cure" shall not apply to circumstances in which the Contractor intentionally withholds its services or otherwise refuses to perform. The Retirement System will not consider a request to cure contract performance where there have been repeated problems with respect to identical or similar issues, or if a cure period would cause a delay that would impair the effectiveness of Retirement System operations. In circumstances where an opportunity to cure is not available, termination will be effective immediately.
- b. Notwithstanding the foregoing, the Contractor shall not be relieved of liability to the Retirement System for damages sustained by virtue of any breach of this Contract by the Contractor.

Delete Section E.6 of the Pro Forma Contract (Exhibit B of the Questionnaire) in its entirety and insert the following in its place:

- E.6. Confidentiality and Publicity. The Contractor shall treat as confidential all proprietary information and materials affecting the Account. Except as otherwise required by law, the Contractor further undertakes not to release any materials to third parties without the Retirement System's prior written permission. The Contractor agrees that all reports, studies, analyses, specifications, recommendations and all other materials of whatsoever nature, prepared by the Contractor specifically for use under this Contract or furnished to the Contractor by the Retirement System for use under this Contract, are to be considered confidential, and that the Contractor will neither publish, circulate nor use any of the foregoing, except in the performance of its work under this Contract or except as otherwise required by law. The Contractor agrees that it will not issue any news releases to the public press or any publication wholly or partly related to its work under this Contract without first obtaining the prior written consent of the Retirement System. The Contractor further agrees that it will not make speeches, engage in public appearances, publish articles or otherwise publicize its work under this Contract without prior written approval of the Retirement System. This Paragraph is not intended to prevent the Contractor from advertising the fact that the Contractor performed or performs the services hereunder on behalf of the Retirement System.

Delete Section E.8 of the Pro Forma Contract (Exhibit B of the Questionnaire) in its entirety and insert the following in its place:

- E.8. On-Site Visits. At any reasonable time and upon reasonable notice by the Retirement System, the Retirement System or its duly appointed representatives shall be entitled to visit the Contractor's operational headquarters or other offices where the Account is serviced and to examine all records pertaining to the Account, and to make reasonable requests for copies of such records. The travel expenses associated with any such visit shall be borne by the Retirement System or its duly appointed representatives.

Delete Attachment A of the Pro Forma Contract (Exhibit B of the Questionnaire) in its entirety and replace it with the following new Attachment A:

ATTACHMENT A ACCOUNT CONTENT

Pursuant to Section A.2 of the Contract between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "Retirement System", and CONTRACTOR LEGAL ENTITY NAME, hereinafter referred to as the "Contractor", the Retirement System appointed the Contractor to supervise and manage its international equity portfolio pursuant to [TO BE COMPLETED BASED ON THE MANDATE AWARDED] and in the following countries: [TO BE COMPLETED BASED ON THE MANDATE AWARDED].

The Retirement System hereby allocates the cash, equity and fixed income described in Appendix 2, which is attached hereto, to the Account for investment and reinvestment by the Contractor in the above listed countries and in accordance with the above-referenced Contract. In addition to such allocation, the Account shall consist of all assets acquired as earnings thereon, proceeds therefrom or in substitution therefore. The Retirement System may, at its sole discretion and upon notification to the Contractor, amend this Attachment A to add, transfer or remove assets from the Account. Following such transfer or removal, the Contractor shall have no authority to act with respect to assets transferred or removed. The Contractor shall have no investment or other responsibility or authority with respect to those assets owned by the Retirement System which are not part of the Account. The investment performance of the Account shall be measured against the [NAME OF INDEX BASED ON THE MANDATE AWARDED].

The Contractor may only invest assets of the Account in common stock, preferred stock, convertible bonds, and depository receipts. The Contractor may write covered call options on stock positions and engage in forward contracts to hedge the foreign currency exposure of the Account. Said investment vehicles are the only vehicles the Contractor may employ and the same must be done under the terms and conditions contained in Attachment B "Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria" and in compliance with Tennessee Code Annotated, Title 8, Chapter 37, Part 1.

This Attachment A supersedes any prior Attachment A relative to the subject matter contained herein and will be valid until further written notice of the Retirement System.

Michael Brakebill, Chief Investment Officer

STATE OF TENNESSEE
COUNTY OF DAVIDSON

Sworn and subscribed to me on this the _____ day of _____, 2008.

Notary Public

My Commission Expires: _____

RECEIPT AND ACCEPTANCE
[CONTRACTOR LEGAL ENTITY NAME]

By: _____
(Signature)

Date: _____

(Typed or Printed Name and Title)



STATE OF TENNESSEE
RFS # 309.01-126
AMENDMENT # 2

August 7, 2008

THE SUBJECT QUESTIONNAIRE IS HEREBY AMENDED AS FOLLOWS.

- A. The following Questionnaire Schedule of Events updates or confirms scheduled Questionnaire dates.

| <i>All Mandates</i> | <i>Date</i> | <i>Updated/ Confirmed</i> |
|---|----------------------|--------------------------------------|
| Questionnaire Issued | 7/25/08 | CONFIRMED |
| Letters of Intent & Written Questions Deadline | 3:00 p.m. on 8/1/08 | CONFIRMED |
| TCRS Responds to Written Questions | 8/8/08 | UPDATED |
| Proposal Deadline | 3:00 p.m. on 8/15/08 | CONFIRMED |
| <i>Broad EAFE and EAFE Regional Subset Mandates</i> | | |
| Finalist presentations in Nashville (tentative) | 9/15/08 – 9/19/08 | CONFIRMED |
| TCRS Issues Evaluation Notice | 9/22/08 | CONFIRMED |
| Contract Signature Deadline | 10/6/08 | CONFIRMED |
| Effective Date of Contracts | 10/15/08 | CONFIRMED |
| Portfolio transitions completed | 10/31/08 | CONFIRMED |
| <i>Concentrated EAFE and Small Cap EAFE Mandates</i> | | |
| Finalist presentations in Nashville (tentative) | 10/14/08 – 10/24/08 | CONFIRMED |
| TCRS Issues Evaluation Notice | 10/29/08 | CONFIRMED |
| Contract Signature Deadline | 11/21/08 | CONFIRMED |
| Effective Date of Contracts | 1/2/09 | CONFIRMED |
| Portfolio transitions completed | 1/31/09 | CONFIRMED |



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AMENDMENT # 1

August 6, 2008

THE SUBJECT QUESTIONNAIRE IS HEREBY AMENDED AS FOLLOWS.

- A. The following Questionnaire Schedule of Events updates or confirms scheduled Questionnaire dates.**

| <i>All Mandates</i> | <i>Date</i> | <i>Updated/ Confirmed</i> |
|---|----------------------|--------------------------------------|
| Questionnaire Issued | 7/25/08 | CONFIRMED |
| Letters of Intent & Written Questions Deadline | 3:00 p.m. on 8/1/08 | CONFIRMED |
| TCRS Responds to Written Questions | 8/7/08 | UPDATED |
| Proposal Deadline | 3:00 p.m. on 8/15/08 | CONFIRMED |
| <i>Broad EAFE and EAFE Regional Subset Mandates</i> | | |
| Finalist presentations in Nashville (tentative) | 9/15/08 – 9/19/08 | CONFIRMED |
| TCRS Issues Evaluation Notice | 9/22/08 | CONFIRMED |
| Contract Signature Deadline | 10/6/08 | CONFIRMED |
| Effective Date of Contracts | 10/15/08 | CONFIRMED |
| Portfolio transitions completed | 10/31/08 | CONFIRMED |
| <i>Concentrated EAFE and Small Cap EAFE Mandates</i> | | |
| Finalist presentations in Nashville (tentative) | 10/14/08 – 10/24/08 | CONFIRMED |
| TCRS Issues Evaluation Notice | 10/29/08 | CONFIRMED |
| Contract Signature Deadline | 11/21/08 | CONFIRMED |
| Effective Date of Contracts | 1/2/09 | CONFIRMED |
| Portfolio transitions completed | 1/31/09 | CONFIRMED |

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I. STATEMENT OF INTENT AND BACKGROUND INFORMATION

- A. Statement of Intent. The Tennessee Consolidated Retirement System, a division of the Department of Treasury of the State of Tennessee and hereinafter referred to as TCRS, intends to secure contracts for the management of its international equity portfolios. The purpose of this Questionnaire is to define TCRS's minimum requirements, solicit responses and gain adequate information to evaluate the services offered by responding firms.

TCRS will seek investment managers to manage the international equity portfolio in accordance with TCRS's Investment Policy as set forth in The Tennessee Consolidated Retirement System Organizational Structure and General Overview-Investment Policy, Objectives and Criteria ("TCRS Investment Policy"), and other applicable policies and procedures adopted by the TCRS Board of Trustees, and the statutes governing TCRS. A copy of the TCRS Investment Policy, including provisions applicable to international investments, can be found on the State of Tennessee Treasury website at www.treasury.state.tn.us/tcrs/invpol.pdf. The applicable statutes which apply to TCRS are contained in Tennessee Code Annotated, Title 8, Chapter 37, Part 1, and Tennessee Code Annotated, Section 35-3-117. Copies of these provisions may be printed from the following website: www.michie.com/resources1.html.

Each international equity portfolio shall be managed as a **separate account**. TCRS intends to evaluate and potentially contract with managers for Broad EAFE, Concentrated EAFE (portfolio of approximately 50 securities or less), Small Cap EAFE and EAFE Regional Subset mandates. TCRS presently employs two broad EAFE managers and two regional managers, whose contracts expire on October 31, 2008. This Questionnaire will inform TCRS of other international equity managers desirous of providing services both similar to its existing managers and in new areas of active management (Concentrated and Small Cap EAFE). TCRS anticipates a final international equity structure that contains approximately 10 to 14 managers. TCRS investment staff will determine at its sole discretion the allocation of assets to each manager. However, it is anticipated, but not guaranteed, that each manager will have a portfolio of \$200 million to \$1 billion.

- B. TCRS. TCRS is a public employee retirement system covering teachers, state employees, higher education employees and local government employees. Currently, TCRS has total plan assets of approximately \$32 billion with international equity assets of approximately \$5 billion.

The Plan is a qualified plan under Section 401(a) of the Internal Revenue Code. The current statutes governing TCRS investments (i.e., Tennessee Code Annotated, Title 8, Chapter 37, Part 1 and Tennessee Code Annotated, Section 35-3-117) can be accessed from the website noted above.

- C. Contact Prohibited. Contact with employees or officials of the State of Tennessee including, but not limited to, TCRS staff and the TCRS Board of Trustees regarding this Questionnaire is prohibited except as initiated by the TCRS staff. Any questions, requests for information or clarifications should be directed to TCRS's investment consultant, Strategic Investment Solutions, Inc. ("SIS" or "Consultant"). Mr. Pete Keliuotis, Managing Director of SIS, will be responsible for coordinating questions and requests between proposers and TCRS. *Any contact, except as authorized above, will disqualify a firm from consideration.*
- D. Custodian for TCRS. The custodian for both domestic and international securities owned by TCRS is **Northern Trust Company**. The custodian will hold all securities and settle all transactions. The proposed operating procedure is for the international manager to electronically

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transmit all transactions to TCRS and the custodian. The transmission format required by TCRS is attached as **Exhibit A., QED Transmission Format**. The Proposer must agree to operate in this manner if awarded a contract under this Questionnaire.

- E. Investment Consultant for TCRS. SIS, as the investment consultant to TCRS, assists TCRS in the establishment of objectives, benchmarks and performance evaluations. Performance measurement is prepared on a quarterly basis and reflects current quarter and accumulated returns. SIS's performance measurement system is the official method for determining performance.
- F. International markets in which TCRS may currently invest. The TCRS Board of Trustees has authorized the countries in which assets may be invested. These countries are described in the TCRS Investment Policy, which can be found on the State of Tennessee Treasury website at www.treasury.state.tn.us/tcrs/invpol.pdf. Presently, international investments can only be made in those countries included in the Morgan Stanley Capital International (MSCI) EAFE Index, i.e., developed market countries only. *Investments in emerging market countries are not presently allowed.*
- G. Currency Management. TCRS allows its international equity managers to manage currency exposure as part of their investment strategy. Portfolio currencies may be sold into US dollars using forwards only. An un-hedged equity benchmark will be used unless the TCRS Investment Policy is amended and the manager agrees to any such amendment. It is unlikely that this will occur before contracts for awarded mandates are finalized.
- H. Asset Allocation. TCRS investment staff will determine at its sole discretion the allocation of assets to each of the managers. All investments made on behalf of TCRS by international equity managers procured pursuant to this Questionnaire shall be made in equity securities of the kinds permitted by the TCRS Investment Policy. **The TCRS Cash Manager will invest all excess cash in the portfolio.** Cash will be represented as an investment in the TCRS Active Reserve Fund (TARF) and will earn a US dollar money market rate. The TARF balance will represent each manager's un-invested allocation and is monitored daily by TCRS staff.
- I. Fee Structure. The investment manager fee will be paid quarterly, in arrears, based on the net asset value of the securities managed by the manager. The fee will be calculated on a monthly basis equal to one-twelfth (1/12) of the annual basis point fee proposed by the manager in its proposal multiplied by the net asset value of the securities managed by the manager at month end including a pro rata adjustment for capital injections and withdrawals. TCRS's custodian will determine the net asset value of the securities managed by the manager utilizing its pricing system. *Because it is the intention of TCRS that its managers stay essentially fully invested at all times, fees shall not be paid on those assets invested in cash or cash equivalents when such balances represent more than 15% of the Account's net asset value at each month end.*
- J. Statutory Restrictions. TCRS may not invest more than 25% of the Plan's assets in international securities, with Canada defined by the Plan as a domestic market rather than as an international market. All investments must be made in accordance with the laws, policies and objectives governing TCRS. Moreover, TCRS may not purchase more than 4.99% of the outstanding shares of any one issuer and it is required that a 2% or greater stake be disclosed to TCRS staff.

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- K. Commission Recapture. TCRS reserves the right to enter into agreements with broker/dealers whereby the broker agrees to refund to TCRS a portion of the commission it receives. Moreover, TCRS may enter into commission dollar arrangements with authorized broker/dealers.
- L. Corporate Actions. The manager will vote and act upon all proxies in accordance with the TCRS Investment Policy. TCRS reserves the right to instruct the manager on a case-by-case basis on how to vote a particular proxy. The manager will be required to keep accurate records of all proxies voted by the manager in sufficient detail to enable TCRS to review the manager's voting procedures and the votes cast by the manager in specific cases. The external manager will be responsible for exercising any rights issue available to TCRS.
- M. Securities Lending. The securities held by TCRS's custodian may be lent to certain broker/dealers. There are no securities being lent at the present time. If TCRS were to resume securities lending, the manager will be required to notify the custodian of all trades by trade date.
- N. Prudent Investor Rule. Pursuant to Tennessee Code Annotated, Section 35-3-117, the proposing firm must manage the international equity portfolio with the care, skill, prudence and diligence under the circumstances then prevailing, specifically including, but not by way of limitation, the general economic conditions, and the anticipated needs of TCRS and its beneficiaries, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims to attain the goals of TCRS. The proposing firm must agree to discharge its duties with respect to TCRS solely in the interest of the beneficiaries and members of the Plan.
- O. Asset Transitions. TCRS intends to utilize a transition manager to transfer assets from the current portfolio into a portfolio specified by the investment manager. Such securities will be recognized as acquired by the manager at the closing market price on a day to be determined by the TCRS staff. Such securities will be transferred or acquired by the transition manager and deposited into an account designated by the custodian for use by the investment manager.
- P. Investment Division Code of Ethics and Standards of Professional Conduct. The mission of the Treasury Department is to provide superior service to constituents in a cost effective manner through qualified personnel while maintaining the highest ethical standards. Attachment C to the *Pro Forma* Contract (**Exhibit B of this Questionnaire**) reflects the Department's code of ethics and standards of professional conduct.

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II. MANDATORY REQUIREMENTS & PROPOSAL SUBMISSION INSTRUCTIONS

- A. Mandatory Requirements. TCRS is welcoming proposals to manage Broad EAFE, EAFE Regional Subset, Concentrated EAFE and Small Cap EAFE. Except as otherwise provided in Section II.B. below, Proposing firms must identify each mandate for which a proposal is being made and must meet or exceed the following mandatory requirements in order for TCRS to accept that manager's response to this Questionnaire. All proposals submitted in response to this Questionnaire must contain a written statement as to the Proposer's ability to meet the mandatory requirements set forth in this Section II.A., or II.B, as applicable. Such written statement must be made in the Proposer's transmittal letter that accompanies the proposal as discussed in Section II.K. below. If a Proposer cannot agree to and abide by each item listed, the Proposer's Questionnaire response will be considered **non-responsive** and will **not** be evaluated.

All data should be provided as of 6/30/08. All performance-related figures should be since inception through 6/30/08, gross of fees, and reflect *a carve-out or live client account that represents a developed-country ONLY version of the proposed product.*

1. *Broad EAFE*

- a) Mandate Style
 - i) Mid-Large Cap OR Large Cap OR All Cap; and
 - ii) Core OR Growth OR Value
 - iii) Number of holdings > 50 securities
- b) Live track record of at least five (5) years
- c) Assets under Management (AUM)
 - i) Product Institutional AUM \geq \$1 B; and
 - ii) At least two (2) institutional separate accounts \geq \$50 mm
- d) Performance
 - i) Annualized tracking error versus stated benchmark > 1%; and
 - ii) Annualized excess return versus stated benchmark > 0%

2. *EAFE Regional Subsets (Europe and Pacific)*

- a) Mandate Style
 - i) Mid-Large Cap OR Large Cap OR All Cap; and
 - ii) Core OR Growth OR Value; and
 - iii) Pan European OR Pacific Basin (no UK- or Japan-only; no Europe ex-UK or Pacific Basin ex-Japan)
- b) Live track record of at least 5 years
- c) Assets under Management (AUM)
 - i) Product AUM \geq \$500 mm; and
 - ii) Product Institutional AUM \geq \$250 mm; and

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iii) At least one (1) institutional separate account \geq \$50 mm

d) Performance

i) Annualized excess return versus stated benchmark $> 0\%$

3. *Concentrated EAFE*

a) Mandate Style

i) Mid-Large Cap OR Large Cap OR All Cap; and

ii) Core OR Growth OR Value; and

iii) Number of holdings of approximately 50 securities or less

b) Live track record of at least five (5) years

c) Assets under Management (AUM)

i) Product AUM \geq \$1 B; and

ii) Product Institutional AUM \geq \$500 mm

iii) At least one (1) institutional separate account \geq \$50 mm

d) Performance

i) Annualized excess return versus stated benchmark $> 0\%$

4. *Small Cap EAFE*

a) Mandate Style

i) Micro Cap OR Small Cap OR Small-Mid Cap; and

ii) Core OR Growth OR Value

b) Live track record of at least three (3) years

c) Assets under Management (AUM)

i) Product AUM \geq \$500 mm; and

ii) Product Institutional AUM \geq \$250 mm

d) Performance

i) Annualized excess return versus stated benchmark $> 0\%$

Note: the character " \geq " is the "greater than or equal sign" in some fonts.

- B. Emerging Managers.** Qualified firms may submit a proposal without meeting the assets under management requirement described in Section II.A. above provided the firm has at least five (5) years of professional experience in the mandate for which a proposal is being made, meets all other requirements described in Section II.A, and meets the following definition of an emerging manager. For purposes of this Questionnaire, an emerging manager means a qualified investment adviser that manages an investment portfolio of at least ten million dollars (\$10,000,000) but less than one hundred million dollars (\$100,000,000) and is a minority-owned business and is at least fifty- one percent (51%) owned by one (1) or more minority persons, or in the case of a

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corporation, at least fifty-one percent (51%) of the stock of which is owned by one (1) or more minority persons; and the management and daily business operations of which are controlled by one (1) or more of the minority individuals who own it. A minority person means a person who is a citizen or lawful permanent resident of the United States and who is African American or Hispanic.

Any firm submitting a proposal as an emerging manager must provide documentation in its proposal evincing that it meets the requirements of this Section II.B. Such documentation must be included in the manager's transmittal letter that accompanies the proposal as discussed in Section II.K. below.

- C. Contact Concerning the Questionnaire. The sole point of contact for this Questionnaire shall be:

Pete Keliuotis, CFA
Managing Director
Strategic Investment Solutions, Inc.
333 Bush Street, Suite 2000
San Francisco, CA 94104
pkeliuotis@sis-sf.com
Phone: 415.362.3484
Fax: 415.362.2752

After the Questionnaire has been issued, companies are prohibited from communicating with any employee or official of the State of Tennessee including, but not limited to, TCRS staff regarding the Questionnaire unless TCRS specifically requests the communication. Company representatives should not contact any employee or official of the State to explain, amplify, or discuss their proposals.

TCRS reserves the right to contact any company for clarification after responses are opened.

Companies submitting correspondence by fax should provide telephone notification of each fax transmission.

Each Proposer shall assume the risk of the method of dispatching any communication or proposal pursuant to this Questionnaire. Neither the Consultant nor TCRS assumes any responsibility for delays or delivery failures resulting from the method of dispatch. Actual or electronic "postmarking" of a communication or proposal pursuant to this Questionnaire by a deadline date shall not substitute for actual receipt of a communication or proposal by the Consultant.

- D. Letter of Intent. Potential Proposers should submit a letter of intent to respond to this Questionnaire to the Consultant at the address specified above by no later than the date and time specified in the Schedule of Events (Section II.Q. of this Questionnaire). Letters of intent may be sent by mail, hand delivery, email or fax. A letter of intent is not a prerequisite for submission of a proposal, nor does it obligate a company to eventually submit a proposal; however, it is necessary to ensure receipt of addenda and amendments to the Questionnaire, including the form of the **Pro Forma Contract** (as defined below), and written responses to any questions submitted in accordance with the terms of this Questionnaire. The letter of intent should indicate the name and mailing address, fax number and e-mail address of the person within the company's organization to whom correspondence should be sent.

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- E. Questions. Should a company find discrepancies in or omissions from the questions or specifications, or should there be doubt as to their meaning, the company may direct written questions to the Consultant as identified above. All written questions about this Questionnaire must be submitted on company letterhead and must also identify the Questionnaire section and page number for each question submitted. Written questions may be sent by mail, hand delivery, email or fax and must be received by no later than the time and date detailed in the Schedule of Events (Section II.Q. of this Questionnaire). Any oral communications shall be considered unofficial and non-binding with regard to this Questionnaire.

TCRS will convey written responses to all written inquiries received by the Written Comments Deadline detailed in the Schedule of Events (Section II.Q of this Questionnaire) to all firms that submitted a letter of intent. Only TCRS's official, written responses and communications shall be considered binding with regard to this Questionnaire. TCRS reserves the right to determine, at its sole discretion, the method of conveying official responses and communications pursuant to this Questionnaire (*e.g.*, written, facsimile, electronic mail, or Internet posting). These responses will be included in the Questionnaire thereby as an amendment. Names of firms submitting questions will not be disclosed in the written responses conveyed.

- F. Amendments to Questionnaire. As indicated above, TCRS's written responses to any written inquiries filed with the Consultant in accordance with the Schedule of Events shall be included in the Questionnaire as an amendment.

TCRS reserves the right to further amend this Questionnaire in writing at any time. Amendments will be sent to all companies who have filed a letter of intent by the due date listed in the Schedule of Events. Companies shall respond to the final written Questionnaire and any exhibits, attachments, or amendments. If significant amendments occur, TCRS may extend the proposal response due date through an amendment to this Questionnaire.

- G. Proposed Contract. The *Pro Forma* Contract delineating the scope of services that TCRS expects the external manager to provide is attached as **Exhibit B**. Responses should be structured to satisfy, at a minimum, the requirements of the *Pro Forma* Contract. The *Pro Forma* Contract details TCRS's required:

- Scope of Services and Deliverables in Section A;
- Contract Period in Section B;
- Payment Terms in Section C;
- Standard Terms and Conditions in Section D; and,
- Special Terms and Conditions in Section E.

The *Pro Forma Contract* substantially represents the contract document that the proposer selected by TCRS MUST agree to and sign.

However, TCRS reserves the right, at its sole discretion, to add terms and conditions or to revise *Pro Forma* Contract requirements in TCRS's best interests subsequent to this Questionnaire process. No such terms and conditions or revision of contract requirements shall materially affect the basis of proposal evaluations or negatively impact the competitive nature of this Questionnaire process.

Each Proposer must carefully review this Questionnaire and all attachments, including but not limited to the *Pro Forma Contract*. If a Proposer has an exception to the scope of services, is unable to provide a listed service, or objects to (or desires to add to) any of the terms and

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conditions listed here or in the Pro Forma Contract, the exception or addition must be made in writing and received by the Consultant no later than the Written Comments Deadline detailed in the Schedule of Events (Section II.Q. of this Questionnaire).

Protests based on any objection shall be considered waived and invalid if these comments and/or objections have not been brought to the attention of the Consultant, in writing, by the Written Comments Deadline.

If a proposal offers services in addition to those required by and described in this Questionnaire, the additional services may be added to the contract before contract signing at the sole discretion of TCRS. Notwithstanding the foregoing, a Proposer shall not propose any additional cost amount(s) or rate(s) for additional services.

NOTICE: The Proposer's Cost Proposal shall record only the proposed cost as required in this Questionnaire and shall not record any other rates, amounts, or information. If a Proposer fails to submit a Cost Proposal as required, TCRS shall determine the proposal to be non-responsive and shall reject the proposal.

The Proposers with the apparent best-evaluated proposals must sign and return the contract drawn by TCRS pursuant to this Questionnaire no later than the Contract Signature Deadline date detailed in the Schedule of Events. If a Proposer fails to provide the signed contract by the deadline, TCRS may determine that the Proposer is non-responsive to the terms of this Questionnaire and reject the proposal.

- H. Assignment and Subcontracting. TCRS intends to obtain international equity management described herein from the Proposer; however, subcontracting of these services may be allowed if such proposed action is deemed to be in the best interests of the participants and TCRS. In the event that a Proposer intends to subcontract any of the investment services described herein, the subcontractor for these services shall be required to meet the mandatory requirements set out in Section II. of this Questionnaire.

The Proposer must clearly identify in the proposal any such subcontracts intended, the scope of work to be subcontracted, and the name and qualifications of the subcontractor. All subcontracts must be approved by the TCRS. The prime contractor, however, will be ultimately responsible for all work performed by subcontractors.

- I. Independent Price Determination. No company may be considered for award if the price in the proposal was not arrived at independently without collusion, consultation, communication, or agreement as to any matter relating to such price with any other company or with any competitor. In addition, any company submitting a proposal is prohibited from submitting more than one proposal or submitting multiple proposals in different forms – e.g. as the prime contractor in one proposal and as a subcontractor in another proposal. Multiple proposals of this type will result in the disqualification of the proposing firm **except that a manager submitting a response to the Small Cap EAFE mandate may respond to one other mandate separately**. Should any such action stated above be detected at any time during the contract, the contract shall be deemed null and void.
- J. Format of Proposal. Responses must be submitted in the order that the items appear in the Questionnaire. Responses should state the question from the Questionnaire before stating the Proposer's corresponding response to the question. Responses should be prepared simply and

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economically, providing a straightforward, concise description of the company's capabilities to perform the management of a portfolio of international securities. Emphasis should be placed on clarity of content and responsiveness to the questions.

Any response received which does not meet the Questionnaire instructions may be considered non-responsive and will not be given further consideration.

All costs incurred by Proposers in responding to the Questionnaire shall be borne by the Proposer. Neither the Proposals nor any materials submitted with the Proposals will be returned.

- K. Letter of Transmittal. All Proposals submitted in response to this Questionnaire must be accompanied by a transmittal letter. This transmittal letter must include the Proposing company's name, address and telephone/fax numbers, e-mail address, and the title or position which the signer of the transmittal letter holds in the firm. The transmittal letter must state the mandate for which the response is to be considered, and a statement as to whether the Proposing company meets the mandatory requirements described in Section II above. If responding as an emerging manager, please so state in the transmittal letter and document that your company qualifications in II.B. The transmittal letter must be signed with an original signature by someone in the Proposing company who can legally bind the Proposer, and the transmittal letter must state this explicitly. The transmittal letter must further state that the signatory of the letter has read the proposing company's Questionnaire response, attests to the accuracy of all information provided therein, and that the Proposal is valid for six (6) months subsequent to the date of opening. The transmittal letter must also contain a statement from the Proposer that its proposal constitutes a commitment to provide all services as defined in the *Pro Forma* Contract Scope of Services for the total contract period and confirmation that the Proposer must comply with all of the provisions in this Questionnaire and shall accept all terms and conditions set out in the *Pro Forma* Contract.
- L. Submission of Response. The Proposer is to deliver three (3) hard copies and two (2) electronic copies (via mailed data discs) of its proposal, in the form and detail specified in this Questionnaire, to the Consultant at the address set forth in Section II.C. above. The data disk must include a copy of document containing your responses including all appendices.

Proposals should be mailed using certified or registered mail with return receipt requested, sent by overnight delivery service, or hand delivered to the address indicated above. Faxed or e-mailed proposals will **NOT** be accepted.

Proposals must be submitted and received no later than the Proposal Deadline time and date detailed in the Schedule of Events (Section II.Q. of this Questionnaire). It is the Proposer's sole responsibility to ensure that its proposal is submitted before the due date and time. Proposals received after the due date and time will not be accepted.

Each proposal and all materials submitted in response to this Questionnaire shall become the property of the State of Tennessee. Selection or rejection of a proposal does not affect this right. All proposal information, including detailed price and cost information, shall be held in confidence during the evaluation process. Notwithstanding, a list of actual proposers submitting timely proposals may be available to the public, upon request, directly after technical proposals are opened.

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Upon the completion of the evaluation of proposals, indicated by public release of an Evaluation Notice, the proposals and associated materials shall be open for review by the public in accordance with *Tennessee Code Annotated*, Section 10-7-504(a)(7). By submitting a proposal, the Proposer acknowledges and accepts that the full proposal contents and associated documents shall become open to public inspection.

- M. Proposal Amendment and Rules for Withdrawal.** A Proposer may withdraw a submitted proposal at any time up to the Proposal Deadline time and date detailed in the Schedule of Events. To do so, a Proposer must submit a written request, signed by the Proposer's authorized representative to withdraw a proposal. The written request must be mailed or hand delivered to the Consultant. The Consultant will acknowledge receipt of the request in writing. After withdrawing a previously submitted proposal, a Proposer may submit another proposal at any time up to the Proposal Deadline.

TCRS will not accept any amendments, revisions, or alterations to proposals after the proposal due date unless formally requested, in writing, by TCRS.

- N. Clarification, or Rejection of Proposals.** TCRS reserves the right, at its sole discretion, to request clarification or corrections to proposals, to reject any and all proposals, or to cancel and reissue this Questionnaire or to cancel this Questionnaire in its entirety in accordance with applicable laws and regulations.

TCRS reserves the right, at its sole discretion, to waive a proposal's variances from full compliance with this Questionnaire. If TCRS waives minor variances in a proposal, such waiver shall not modify the Questionnaire requirements or excuse the Proposer from full compliance with such. Notwithstanding any minor variance, TCRS may hold any Proposer to strict compliance with this Questionnaire.

If TCRS determines that a Proposer has provided, for consideration in this Questionnaire process or subsequent contract negotiations, incorrect information that the Proposer knew or should have known was materially incorrect, that proposal shall be determined non-responsive and shall be rejected.

- O. Selection Process.** The selection process under this Questionnaire will be as follows:

1. Non-Qualifying Responses.

The Consultant will evaluate each proposal submitted in response to this Questionnaire to determine if it was submitted in accordance with the requirements set forth in this Questionnaire, including whether the response meets all of the applicable mandatory requirements set forth in Section II above. All non-qualifying proposals will be rejected at this time.

2. Semi-Finalist Selection.

The Consultant will perform an evaluation of the Questionnaire responses and Proposers that incorporates a combination of quantitative and qualitative analysis.

Quantitative criteria applied include:

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- Consistent above-median performance versus an appropriate peer group over various time periods
- Consistent excess returns versus the stated benchmark over various time periods
- Attractive risk/reward characteristics over longer time periods
- Critical mass of assets to minimize business risk
- Portfolio characteristics diversification/ concentration
- Style (returns- and holdings-based analysis)

Qualitative assessment includes the following areas:

- Ownership Structure and Succession Plans
- Compensation Structures for Investment Professionals
- Investment Philosophy and Process
- Team Organization, Depth and Experience
- Risk Management Tools and Process
- Composite Construction Practices and CFA Institute GIPS Compliance
- Legal and Regulatory Issues
- Operations/Back Office Systems and Procedures
- Business Practices and Potential Conflicts of Interest
- Fee Structure
- Product Focus and New Products in Incubation
- Client Focus – Retail vs. Institutional
- Workforce Diversification and Employment Policies
- Insurance Coverage (e.g., Errors & Omissions) and Usage

Questionnaires that demonstrate manager excellence in responding to changing market environments beyond that which may be attributed to style or fortuitous factor exposure and which are competitive to all other questionnaire responses will be deemed semi-finalists and forwarded to TCRS for further evaluation.

3. *Finalist Selection*

The proposals for selected finalists will be evaluated by an Evaluation Committee to be comprised of three to eight Tennessee state employees, a majority of which are expected to be members of TCRS staff. The Evaluation Committee will interview the finalists.

The Evaluation Committee will independently evaluate the proposed products within the following main areas:

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- Investment process including asset mis-pricing hypotheses, proprietary methods and operational discipline.
- Strategy uniqueness and fit with other semi-finalists.
- Cost

Firms that are selected to be finalists will be invited to make presentations in Nashville, Tennessee according to the schedule in Section II.Q. Evaluators will individually rank the finalists from which final selections will be made.

- P. Effective Date and Term of Contract.** TCRS intends to enter into a contract with an expected effective period of five (5) years. TCRS reserves the right to extend the contract for up to five (5) additional years under the same terms and conditions, including the payment rates provided for in the original contract. For those contracts involving the Broad EAFE mandate and the EAFE Regional Subset mandate, the term of those contracts are expected to commence on **October 15, 2008**. For those contracts involving the Concentrated EAFE mandate and the Small Cap EAFE mandate, the term of those contracts are expected to commence on January 2, 2009.
- Q. Schedule of Events.** The following Schedule of Events represents TCRS's best estimate of the schedule that will be followed. Unless otherwise specified, the time of day for the following events will be between 8:00 a.m. and 4:30 p.m., PDT.

| | |
|---|----------------------|
| <i>All Mandates</i> | |
| Questionnaire Issued | 7/25/08 |
| Letters of Intent & Written Questions Deadline | 3:00 p.m. on 8/1/08 |
| TCRS Responds to Written Questions | 8/6/08 |
| Proposal Deadline | 3:00 p.m. on 8/15/08 |
| <i>Broad EAFE and EAFE Regional Subset Mandates</i> | |
| Finalist presentations in Nashville (tentative) | 9/15/08 – 9/19/08 |
| TCRS Issues Evaluation Notice | 9/22/08 |
| Contract Signature Deadline | 10/6/08 |
| Effective Date of Contracts | 10/15/08 |
| Portfolio transitions completed | 10/31/08 |
| <i>Concentrated EAFE and Small Cap EAFE Mandates</i> | |
| Finalist presentations in Nashville (tentative) | 10/14/08 – 10/24/08 |
| TCRS Issues Evaluation Notice | 10/29/08 |
| Contract Signature Deadline | 11/21/08 |
| Effective Date of Contracts | 1/2/09 |
| Portfolio transitions completed | 1/31/09 |

NOTE: TCRS reserves the right to adjust this schedule as it deems necessary, at its sole discretion.

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III. QUESTIONNAIRE

Please provide the following information and answers in the formats requested:

- A. Provide a summary narrative that illustrates the Proposer's understanding of TCRS's requirements. How does the proposed product best satisfy those requirements? Highlight any unique aspects about the proposed product and refer the evaluator to specific Questionnaire responses for details.
- B. What is the appropriate MSCI developed country benchmark for the product you are proposing?
- C. Indicate if you manage mandates that could be classified as "constrained" for any social, political, environmental, or economic reason. If you manage a "constrained" mandate, please provide a description of the mandate(s) and provide a table comparing the annualized investment performance of the "constrained" mandate(s) versus your unconstrained composite portfolio for the 1, 3, and 5 year periods. Also, detail if there is a difference in the fee structure for your "unconstrained" versus your "constrained" mandates. **NOTE: IN RESPONDING TO THIS LAST SENTENCE, PLEASE REFER TO SECTION III.H., FEES, PORTFOLIO CHARACTERISTICS AND PERFORMANCE BELOW.**
- D. Background & Organizational Information

1. General information:

| | |
|------------------------|--|
| Firm | |
| Legal Name: | |
| Address: | |
| Telephone Number: | |
| Fax Number: | |
| Website: | |
| | |
| Primary Contact | |
| Name: | |
| Title: | |
| Telephone Number: | |
| Email Address: | |

2. Description of the firm's legal structure.
3. Brief overview and history of the firm.
4. Description of the firm's current ownership structure, including a list of any persons or entities that own more than 5% of the firm and their percent ownership. In addition, please indicate the aggregate level of ownership by active employees.
5. Brief overview of the firm's main lines of business and the approximate percent of total revenues generated by each. In addition, attach an organizational chart listing all distinct business units, divisions and groups as **Appendix A – Firm Organizational Chart**.
6. List of the firm's office locations and the main functional responsibilities of each.

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7. List of any subsidiaries, affiliates or joint ventures and a description of each relationship.
8. List of your Board of Directors, if applicable, and their affiliations with the firm.
9. Timeline of any past changes to the firm's legal, organizational or ownership structure and a description of any such impending or planned changes.
10. Table outlining any turnover among senior staff (C-level, Managing Directors, etc.):

| Name | Title | Year Joined | Year Departed | Reason for Leaving |
|------|-------|-------------|---------------|--------------------|
| | | | | |

11. Outline of your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.
12. Description of your succession and continuity plans for management of the firm.

E. Clients and Assets under Management (AUM)

1. Total firm AUM (\$ mm) and number of clients broken down as follows:

| | 12/31/03 | 12/31/04 | 12/31/05 | 12/31/06 | 12/31/07 | 6/30/08 |
|----------------------------------|-------------|-----------------|----------|----------|----------|---------|
| Client Type | | | | | | |
| Public | \$1,279 (5) | ← Sample Format | | | | |
| Corporate | | | | | | |
| Endowment & Foundation | | | | | | |
| Union/Multi-Employer | | | | | | |
| Sovereign Entity | | | | | | |
| High Net Worth | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| | | | | | | |
| Asset Class/Product Group | | | | | | |
| U.S. Equity | | | | | | |
| Int'l & Global Equity | | | | | | |
| U.S. Fixed Income | | | | | | |
| Int'l & Global Fixed Income | | | | | | |
| Other Traditional | | | | | | |
| <i>Traditional Subtotal</i> | | | | | | |
| Direct Hedge Funds | | | | | | |
| Fund of Hedge Funds | | | | | | |
| Direct Private Equity | | | | | | |
| Fund of Private Equity Funds | | | | | | |
| Other Alternatives | | | | | | |
| <i>Alternatives Subtotal</i> | | | | | | |
| Total | | | | | | |

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2. Total international equity AUM and number of clients broken down as follows:

| | 12/31/03 | 12/31/04 | 12/31/05 | 12/31/06 | 12/31/07 | 6/30/08 |
|-------------------------------|----------|----------|----------|----------|----------|---------|
| <i>Client Type</i> | | | | | | |
| Public | | | | | | |
| Corporate | | | | | | |
| Endowment | | | | | | |
| Foundation | | | | | | |
| Taft-Hartley | | | | | | |
| Sovereign Entity | | | | | | |
| High Net Worth | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| | | | | | | |
| <i>Account Type</i> | | | | | | |
| Institutional Commingled Fund | | | | | | |
| Separate Account | | | | | | |
| Mutual Fund | | | | | | |
| Total | | | | | | |

3. Proposed product AUM and number of clients broken down as follows:

| | 12/31/03 | 12/31/04 | 12/31/05 | 12/31/06 | 12/31/07 | 6/30/08 |
|-------------------------------|----------|----------|----------|----------|----------|---------|
| <i>Client Type</i> | | | | | | |
| Public | | | | | | |
| Corporate | | | | | | |
| Endowment | | | | | | |
| Foundation | | | | | | |
| Taft-Hartley | | | | | | |
| Sovereign Entity | | | | | | |
| High Net Worth | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| | | | | | | |
| <i>Account Type</i> | | | | | | |
| Institutional Commingled Fund | | | | | | |
| Separate Account | | | | | | |
| Mutual Fund | | | | | | |
| Total | | | | | | |

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4. AUM and number of clients gained/lost/net for the firm, international equity product group and proposed product itself:

| | 2003 | 2004 | 2005 | 2006 | 2007 | YTD 2008 |
|-----------------------------------|------|------|------|------|------|----------|
| Total Firm | | | | | | |
| Clients Gained | | | | | | |
| Clients Lost | | | | | | |
| Net | | | | | | |
| Assets Gained | | | | | | |
| Assets Lost | | | | | | |
| Net | | | | | | |
| Total International Equity | | | | | | |
| Clients Gained | | | | | | |
| Clients Lost | | | | | | |
| Net | | | | | | |
| Assets Gained | | | | | | |
| Assets Lost | | | | | | |
| Net | | | | | | |
| Proposed Product | | | | | | |
| Clients Gained | | | | | | |
| Clients Lost | | | | | | |
| Net | | | | | | |
| Assets Gained | | | | | | |
| Assets Lost | | | | | | |
| Net | | | | | | |

5. For all distinct international equity products, the following information as of 6/30/08:

| Product Name | Style | Benchmark | Inception Date | AUM | Number of Clients |
|--------------|-------|-----------|----------------|-----|-------------------|
| | | | | | |

6. For each of the five largest clients in the proposed product, the following as of 6/30/08:

| Client Name/Type | AUM | % of Proposed Product AUM | Inception Year of Relationship | Account Type |
|------------------|-----|---------------------------|--------------------------------|--------------|
| | | | | |

7. AUM at which the proposed product is expected to be both soft- and hard-closed and an estimate of remaining capacity until each level is reached. What factors are used to determine these figures?

F. Investment Team

1. Attach an organizational chart for the international equity group as **Appendix B - International Equity Group Organizational Chart**.

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2. For all international equity investment professionals:

| Group | Number of Professionals | Average Tenure with the Firm | Average Industry Experience |
|-----------------------------------|-------------------------|------------------------------|-----------------------------|
| Senior Staff & Portfolio Managers | | | |
| Research Analysts | | | |
| Risk Management | | | |
| Trading | | | |
| Compliance | | | |
| Total | | | |

In addition, please indicate if any of these groups are centralized or shared firm-wide.

3. Table outlining any turnover among international equity investment professionals:

| Name | Title | Year Joined | Year Departed | Reason for Leaving |
|------|-------|-------------|---------------|--------------------|
| | | | | |

4. For all key investment professionals responsible for managing the proposed product:

| Name | Title/Role | Tenure w/ Firm | Years of Industry Exp. | Firm Ownership (%) | % of Time on Proposed Product |
|------|------------|----------------|------------------------|--------------------|-------------------------------|
| | | | | | |

5. Please attach biographies for each of the key investment professionals as **Appendix C – Biographies of Key Investment Professionals**.
6. Description of your succession and continuity plans for the management of your international equity products. Are any of the key investment professionals under employment contract? If so, please provide details for each affected individual.
7. Do you anticipate adding personnel to accommodate AUM growth, new products, or to otherwise augment your international equity capabilities? If so, in what areas and how many people?
8. Compensation structure for all distinct groups of investment professionals within the international equity product group (portfolio managers, research analysts, etc.) including details on how variable compensation is determined (e.g., profitability, AUM, performance of relevant products).
9. Are any investment activities related to your international equity products fully or partially outsourced to third-party service providers? If so, please describe.

G. Investment Process

1. Description of your firm's overall investment philosophy and approach as it relates to managing the proposed strategy including its theoretical basis, market anomalies or

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inefficiencies the process attempts to exploit and a summary of any supporting academic research or empirical evidence.

2. List of the main components of your investment strategy (e.g., region, country, sector, industry, security and currency selection), whether or not each decision is made actively or is a by-product of another facet of the process, and the approximate expected contribution of each to excess return over an appropriate time period.
3. Unique methods of gathering or analyzing information. What is your firm's competitive advantage over other international equity managers?
4. Description of the investment universe, including:
 - a) Specific criteria related to region, country, market capitalization, liquidity or financial health.
 - b) Types of securities utilized (e.g., common stocks, preferred stocks, REITs, ADRs, convertibles, warrants, ETFs and derivatives). If any off-benchmark securities are used describe their use in detail and provide both the expected and maximum percent of portfolio assets each will constitute.
5. Description of the various stages of the investment process (e.g., initial screening, research, stock selection, portfolio construction) including the groups or individuals, deliverables, decision points and typical timeframes associated with each component.
6. Overview of how the research function is organized (e.g., by sector/industry vs. region/country). Why is it organized in this manner? Has this framework changed at any time and if so, why was it changed?
7. Comments on external research and how it is incorporated into the investment process, including the extent of its use (i.e., the percent of external vs. internal) and a list of the main sources of external research and how the research providers are compensated.
8. Discussion of how the portfolio manager(s) interact with research analysts and traders in terms of idea generation, research and investment decisions.
9. Explanation of the portfolio construction and rebalancing process, including:
 - a) Constraints or guidelines such as target exposures and allowable ranges, either benchmark-relative or absolute, for regions, countries, currencies, sectors, industries, market capitalization ranges and individual securities. Specify if these constraints are measured at cost or at market.
 - b) Any other quantitative or qualitative risk controls not covered in a).
 - c) Frequency of regular portfolio rebalancing and any triggers or thresholds for intra-period rebalancing, if applicable.
 - d) How transaction costs are measured and factored into the process.

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- e) If portfolio construction and rebalancing are model-driven, how and when do subjective overrides occur?
- 10. Overview of your sell discipline, including any specific criteria or triggers.
- 11. Description of your approach to managing currency exposures and how this is integrated into the overall portfolio management process. Do you attempt to add value through active currency management and/or hedging? If so, please quantify the impact of currency management over an appropriate time period.
- 12. Discussion of the use of emerging markets securities including how the developed/emerging allocation is set, typical and maximum allocation to emerging markets, whether or not emerging markets exposure is obtained through an internally-managed commingled vehicle, and if the emerging markets sleeve is managed by a different team. If utilized, please quantify the emerging markets contribution to performance over an appropriate time period. NOTE: Presently, international TCRS investments can only be made in those countries included in the Morgan Stanley Capital International (MSCI) EAFE Index, i.e., developed market countries only. *Investments in emerging market countries are not presently allowed.*
- 13. List of the main risks associated with the proposed product along with a description of how each risk is explicitly measured and managed.
- 14. Person or group primarily responsible for the risk management function.
- 15. Discussion of how risk management both informs and maintains independence from the other aspects of the investment process.
- 16. Description of any third-party or internally-developed risk systems or tools.
- 17. Discussion of any material changes or enhancements that have been made to the investment process since inception of the proposed product.
- 18. Do you maintain formal investment guidelines for the proposed strategy? If so, please attach them as **Appendix D – Sample Investment Guidelines**.

H. Fees, Portfolio Characteristics and Performance

- 1. For your proposed product (which must be a separate account), please provide:
 - a) Minimum account size.
 - b) Proposed fixed fee schedule for this mandate. TCRS expects an asset based fee. Specifically, the investment manager fee will be paid quarterly, in arrears, based on the net asset value of the securities managed by the manager. The fee will be calculated on a monthly basis equal to one-twelfth (1/12) of the annual basis point fee proposed by the manager in response to this question multiplied by the net asset value of the securities managed by the manager at month end including a pro rata adjustment for capital injections and withdrawals. TCRS's custodian will determine the net asset value of the securities managed by the manager

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utilizing its pricing system. *Because it is the intention of TCRS that its managers stay essentially fully invested at all times, fees shall not be paid on those assets invested in cash or cash equivalents when such balances represent more than 15% of the Account's net asset value at each month end.*

NOTICE: The Proposer's cost/fee proposal shall record only the proposed cost as required in this question and shall not record any other rates, amounts, or information. If a Proposer fails to submit a cost proposal as required, TCRS shall determine the proposal to be non-responsive and shall reject the proposal.

- c) Restrictions on the types of monies accepted (e.g., ERISA, non-ERISA).
- 2. Current largest, median and smallest separate account within the proposed strategy.
- 3. List of any targets for performance and risk (e.g., excess return, volatility, tracking error) including the appropriate timeframe over which these metrics should be evaluated.
- 4. Discussion of where the strategy falls in the value/growth, large/small cap, developed/emerging spectra, respectively. NOTE: Presently, international TCRS investments can only be made in those countries included in the Morgan Stanley Capital International (MSCI) EAFE Index, i.e., developed market countries only. *Investments in emerging market countries are not presently allowed.*
- 5. Description of and justification for any systematic over- or under-weights in terms of capitalization, style, region, country, sector or industry.
- 6. List of any regions, countries, sectors or industries in which you will not invest.
- 7. What is the proposed benchmark for this mandate? How would TCRS's choice of a different benchmark alter your management of the portfolio?
- 8. Discussion of the recently introduced variants of the MSCI indices (Standard and Investable Market) and how these changes will affect the proposed strategy.
- 9. Description of any structural elements or biases which might cause the strategy to over- or under-perform either the designated benchmark or an appropriate peer group in certain market environments.
- 10. Identification and explanation of any periods during which the strategy experienced exceptionally good/bad performance or high/low volatility.
- 11. Allocations (percent of total) and characteristics for both portfolio and the designated benchmark for each of the previous twelve quarter-ends through 6/30/08:
 - a) Breakdown by security type.
 - b) Breakdown by region.
 - c) Breakdown by country.

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- d) Breakdown by sector.
 - e) Breakdown by capitalization ranges.
 - f) Weighted average and median market capitalization.
 - g) Percent of portfolio assets in the top ten holdings.
12. Annual turnover for each of the previous five calendar years.
13. Average, minimum and maximum number of securities held. Have these figures changed significantly at any time since inception of the proposed product? If so, please describe.
14. Average, minimum and maximum position size. Have these figures changed significantly at any time since inception of the proposed product? If so, please describe.
15. Average, minimum and maximum cash balance. Is the allocation to cash actively managed or is it only used to provide liquidity? NOTE: **The TCRS Cash Manager will invest all excess cash in the portfolio.**
16. Most recent performance attribution report as **Appendix E – Performance Attribution Report.**
17. Excel file with monthly gross of fee composite returns since inception through 6/30/08 using the following format:

| Month Ending | Gross Return | Net Return |
|--------------|--------------|------------|
| 7/31/99 | | |
| 8/31/99... | | |
| 6/30/08 | | |

*In addition to the composite returns, please provide monthly gross of fee returns, since inception through 6/30/08, of a carve-out or live client account that represents a developed-country ONLY version of the proposed product. Attach both sets of returns as **Appendix F – Monthly Returns.***

18. Excel file with holdings (SEDOLs, security names, and number of shares) for each of the previous twelve quarter-ends through 6/30/08 as **Appendix G - Holdings.**

I. Composite Quality

- 1. Is the composite for the proposed product calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?
- 2. Has it been your firm's policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.
- 3. Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.

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4. Are terminated portfolios included in the composite? If not, please explain.
5. When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?
6. How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?
7. Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?
8. Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?
9. For each calendar year-end since inception of the composite, provide the number of accounts and assets for both the investment style of the proposed product and the composite itself.
10. Provide the performance dispersion of the accounts in the composite for *each of the past five calendar years* and also *cumulatively over the past five calendar years*. Include the high, low and median returns as well as the standard deviation of all returns within the composite.

J. Operations and Controls

1. Description of the key software systems and tools used for:

- a) Portfolio management
- b) Trading
- c) Accounting
- d) Risk management
- e) Attribution and Analytics
- f) Guideline Compliance

Indicate whether each system or tool is internally or externally developed and/or maintained.

2. Description of your business continuity and disaster recovery systems and plans.
3. Overview of your operational risk monitoring and managing practices. Does your firm participate in SAS 70 reviews? Provide your auditor's SAS 70 (or nearest equivalent) opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively.
4. Discussion of the procedures used to prevent and detect so-called rogue trading.

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5. Discussion of the procedures used to monitor personal trading activities.
6. Does your firm maintain a written ethics or standards of conduct policy? If so, please attach a copy as **Appendix H – Ethics/Standards of Conduct Policy**. What steps are taken to ensure that employees are in compliance with this policy?
7. List and brief description of any internally-managed alternative investment strategies that have the potential to invest in the same or similar securities as those held in your international equity portfolios. Comment on the potential conflicts of interest these alternative strategies pose and how they are addressed by internal controls or guidelines.
8. Description of your policies regarding paying direct or indirect commissions or fees for inclusion in a manager search. NOTE: TCRS reserves the right to enter into agreements with broker/dealers whereby the broker agrees to refund to TCRS a portion of the commission it receives. Moreover, TCRS may enter into commission dollar arrangements with authorized broker/dealers.
9. Description of any potential or actual conflicts of interest that exist with respect to your international equity products and how each is addressed through internal controls.
10. Overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?
11. Overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.
12. Overview of your firm's policies regarding the use of soft-dollar credits, including:
 - a) Frequency with which existing soft-dollar arrangements are reviewed and the procedures used to perform the review.
 - b) Description of the process used to approve new soft-dollar arrangements.
 - c) Estimate of the dollar amount and percentage of annual trading commissions used by both your firm and the proposed strategy to purchase research or other services through soft-dollar arrangements.

PLEASE SEE NOTE IN ITEM 8 ABOVE.

13. Regarding trading costs and efficiency:
 - a) Description of how decisions are made to direct trades to various brokers and trade execution systems. Notwithstanding, any manager that is awarded a contract under this Questionnaire must select brokers in accordance with Attachment B of Questionnaire Exhibit B, *Pro Forma* Contract, and must not select brokers which are related to the manager through shared ownership or control.
 - b) Internal metrics used to assess trading efficiency.

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- c) Summary of any recent third-party reviews of your trading efficiency either within the proposed strategy or for all international equities.
 - d) Description of any unique methods used to lower trading costs (e.g., algorithmic trading, crossing networks, blind principal bids).
14. Description of your policies and procedures regarding directed brokerage.

PLEASE SEE NOTE IN ITEM 8 ABOVE.

15. Description of your proxy voting procedures. Can a client's proxies be voted in accordance with customized guidelines? Does your firm currently work with any third-party proxy voting services? NOTE: In voting and acting upon proxies on behalf of TCRS, any manager awarded a contract under this Questionnaire will be required to comply with the Proxy Voting Guidelines, which are attached as Attachment E to Questionnaire Exhibit B, Pro Forma Contract.

K. Legal and Regulatory Issues

1. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm's ADV Part II as **Appendix I – ADV Part II**. If exempt, please describe the exemption.
2. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.
3. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.
4. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.
5. Summary of the amount of errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm. Include applicable term sheets.
6. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.
7. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

L. Additional Information

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1. Description of your standard reporting practices. Attach a copy of a quarterly or monthly report typically provided to clients invested in the proposed strategy as **Appendix J - Sample Client Report**.
2. How often are you willing to meet with clients and who would be available for these periodic meetings (e.g., client service, portfolio managers)?
3. On average, how many days after month-end does it take to reconcile international equity accounts with clients' custodians? Include a list of custodians with which you have online access and/or perform electronic reconciliation. NOTE: TCRS's current custodian is Northern Trust Company.
4. What is the expected timeframe for a new account of \$200 million to \$1 billion to be fully invested?
5. Attach a representative list of institutional clients as **Appendix K - Representative Clients** and provide references for three current institutional clients invested in the proposed strategy:

| Organization Name | Contact Name | Phone Number | Email Address | Inception Date of Relationship | Current AUM (\$ mm) |
|-------------------|--------------|--------------|---------------|--------------------------------|---------------------|
| | | | | | |

6. References for three institutional clients formerly invested in the proposed strategy that terminated your firm within the past year (or longer, if necessary):

| Organization Name | Contact Name | Phone Number | Email Address | Inception Date of Relationship | Termination Date | AUM at Termination (\$ mm) |
|-------------------|--------------|--------------|---------------|--------------------------------|------------------|----------------------------|
| | | | | | | |

7. Please attach current marketing materials for the proposed product as **Appendix L - Marketing Materials**.
8. Please attach the transmittal letter described in Section II.K. above as **Appendix M - Transmittal Letter**.

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EXHIBIT A

QED Transmission format

Attached is a file with the minimum amount of information needed (only the columns that are populated with information are required fields) to import a file from a third party vendor for Common Stocks. Please keep in mind that some of these fields can be cross referenced or automatically populated when the file is imported via the template. **QED will help you with building the templates no matter which party you choose.**

CSV files work the best when importing however, QED is able to handle the following formats:

- Comma Delimited
- Pipe Delimited
- Fixed Format
- Tab Delimited
- XML Formatted
- Swift Formatted

The following sample file imports neatly into Microsoft Excel and shows the optional and required data that may be understood by TCRS.

Attached file (in .csv format):

% Collateral Required,Affirm# / Matched-Flag,Alternate Reference,Amortization Accretion,Asset Class,Bank Id,Blotter Sequence,Broker Id,CPIU Index,Cash-Date/ Next-Reset,Cntry Code,Coll-Match Method,Comm/DSTI Reason,Commis Type,Commission,Confirm Number,Counter Party,Crncy Code,Cross Crncy-FX,Cusip Check,DTC-Control,Date Issued,Deliver Instr,Document Reference,Earned-Income Memo-Amount,Entry Type,Exch Code,Expense Amount,Expiration Date,Final Cpn-Date,First Call@Par,First Cpn-Date,Fund Id,Indicated Commission,Int/Div Income,Interest- Accrual-Rate,Issuer-Description,Knect Txn-Id,Loan Fee-Income,Loan Rate,MBS Pool-Id,Mark Type,Marked Value,Maturity Date,Minor Account-Id,Minor Ind/SIC,Mngr Id,Net-Effect Book-Value,New Interest-Rate,New Position,Non-Cash Flag,Okay To-Loan,Orig-Pool Face,Original CPIU-Index,Original Pool-Trnch/Size,Other Charges,P/S Interest,Payment Delay,Payment Instruct,Physical Advised,Pledge-To Position#,Portfl,Position Number,Principal Proceeds,Quantity Encumbered,Realized Gain/Loss,Record History,Repatriation Date,Sched-D Type,Sec-Id,Settle FX-Rate,Settlement Location,Settlement/ As-Of-Date,Short-Name,Split Currency,Spot Price,Strike Price,Swap Spread,Swift Advised,Tax Basis,Tax Withheld,Tax-OV Flag,Ticker Symbol,Track Number,Trade Duration,Trade Exch,Trade FX-Rate,Trade Yield,Trade-Date/ Ex-Dividend,Treasury Spread,Txn-Loan Accrual-Base,Txn-Size (Par/Share/Qty),Txn-Type,Under Portfl,Underlying Position,Underlying Sec-Id,Unit Size,Update Mode,Update Status
,,,,,680,,,,16,,6/18/2008,,,,,,,,,,,,,9322,,,,,,,,,YES,,,,,,,,,9,,1000000,,,,,3522910,,,,6/18/2008,,,,,,,,,6/18/2008,,,,100000,PUR,,,,,ADD,POST

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EXHIBIT B

PRO FORMA CONTRACT

The *pro forma* contract detailed in this attachment contains some "blanks" (signified by descriptions in capital letters) that will be completed with appropriate information in the final contract resulting from this Questionnaire.

**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

AND
CONTRACTOR NAME**

This Contract, by and between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "Retirement System" and CONTRACTOR LEGAL ENTITY NAME, hereinafter referred to as the "Contractor," is for the provision of international equity investment management services to the Retirement System, as further defined in the "SCOPE OF SERVICES."

The Contractor is A/AN INDIVIDUAL, FOR-PROFIT CORPORATION, NON-PROFIT CORPORATION, SPECIAL PURPOSE CORPORATION OR ASSOCIATION, PARTNERSHIP, JOINT VENTURE, OR LIMITED LIABILITY COMPANY.
Contractor Federal Employer Identification or Social Security Number: ID NUMBER
Contractor Place of Incorporation or Organization: LOCATION

WITNESSETH:

WHEREAS, the Tennessee General Assembly enacted Chapter 814, Public Acts of 1972 which created the Retirement System and placed the same under the management of a Board of Trustees; and

WHEREAS, the power of investing assets of the Retirement System is subject to the provisions of Tennessee Code Annotated, Title 8, Chapter 37, Part 1, and to the approval by the Board of Trustees which has full power to hold, purchase, sell, assign, transfer, or dispose of any of the securities or investments in which the Retirement System's funds have been invested as well as of the proceeds of such investments and any moneys belonging to the Retirement System; and

WHEREAS, the Tennessee General Assembly enacted Chapter 164, Public Acts of 1995 which authorizes the Board of Trustees to contract for investment management services for the Retirement System's international equity portfolios and to provide for the powers, duties, functions and compensation of any investment managers so engaged; and

WHEREAS, the Board of Trustees is desirous of engaging investment managers pursuant to said Chapter; and

WHEREAS, the Contractor is an investment manager and desires to provide investment management services on behalf of the Retirement System in accordance with this Contract and the law.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, the parties have agreed and do hereby enter into this Contract according to the provisions set out herein:

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A. SCOPE OF SERVICES:

A.1. The Contractor shall provide all service and deliverables as required, described, and detailed by this Scope of Services and shall meet all service and delivery timelines specified in the Scope of Services section or elsewhere in this Contract.

A.2. Appointment. The Retirement System appoints the Contractor to supervise and manage its EAFE equity investment portfolio pursuant to the [NAME OF MANDATE(S)], designated as the Account. For purposes of this Contract, "EAFE" shall mean those countries described in Attachment A attached hereto. The Contractor accepts the appointment and agrees to invest and reinvest the Account under the terms and conditions of this Contract. The investment performance of the Account shall be measured against the MSCI EAFE net Index as published by Morgan Stanley Capital International.

A.3. Account Content. The Account includes those specific assets allocated to the Contractor by the Retirement System which are listed in Attachment A attached hereto, all assets acquired as earnings thereon, proceeds therefrom or in substitution therefore. The Retirement System may, at its sole discretion and upon notification to the Contractor, amend said Attachment to add, transfer or remove assets from the Account. Following such transfer or removal, the Contractor shall have no authority to act with respect to assets transferred or removed. The Contractor shall have no investment or other responsibility or authority with respect to those assets owned by the Retirement System which are not part of the Account.

A.4. Incorporation of Documents. In addition to Attachment A as described in Paragraph A. 3 above, the following Attachments are hereby incorporated into this Contract as though fully set forth herein:

- a. Attachment B - The Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria;
- b. Attachment C - Investment Division Code of Ethics and Standards of Professional Conduct;
- c. Attachment D - Tennessee Treasury Department Standards of Professional Conduct; and
- d. Attachment E - Proxy Voting Guidelines.

The Retirement System may, at its sole discretion, revise said Attachments from time to time by providing the Contractor a written copy of such revisions.

A.5. General Responsibility of Contractor. The Contractor acknowledges receipt of Attachment B "The Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria", Attachment C "Investment Division Code of Ethics and Standards of Professional Conduct", Attachment D "Tennessee Treasury Department Standards of Professional Conduct", and Attachment E "Proxy Voting Guidelines" from the Retirement System. The Contractor agrees to manage the Retirement System's Account in conformity and in compliance with the criteria, guidelines and procedures set forth in said Attachments as in effect from time to time and in compliance with Tennessee Code Annotated, Title 8, Chapter 37, Part 1. The Contractor agrees to perform its duties under this Contract in a prompt, professional and prudent manner and in accordance with the standard of care described in Section A.7 of this Contract. Unless otherwise expressly provided in this Contract, the authority granted the Contractor under this Contract may be exercised by it without further notice, consent or approval by the Retirement System. Except as is expressly provided in this Contract, the Contractor may not delegate to any party its authority to manage the Account.

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A.6. Account Asset Procedures.

- a. Custodian. Neither the Contractor nor any parent, subsidiary or related firm of the Contractor shall take possession of or handle any cash, securities or other indicia of ownership of the assets in the Account. It is the intention of the parties that the sole responsibility for safekeeping of the assets in the Account and the consummation of all purchases, sales and deliveries of investments made pursuant to the Contractor's direction shall rest with a Custodian designated by the Retirement System. Title to all assets in the Account shall be held in the name of the "Tennessee Consolidated Retirement System" except that, for convenience in buying, selling and exchanging the assets, title may be in the name of a nominee designated by the Custodian. All indicia of ownership of the assets shall be held by the Custodian.
- b. Procedures. Notwithstanding any provision of this Contract to the contrary, all instructions for the sale, purchase or deposit in connection with any plan of reorganization, recapitalization or other like plan, or exchange, of stocks or bonds, or other securities or investment for the Account shall be given to the Custodian by the Contractor. The Contractor shall apprise the Custodian and the Retirement System of all sales and purchases of securities no later than the next business day following trade date. Except upon the prior written approval of the Retirement System, the Contractor shall have no authority to instruct the Custodian to perform any additional functions which would impose an administrative cost upon the Retirement System. Attached hereto as Appendix 1 is the name of the Custodian currently designated by the Retirement System. Said Appendix shall be valid until revoked or amended by further written notice from the Retirement System.
- c. Allocation of Brokerage. When the Contractor places orders for the purchase or sale of securities for the Account, the Contractor may allocate such transactions to such brokers and dealers for execution on such markets at such prices and at such commission rates as in the good faith judgment of the Contractor will be in the best interest of the Account; provided, however, the Contractor shall select brokers in accordance with Attachment B "The Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria", and shall not select brokers which are related to the Contractor through shared ownership or control. The Retirement System reserves the right to enter into agreements with brokers/dealers to recapture commissions or to direct brokerage commissions, in which case any research products and services generated by such commissions are the property of the Retirement System and its members.
- d. Proxies. The Retirement System delegates the right and authority to the Contractor to vote and act upon all proxies with respect to securities in which the Account may be invested. In voting and acting upon such proxies, the Contractor shall comply with the Proxy Voting Guidelines, which are attached hereto as Attachment E and which may be amended from time to time pursuant to Section A.3 of this Contract. Notwithstanding the foregoing, the Retirement System reserves the right to instruct the Contractor on a case-by-case basis on how to vote a particular proxy. The Contractor shall keep accurate records of all proxies voted by the Contractor in sufficient detail to enable the Retirement System to review the Contractor's voting procedures and the votes cast by the Contractor in specific cases.
- e. Securities Lending. The Contractor acknowledges that the Retirement System may operate, at its option, a securities lending program whereby the Retirement System, on its behalf or through another entity, will lend its securities to borrowers selected by the Retirement System in exchange for collateral approved by the System. In the event the Retirement System elects to operate a securities lending program, the Contractor agrees to notify the Custodian of trades by trade date, and to comply with such other written procedures as may be mutually agreed to by the parties concerning the recall of any loan of securities.

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- f. Approval of Certain Purchases. The Retirement System is precluded by its Investment Policy from purchasing more than 4.99 % of the outstanding shares of any one issuer. To ensure compliance with this provision, the Contractor agrees to obtain the approval of the Retirement System prior to purchasing 2% or more of the outstanding shares of any one issuer.

A.7. Warranties and Acknowledgments.

- a. Registration of Contractor. The Contractor warrants that it is registered under the Investment Advisers Act of 1940, or is exempt from such registration, and that it will notify the Retirement System in writing within ten (10) calendar days of the occurrence of any event that has caused or may cause this representation to be untrue or the occurrence of any other adverse action by the Securities and Exchange Commission affecting the Contractor or any person associated with the Contractor.
- b. Fiduciary Status. The Contractor holds itself out as an expert in the handling of investments of large trust funds. The Contractor further acknowledges that it has a fiduciary relationship to the Retirement System and has fiduciary duties with regard to the services it will provide under this Contract, including the services it will provide with respect to the Account. The Contractor accepts its appointment as such fiduciary, and specifically agrees that in performing its duties hereunder that it shall act not in regard to speculation but with the care, skill, prudence and diligence under the circumstances then prevailing, specifically including, but not by way of limitation, the general economic conditions, and the anticipated needs of the Account and its beneficiaries, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims to attain the goals of the Retirement System as determined from Attachment B attached hereto. The Contractor agrees to discharge its duties with respect to the Account solely in the interest of the beneficiaries and members of the Retirement System.
- c. Compliance with Laws. The Contractor hereby represents and warrants to the Retirement System that it shall comply with all State, local, foreign, and federal laws and regulations applicable to its activities and obligations under this Contract and that it shall obtain, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Contract.

A.8. Insurance.

- a. Type Insurance. The Contractor shall maintain in full force and effect the insurance coverage described in pages [PAGE NUMBERS FROM SUCCESSFUL PROPOSAL WHICH RESPOND TO SECTION III. 1.5 OF THE QUESTIONNAIRE] of the Contractor's Proposal. Said levels of coverage shall not be less than the amount stated in said pages. All costs of premiums and payment of deductibles for such insurance will be paid by the Contractor and not the Retirement System. The Contractor shall notify the Retirement System of any claim received from its issuer pertaining to the Retirement System. The maintenance of such insurance shall in no way be construed to otherwise limit the liability of the Contractor hereunder.
- b. Notification of Change. The Contractor shall notify the Retirement System of any material change in, or cancellation of, the policies. For purposes of this Paragraph, a "material change" shall include, but shall not be limited to, a reduction in the levels of coverage, the elimination of a type of coverage, or the transition to another insurance carrier. If at any time during the period of this Contract insurance as required is not in effect, the Retirement System shall have the following options: (1) obtain insurance providing coverage equal to

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that required above, the cost of such insurance shall be payable by the Contractor immediately; or (2) terminate this Contract in accordance with Section D.4 below.

A.9. Reports and Meetings.

a. Reports.

- (1) The Retirement System shall furnish monthly asset statements to the Contractor depicting the current market value, the number of units being held and the description of each asset being held in the Account. The Contractor shall reconcile the asset statement and provide the Retirement System with a list of discrepancies within ten (10) business days from the date of receipt of such listing.
- (2) The Contractor shall promptly notify the Retirement System in writing (i) if any of the representations in Section A.7 and Section E.5 hereof shall cease to be true at any time during the term of this Contract, (ii) of any change in the Contractor's directors, senior officers, or other employees who exercise investment discretion with respect to the Account, (iii) of any other material change in the Contractor's business or corporate organization or ability or potential ability to perform hereunder, (iv) of any lawsuit threatened or filed against the Contractor in which investments in the Account are at issue, in which charges of fiduciary misconduct are alleged or which may, if proven, materially impair the ability of the Contractor to perform under this Contract, or (v) of any material adverse change or threatened change in the Contractor's financial condition.
- (3) Upon the Retirement System's request, the Contractor shall provide reports containing such information as the Retirement System may reasonably request.

b. Meetings. Upon the Retirement System's request, the Contractor agrees to have a representative familiar with the Account attend periodic meetings of the Board of Trustees of the Retirement System and such other appropriate boards, committees, and commissions at the Retirement System's facilities, or at some other agreed upon location at such times as directed by the Retirement System. The Retirement System may call upon the Contractor to report to any such board, committee or commission on matters which represent significant changes in economic forecasts, investment outlook, industry emphasis and any other matters of a general or specific nature as the Retirement System may reasonably request.

B. CONTRACT TERM:

- B.1. Term. This Contract shall be effective for the period commencing on [FOR CONTRACTS INVOLVING THE BROAD EAFE MANDATE AND THE EAFE REGIONAL SUBSET MANDATE, OCTOBER 15, 2008 AND ENDING ON SEPTEMBER 30, 2013 **OR** FOR CONTRACTS INVOLVING THE CONCENTRATED EAFE MANDATE AND THE SMALL CAP EAFE MANDATE, FEBRUARY 2, 2009 AND ENDING ON FEBRUARY 1, 2014]. The Retirement System shall have no obligation for services rendered by the Contractor which are not performed within the specified period.
- B.2. Term Extension. The Retirement System reserves the right to extend this Contract for an additional five (5) years period, provided that such an extension of the contract term is effected prior to the current, contract expiration date by means of an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the Retirement System's maximum liability will also be effected through an amendment to the Contract, and shall be based upon payment rates provided for in the original Contract.

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C. PAYMENT TERMS AND CONDITIONS:

- C.1. Maximum Liability. In no event shall the maximum liability of the Retirement System under this Contract exceed WRITTEN DOLLAR AMOUNT (\$NUMBER). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the Retirement System. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the Retirement System requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in Section C.3. The Retirement System is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

- C.2. Compensation Firm. The payment rates and the maximum liability of the Retirement System under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.

- C.3. Payment Methodology. The Contractor shall be compensated based on the payment rates herein for units of service authorized by the Retirement System in a total amount not to exceed the Contract Maximum Liability established in Section C.1.

- a. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.
- b. The Contractor shall be compensated on a quarterly basis, in arrears, based on the net asset value of the Account. The fee shall be calculated on a monthly basis equal to one-twelfth (1/12) of the annual basis point fee multiplied by the net asset value of the Account at month end including a pro rata adjustment for capital injections and withdrawals. The annual basis point fee shall be [NUMBER OF BASIS POINTS FROM THE SUCCESSFUL PROPOSER'S COST PROPOSAL].

The net asset value of the securities held in the Account shall be determined solely by the Retirement System. Fees shall not be paid on those assets invested in cash or cash equivalents when such represents more than fifteen percent (15%) of the net asset value of the Account at each month's end.

- C.4. Reduction in Compensation. The Contractor represents and warrants that the fees set forth in Section C.3 above are no greater than the fees charged by the Contractor for its other ERISA or public retirement fund clients where: (i) assets under management are substantially identical in investment style and investment program to the Retirement System; (ii) and total assets under management are comparable to the market value of the assets in the Account. If, during the term of this Contract, the Contractor enters into a fee schedule that is lower than the fee hereunder for its other ERISA or public retirement fund clients for a class of assets and with an investment program substantially identical to that hereunder, and with a market value comparable to that of the Account, Section C.3 shall be deemed automatically amended to substitute said reduced fees in place of the fees provided in Section C.3 for the remainder of this Contract.

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- C.5. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.6. Invoice Requirements. The Contractor shall invoice the Retirement System only for completed increments of service and for the amount stipulated in Section C.3, above, and as required below prior to any payment.
- a. The Contractor shall submit invoices no more often than quarterly, with all necessary supporting documentation, to:
- Tennessee Treasury Department
Division of Accounting
9th Floor, Andrew Jackson State Office Building
502 Deaderick Street
Nashville, Tennessee 37243-0206
- b. The Contractor agrees that each invoice submitted shall clearly and accurately (all calculations must be extended and totaled correctly) detail the following required information.
- (1) Invoice/Reference Number (assigned by the Contractor);
(2) Invoice Date;
(3) Invoice Period (period to which all invoiced charges are applicable);
(4) Contract Number (assigned by the State to this Contract);
(5) Account Name: Tennessee Consolidated Retirement System;
(6) Account/Customer Number (uniquely assigned by the Contractor to the above-referenced Account Name);
(7) Contractor Name;
(8) Contractor Federal Employer Identification Number or Social Security Number (as referenced in this Contract);
(9) Contractor Contact (name, phone, and/or fax for the individual to contact with billing questions);
(10) Contractor Remittance Address;
(11) Complete Itemization of Charges, which shall detail the following:
- i. Service or Milestone Description (including name /title as applicable) of each service invoiced;
ii. Number of Completed Units, Increments, Hours, or Days as applicable, of each service invoiced;
iii. Applicable Payment Rate (as stipulated in Section C.3.) of each service invoiced;
iv. Amount Due by Service; and
v. Total Amount Due for the invoice period.
- c. The Contractor understands and agrees that an invoice to the State under this Contract shall:
- (1) include only charges for service described in Contract Section A and in accordance with payment terms and conditions set forth in Contract Section C;
(2) not include any future work but will only be submitted for completed service; and
(3) not include sales tax or shipping charges.

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- d. The Contractor agrees that timeframe for payment (and any discounts) begins when the Retirement System is in receipt of each invoice meeting the minimum requirements above.
 - e. The Contractor shall complete and sign a "Substitute W-9 Form" provided to the Contractor by the Retirement System. The taxpayer identification number contained in the Substitute W-9 submitted to the Retirement System shall agree to the Federal Employer Identification Number or Social Security Number referenced in this Contract for the Contractor. The Contractor shall not invoice the Retirement System for services until the Retirement System has received this completed form.
- C.7. Payment of Invoice. The payment of the invoice by the Retirement System shall not prejudice the Retirement System's right to object to or question any invoice or matter in relation thereto. Such payment by the Retirement System shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.
- C.8. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the Retirement System, on the basis of audits conducted in accordance with the terms of this Contract, not to constitute proper remuneration for compensable services.
- C.9. Deductions. The Retirement System reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any Contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.10. Wire Transfer. The payment of compensation to the Contractor hereunder shall be made via wire transfer in immediately available funds pursuant to federal wire transfer instructions given to the Retirement System by the Contractor.
- D. STANDARD TERMS AND CONDITIONS:**
- D.1. Required Approvals. The Retirement System is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3. Termination for Convenience. The Retirement System may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the Retirement System. The Retirement System shall give the Contractor at least thirty (30) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the Retirement System be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the Retirement System shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the

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Contractor shall not be relieved of liability to the Retirement System for damages sustained by virtue of any breach of this Contract by the Contractor.

- D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the Retirement System. If such subcontracts are approved by the Retirement System, they shall contain, at a minimum, sections of this Contract below pertaining to "Conflicts of Interest," "Nondiscrimination," and "Records" (as identified by the section headings). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.
- D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.
- D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.
- a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the Retirement System a completed and signed copy of the document at Attachment F, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.
- b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the Contractor and made available to state officials upon request.
- c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the Retirement System.

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- d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.
- e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.
- D.9. Records. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the Retirement System, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.10. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the Retirement System, the Comptroller of the Treasury, or their duly appointed representatives.
- D.11. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the Retirement System as requested.
- D.12. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.13. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.
- The Contractor, being an independent contractor and not an employee of the Retirement System, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.
- D.14. Retirement System Liability. The Retirement System shall have no liability except as specifically provided in this Contract.
- D.15. Force Majeure. The obligations of the parties to this Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care

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including, but not limited to, acts of God, natural disasters, riots, wars, epidemics or any other similar cause.

- D.16. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.17. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.
- D.18. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.19. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.20. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

- E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The Retirement System:

Michael Brakebill, Chief Investment Officer
Tennessee Consolidated Retirement System
11th Floor, Andrew Jackson State Office Building
502 Deaderick Street
Nashville, Tennessee 37243-0209
michael.brakebill@state.tn.us
Telephone # (615) 532-1157
FAX # (615) 770-7423

The Contractor:

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NAME & TITLE OF CONTRACTOR CONTACT PERSON
CONTRACTOR NAME
ADDRESS
EMAIL ADDRESS
Telephone # NUMBER
FAX # NUMBER

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

- E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the Retirement System. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the Retirement System any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- E.4. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in *Tennessee Code Annotated*, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to *Tennessee Code Annotated*, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.
- E.5. Representations and Covenants of the Contractor. The Contractor represents and warrants that (1) it has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services under this Contract; (2) with respect to the Account, it shall not engage in transactions with either itself, including any affiliates or parent companies, except upon the prior written approval of the Retirement System; (3) it is duly authorized to execute and deliver this Contract, and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance; (4) the person signing this Contract on its behalf is duly authorized to do so on its behalf; (5) it has obtained all authorizations of any governmental body required in connection with this Contract and the transactions hereunder and such authorizations are in full force and effect; and (6) the execution, delivery and performance of this Contract will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. The Contractor shall promptly notify the Retirement System in writing if any of the above representations change or cease to be true and correct in all respects.
- E.6. Confidentiality and Publicity. The Contractor shall treat as confidential all proprietary information and materials affecting the Account. The Contractor further undertakes not to release any materials to third parties without the Retirement System's prior written permission. The Contractor agrees that all reports, studies, analyses, specifications, recommendations and all

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other materials of whatsoever nature, prepared by the Contractor for use under this Contract or furnished to the Contractor by the Retirement System for use under this Contract, are to be considered confidential, and that the Contractor will neither publish, circulate nor use any of the foregoing, except in the performance of its work under this Contract. The Contractor agrees that it will not issue any news releases to the public press or any publication wholly or partly related to its work under this Contract without first obtaining the prior written consent of the Retirement System. The Contractor further agrees that it will not make speeches, engage in public appearances, publish articles or otherwise publicize its work under this Contract without prior written approval of the Retirement System. This Paragraph is not intended to prevent the Contractor from advertising the fact that the Contractor performed or performs the services hereunder on behalf of the Retirement System.

- E.7. Authorized Individuals. Each party hereto has provided the other party hereto with a list identifying the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given hereunder by the party providing such list. Said lists, which are attached hereto as Attachment G, shall be valid until revoked or amended by further written notice. The parties hereto shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.
- E.8. On-Site Visits. The Retirement System or its duly appointed representatives shall be entitled to visit the Contractor's operational headquarters or other offices where the Account is serviced and to examine all records pertaining to the Account, and to make reasonable requests for copies of such records.
- E.9. Transition of Services Upon Termination. Upon the natural expiration of this Contract or in the event of its termination for any reason, the Contractor shall transfer in accordance with the Retirement System's instructions all records and other property of the Retirement System to whomever the Retirement System may designate in writing to the Contractor. The Contractor agrees to cooperate with the Retirement System, and any subsequent contractor selected by the Retirement System to perform the services hereunder, in the transition and conversion of such services. The Contractor shall remain liable to the Retirement System under this Contract for any acts or omissions occurring on or prior to the date on which all property of the Retirement System and all services hereunder have been successfully transferred or converted in accordance with this Paragraph.

IN WITNESS WHEREOF:

CONTRACTOR LEGAL ENTITY NAME:

CONTRACTOR SIGNATURE

DATE

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

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**DALE SIMS, STATE TREASURER & CHAIR OF THE
BOARD OF TRUSTEES OF THE TENNESSEE
CONSOLIDATED RETIREMENT SYSTEM**

DATE

APPROVED:

**M. D. GOETZ, JR., COMMISSIONER
DEPARTMENT OF FINANCE AND ADMINISTRATION**

DATE

**JOHN G. MORGAN, COMPTROLLER OF THE
TREASURY**

DATE

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ATTACHMENT A
ACCOUNT CONTENT

Pursuant to Section A.2 of the Contract between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "Retirement System", and CONTRACTOR LEGAL ENTITY NAME, hereinafter referred to as the "Contractor", the Retirement System appointed the Contractor to supervise and manage its EAFE equity investment portfolio, designated as the Account. For purposes of the Contract, "EAFE Market" shall mean the following countries: [TO BE COMPLETED BASED ON THE MANDATE AWARDED].

The Retirement System hereby allocates the cash, equity and fixed income described in Appendix 2, which is attached hereto, to the Account for investment and reinvestment by the Contractor in the above listed countries and in accordance with the above-referenced Contract. In addition to such allocation, the Account shall consist of all assets acquired as earnings thereon, proceeds therefrom or in substitution therefore. The Retirement System may, at its sole discretion and upon notification to the Contractor, amend this Attachment A to add, transfer or remove assets from the Account. Following such transfer or removal, the Contractor shall have no authority to act with respect to assets transferred or removed. The Contractor shall have no investment or other responsibility or authority with respect to those assets owned by the Retirement System which are not part of the Account.

The Contractor may only invest assets of the Account in common stock, preferred stock and convertible bonds. The Contractor may write covered call options on stock positions and engage in forward contracts to hedge the foreign currency exposure of the Account. Said investment vehicles are the only vehicles the Contractor may employ and the same must be done under the terms and conditions contained in Attachment B "Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria" and in compliance with Tennessee Code Annotated, Title 8, Chapter 37, Part 1.

This Attachment A supersedes any prior Attachment A relative to the subject matter contained herein and will be valid until further written notice of the Retirement System.

Michael Brakebill, Chief Investment Officer

STATE OF TENNESSEE
COUNTY OF DAVIDSON

Sworn and subscribed to me on this the _____ day of _____, 2008.

Notary Public

My Commission Expires: _____

RECEIPT AND ACCEPTANCE
[CONTRACTOR LEGAL ENTITY NAME]

By: _____
(Signature)

Date: _____

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(Typed or Printed Name and Title)

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ATTACHMENT B

**THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
INVESTMENT POLICY
ORGANIZATIONAL STRUCTURE AND GENERAL OVERVIEW**

The Tennessee Consolidated Retirement System (TCRS) represents the pension plan for state employees, teachers, higher education employees, local government employees, and employees of other entities authorized to participate in TCRS. TCRS was established by state statute in 1972. The governing statute is found in Tennessee Code Annotated 8-34-101, et seq.

Final authority for investing and reinvesting the assets of the Tennessee Consolidated Retirement System (System) is vested in the System's Board of Trustees (Board). T.C.A., Section 8-37-104(a). Implementation of investment policy established by the Board is hereby delegated to the State Treasurer (Treasurer) who shall put such policy into effect. T.C.A., Section 8-37-110. Assets shall be invested subject to all the terms, conditions, limitations, and restrictions imposed by the laws of the State of Tennessee upon domestic life insurance companies in the making and disposing of their investments or as otherwise provided by state law. T.C.A., Section 8-37-104(a). If the Board has issued other directions further limiting such investments, the assets shall be invested according to the criteria established by the Board.

Mission Statement

The mission of the Tennessee Consolidated Retirement System is to provide superior services to constituents in a cost-effective manner through qualified personnel while maintaining the highest ethical standards. The assets of TCRS are invested solely in the interest of plan participants and beneficiaries for the exclusive purpose of providing the statutory retirement and other benefits to plan participants and beneficiaries.

Legal Counsel

The State Attorney General or an assistant designated by him shall be the legal advisor to the Board in all matters. In all cases where the interests of the System require additional counsel to the Attorney General, the Chairman of the Board, with approval of the Attorney General, is authorized to employ such additional counsel. T.C.A., Section 8-34-308.

Investment Advisory Council

The Treasurer shall nominate, with the advice and consent of the Board, an Investment Advisory Council (IAC), consisting of up to seven persons who have experience as investment portfolio managers, economists, or investment advisors to work with the Treasurer's investment staff, T.C.A., Section 8-37-108, to advise the Board on investment policy, T.C.A., Section 8-37-109.

The Council will assist the Treasurer, Chief Investment Officer and Investment Staff by providing advice and recommendations on the most appropriate short, intermediate and long-term investment strategy. At each meeting of the Council, the previous meetings' recommendations will be reviewed and reinforced or changed as agreed upon by the Council Members.

Chief Investment Officer (CIO)

The Chief Investment Officer for the System's assets will assume the necessary authority, as granted by the Treasurer, to effectively manage the Investment Staff. He shall report to and consult with the Council in formal, scheduled meetings and informally as needed.

The Chief Investment Officer shall:

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1. Have executive responsibility and authority, as delegated by the Treasurer, for the management of the assets of the System in keeping with such guidelines and policies as approved by the Board and such applicable laws of the State of Tennessee.
2. Prepare and submit reports, as required, to the Treasurer, the Council, and the Board to document investment activities.
3. Report to and consult with the Treasurer on administrative, organizational and investment activities.
4. Work with the Council on development and implementation of an appropriate investment strategy.
5. Work jointly with the Council to develop long-term economic and investment projections.
6. File with the Treasurer a disclosure statement as prescribed by the Treasurer each year in December.

Investment Staff

The Treasurer, in consultation with the Chief Investment Officer, shall maintain an Investment Staff to effectively manage all assets of the System. The Treasurer may delegate to the Chief Investment Officer and such staff the power to invest and reinvest the System's assets within criteria established by the Board. T.C.A., Section 8-37-105. Investment Staff will perform their duties in compliance with the Chartered Financial Analyst Institute's Code of Ethics and Standards of Professional Conduct. Each member of the Investment Staff shall file with the Treasurer a disclosure statement as prescribed by the Treasurer each year in December.

Each member of the investment staff shall act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

Reporting

The Investment Staff shall provide a detailed written review of investment activity at Board and Council meetings. This shall include a review of the purchases and sales over the period under review, a portfolio summary, a review of current investment policy, and other reports as requested.

Internal Controls

The CIO shall maintain a system of internal controls to safeguard the assets of the System. Such controls shall include, but not limited to, assurance that financial assets are held in trust at a third party custodial financial institution, and that an independent consultant or master custodial financial institution calculate investment performance independent from the internal records of TCRS.

The Treasury department's accounting division and internal audit division shall report to an executive management employee other than the CIO.

Brokerage Firms

All brokerage firms (for stock and all other securities) shall be selected for use according to their financial standing, execution capabilities, underwriting capabilities, research capabilities, price and other services provided to the System.

Consultants

The Treasurer in conjunction with the CIO may engage the services of investment consultants as necessary to manage the assets of TCRS. The Board delegates to the Treasurer the responsibility to

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determine the duties and responsibilities of the consultant with such enumerated in a contractual agreement.

External Managers and Advisors

The Treasurer in conjunction with the CIO may engage the services of investment professionals to actively manage the international stock portfolio and the real estate portfolio. The Board delegates to the Treasurer the responsibility to determine the duties and responsibilities of investment professionals with such enumerated in a contractual agreement.

Master Custodian Financial Institution

The Treasurer in conjunction with the CIO may engage the services of a master custodian financial institution to hold in trust the financial assets of TCRS and to process trade transactions. The Board delegates to the Treasurer the responsibility to determine the duties and responsibilities of the master custodian financial institution with such enumerated in contractual agreement.

Proxy Voting

It is the general policy to vote proxies in a manner which will provide the best ultimate value to the shareholders of that entity. The Chief Investment Officer will develop and maintain a proxy voting policy, and review such policy annually with the Council. In voting all proxies, the investment staff will:

1. Analyze the economic consequences of the options presented to them as shareholders, and select the option most likely to protect and enhance the value of the System's assets.
2. Document the votes (and other actions and decisions) along with the reasons for taking the action chosen. This includes maintaining a record of all attempts to solicit proxies, from outside or inside the organization.
3. The Chief Investment Officer should consult with the Council on any particularly difficult proxy questions.

Commission Dollar Arrangements

The Treasurer is hereby given approval and is authorized to obtain investment research services permitted by Section 28(e) which amends the Securities and Exchange Laws of 1934 through use of commission dollars; provided, however, that best execution of all trades shall continue to be the overriding principle in determining the broker to be used in executing any transaction. The Treasurer shall annually disclose to the Board significant provisions of each commission dollar arrangement existing on June 30 of each year. The Treasurer shall, within a reasonable period of time, disclose to the Board any new commission dollar arrangement entered into as well as other information requested. Only those research goods and services which directly enhance the investment decision-making process and which do not have a non-investment capability shall be eligible for procurement through commission dollar arrangements. Goods and services specifically permitted include performance evaluation services, securities pricing services, quotation and trading information services and analytical databases as well as technical publications which directly enhance the investment decision-making process.

No good or service may be procured through commission dollar arrangements if such good or service benefits an employee in an individual capacity. Goods and services specifically prohibited from procurement through use of commission dollar arrangements include direct telephone lines to brokerage firms, personal computers or other office equipment, payment of travel related expenses and payment of cost of attending seminars, classes or other investment training activities. The Treasurer shall develop and implement a structured review and approval process to ensure that commission dollar arrangements

International Equity Investment Manager Questionnaire

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entered into pursuant to this policy comply with the provisions stated herein. Any commission dollar arrangement in which commission commitment is made by the System shall be evidenced by a written agreement which specifies the nature and extent of the commission commitment as well as other significant provisions of the arrangement.

INVESTMENT POLICY AND OBJECTIVES

Preservation of principal value is the primary objective in managing the System's assets. Within acceptable risk levels, achieving a superior return (both income and appreciation) is the second objective for the Fund. A third objective is to provide the liquidity needed by the System to pay beneficiaries in a timely manner. These objectives are adopted to seek actuarial soundness of the plan in order to meet benefit obligations.

Preservation of Principal Value

Recognizing that potential investment return is proportionate to the amount of risk taken, investment in high quality assets shall be favored over those more risky investments that, if successful, can pay a higher return. In addition to limiting investments to higher quality financial assets, a diversified portfolio shall be maintained to further reduce exposure to loss. Although the risk parameters imposed by state law shall be followed, the Investment Staff may choose to further restrict the financial criteria, depending on the overall state of the economy and upon advice of the Council.

Investment Return

The System's assets should be managed actively to attain, within acceptable risk limitations, a return on assets that will meet beneficiary payments as required. Return shall include both current income and capital appreciation. The investments of the System shall be diversified so as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. The total return objective of the system shall be to exceed the returns as set out under the "Performance Measurement" section of this policy.

Liquidity for System Beneficiary Payment

It appears that contributions to the Fund will be sufficient to meet beneficiary payments for some time. Continual review of the System should be conducted to assure that investments providing income for liquidity needs are purchased as the System matures.

Asset Allocation

Allocation Range

The chief investment officer is permitted to make investments within the following ranges:

| <u>Asset Class</u> | <u>Minimum</u> | <u>Maximum</u> |
|-------------------------|----------------|----------------|
| Domestic Stocks | 20% | 50% |
| Domestic Bonds | 20% | 60% |
| Inflation Indexed Bonds | 0% | 15% |
| Short-term Securities | 0% | 10% |
| International Bonds | 0% | 10% |
| International Stocks | 5% | 25% |
| Real Estate | 0% | 5% |

Rebalancing

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Should an asset class fall below the minimum percentage or exceed the maximum percentage, the chief investment officer is expected to rebalance the portfolio to bring the asset class within the minimum / maximum range within 90 days.

Performance Measurement

To provide the Investment Staff and the Board with guidance as to investment performance expectations, the following performance measurement standards are established. These standards are to act as guides in determining whether the Fund and individual asset classes are achieving their long term goals, both in relationship to the System's peer group of other public funds and the marketplace in general. In recognition of the System's long-term perspective, these standards are to be measured through use of a five-year rolling average. This serves to reinforce the System's bias against investment decisions designed to show short-term gain at the expense of long term performance.

Total Fund Performance Measurement Standards

This set of standards is designed to measure the performance of the Fund in total, including the impact that state law, investment policy restrictions and asset allocation decisions may have on the performance of the Fund. Given the current state law, investment policy and asset allocation parameters, the following standards are considered reasonable expectations for the total Fund:

The Fund's overall annualized total return should exceed the return available from a policy of investing in an index fund of the following:

| <u>Asset Class</u> | <u>Index</u> | <u>Weight</u> |
|-------------------------|---|---------------|
| Domestic Stocks | S&P 1500 | 35% |
| Domestic Bonds | Citigroup Broad Investment Grade Index | 35% |
| Inflation Indexed Bonds | Citigroup TIPS Index | 5% |
| Short-term Securities | 91-Day U.S. Treasury Bills | 3% |
| International Bonds | Citigroup Non-U.S. G-5 Govt. Bond Index | 3% |
| International Stocks | MSCI EAFE | 15% |
| Real Estate | NCREIF Property Index | 4% |
| TOTAL | | 100% |

The Total Fund should rank in the upper 50 percentile compared to the results of other similarly managed public fund portfolios measured over rolling five-year periods.

Asset Class Performance Measurement Standards

Each asset class is currently actively managed by the System. Since an alternative to active management exists in the form of index funds, it is proper to measure the System's performance against the most appropriate index for each asset class to determine the "value added" over time by active management. As asset classes change, indices should be reviewed to ensure that proper comparisons are being made. The above indices provide for appropriate comparison to the System's current asset classes.

INVESTMENT CRITERIA

Both the Board and the Investment Staff are aware of the desirability of investing within the State of Tennessee whenever quality, risk, diversification and potential return are equal to or greater than that

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available on like investments outside the state. The Investment Staff should encourage and be receptive to Tennessee financial proposals. However, both the Board and the Investment Staff are aware of the fiduciary responsibility of investing pension assets and should not make any investment based solely on its location in Tennessee when quality, risk, diversification, or potential return are sacrificed. T.C.A., Section 35-3-117(b). Further, the Board will not approve investment proposals designed to benefit special political, social, or economic subgroups within or external to the System's beneficiaries unless they clearly meet all fiduciary standards of investing.

In determining compliance with the percentage limitations of this policy, the assets of the System shall be valued at their market value. Accordingly, an investment may be made on any given day provided such investment does not cause any applicable limitation prescribed in this policy to be exceeded on such day. T.C.A., Section 8-37-104(b).

Common, Preferred Stock and Convertible Bonds

Growth is important to the System to attain a return that will allow for greater participant benefits and/or lower state funding requirements. Equity investments will be used to seek this growth through potential dividend increases and capital appreciation. The System will limit its investment in common and preferred stock to 75% of the System's total assets. T.C.A., Section 8-37-104(a)(1). Convertible bonds also will be counted as an equity investment and included in this limitation. The System's stock portfolio shall be actively managed by the Investment Staff to obtain a superior return. The stock of smaller, emerging companies, including new issues, should be an integral part of the total portfolio. Not more than 4.99% of the outstanding shares of any one issuer shall be purchased. Any stock purchase which does not meet the statutory definition for domestic life insurance companies shall be considered purchased under the basket clause as permitted by statute.

Notes, Bonds, and Mortgages

Public issues of notes and bonds shall make up the majority of fixed income investments. It will be necessary to actively manage this sector of the portfolio in times of volatile interest rate swings to either shorten the average maturity to protect principal value or lengthen maturities to lock up a long-term stream of income. The only issues subject for purchase are investment grade bonds (four highest ratings) as rated by one of the recognized rating agencies. Issues of any agency of the federal government or any entity with the express or implied backing of the U. S. Treasury shall be considered as holding the highest possible rating. The total sum invested in notes and bonds and other fixed income securities exceeding one (1) year shall not exceed seventy-five percent (75%) of the total funds of the System. T.C.A., Section 8-37-104(a)(2).

Private Placements

Any debt issues purchased which do not have an active secondary market shall be thoroughly researched from a credit standpoint and shall be viewed by the Investment Staff as having the credit quality equivalent of an AA rating on a publicly traded issue. Not more than 15% of the total fixed income portfolio shall be placed in private placements. Private placements may be considered for purchase when they yield a return over equivalent quality public issues that are sufficient to compensate for their lack of marketability. Except in the case of notes purchased by the System pursuant to standby note purchase agreements wherein the System receives a market rate of return, tax exempt securities of any state are not considered a prudent investment for the System.

Stock Options

Call options may be written on stock positions owned by the System. Options should not be written on more than 10% of the total stock portfolio. Options may not be purchased but positions can be closed out. Rules and Regulations of the State of Tennessee, Chapter 0780-1-32.

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Bond Futures

The Investment Staff may write call options on U.S. Treasury bond futures, provided such options are not written on more than 10% of the total assets in the System's portfolio. T.C.A., Section 56-3-303(a)(15).

Domestic Stock Index Futures

The System may purchase or sell domestic stock index futures contracts for the purpose of making asset allocation changes in a more efficient and cost effective manner, and to improve liquidity. Such futures contracts shall be subject to the following terms and conditions:

1. The Investment Staff will not enter into futures transactions for the purpose of speculative leveraging. Speculative leveraging is defined as buying financial futures where the amount of the contract obligation is an amount greater than the market value of the System's cash and short-term securities.
2. The total amount of the System's financial futures contract obligation should not exceed five percent (5%) of the market value of the System's total assets.
3. The sum total of the domestic equity portfolio together with the value of the stock index futures contract obligation should be within the asset allocation range for domestic equity securities. While stock index futures contracts are outstanding, the Investment Staff shall maintain a comparison of the System's equity asset allocation against its invested position including futures contracts.
4. The System may use cash and obligations of the U.S. government or any of its agencies to meet the variation margin requirement.
5. The only stock indexes upon which financial futures contracts may be written are as follows: S&P 600 Index, S&P 500 Index, S&P Midcap 400, and Russell 2000 Index.
6. Futures transactions will be conducted with only a few of the highest quality domestic money center banks and domestic brokerage firms. The criteria to be used in selecting such banks and brokerage firms should include, but should not be limited to, their experience and expertise in the financial futures market.
7. A transaction record shall be maintained which contains the following:
 - a) The amount of stock index futures contracts purchased and the reason therefor.
 - b) The amount of stock index futures contracts sold and the reason therefor.
8. The Investment Staff shall submit a quarterly financial futures report to the Board. This report will describe with specificity the financial futures transactions during the previous quarter. The report shall summarize the investment strategies employed during the period reviewed and the proposed strategy for the present quarter. Each report shall list the banks and brokerage firms authorized to conduct financial futures transactions with the System. T.C.A., Section 8-37-104(a)(7).

Short-term Investments

All monies waiting to be placed in a more permanent investment should be actively managed to obtain the best return available. Yield should be sacrificed for safety in short-term investments, and thus only the highest quality short-term debt issues should be purchased. These investments can include both publicly and privately negotiated short-term borrowing agreements. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper. Rating modifiers (+, -) should not be considered when determining the highest rated tier. A minimum of two ratings is required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. Commercial paper cannot have a remaining maturity of more than 180 days from the date of purchase. The maximum

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amount of a specific corporation's commercial paper that can be purchased is \$100 million, but commercial paper maturing on the next business day shall not apply to this limit. A credit analysis report shall be prepared on a corporation before the corporation's commercial paper can be acquired. A credit analysis report should include a company profile, business description, financial profile, rating information, strengths and opportunities, weaknesses and threats, and an outlook and recommendation.

Securities Lending

Both debt and equity securities may be loaned for a fee to a select few of the highest quality securities firms and banks. Loans shall be limited so that the total amount of the securities lent does not exceed 30% of the market value of the total assets in the System's portfolio. Eligible collateral shall be required for each loan. For purposes of this provision, eligible collateral means:

1. Bonds, notes, and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;
2. Obligations guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association and other United States government sponsored corporations or enterprises; and
3. Cash.

Securities received as collateral shall have a market value of at least 102% of the market value of the security loaned. Cash received as collateral shall have a value of at least 100% of the market value of the security loaned. Collateral should be closely monitored. Securities collateral should be marked to market each business day so that the aggregate market value of the collateral allocated to all then outstanding loans to a single security firm or bank equals 102% of the market value of such loans and the interest accrued thereon. If at any time the aggregate market value of the securities collateral allocated to all then outstanding loans to a single security firm or bank is less than 100% of the market value of such loans, more collateral should be requested. Cash received as collateral may be invested by or on behalf of the System in any investment instrument in which the System's assets may be directly invested. Such cash may also be invested in short-term investment funds provided the portfolio of such funds contains only those investment instruments in which the System's assets may be directly invested. The Treasurer, through securities lending agreements, may further restrict the collateral requirement outlined in this policy. Securities lending agreements entered into shall be reviewed, commented upon, and approved as to form and legality by the Attorney General and Reporter. T.C.A., Section 8-37-104(a)(6).

Standby Note Purchase Agreement

The System may enter into contracts to serve as a standby note purchaser for the Tennessee State School Bond Authority, the Tennessee State Funding Board and the Tennessee Local Development Authority provided said contracts contain the following provisions:

1. The System receives an annual commission representing a fair market value fee, adjusted for any additional cost incurred by the state agency due to the System serving as the standby note purchaser.
2. If called upon to purchase such notes, the System receives a market rate of return exceeding the prime rate.

T.C.A., Section 8-37-104(a)(8).

International Investments

An amount not to exceed 25% of the System's total assets may be invested in the international markets of those countries included in the Morgan Stanley Capital International (MSCI) EAFE index for developed International Equity Investment Manager Questionnaire

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markets excluding any emerging market countries. Such securities must be actively traded in a public market and be of the same kinds, classes and investment grades otherwise eligible for investment. T.C.A., Section 8-37-104(a)(3).

Foreign Currency Hedging

The System may engage in forward contracts to hedge the foreign currency exposure of the fund under the following guidelines:

1. The overall strategy will be a tactical defense designed to reduce risk and protect the System's international portfolio from a strong dollar.
2. The foreign currency exposure will be hedged by selling and purchasing currency using only forward contracts.
3. The allowable currencies for hedging purposes are limited to the currencies of those countries authorized pursuant to this policy.
4. Portfolio currencies may be hedged no more than 80% of international portfolio exposure for any given currency based on market value.
5. Portfolio currencies may be sold for U.S. dollars only and not for another portfolio currency.
6. Hedging will be conducted through the System's custodial bank and a few of the highest quality money center banks and brokerage firms. T.C.A., Section 8-37-104(a)(5).

Canadian Investments

The System may purchase Canadian securities which are actively traded in a public market provided they are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment. Such investments shall not be subject to the restriction imposed on international investments.

Real Estate

An amount not to exceed 5% of the market value of the total TCRS portfolio may be invested in real estate. The real estate investment portfolio of TCRS may include investments in direct real estate investments, commingled funds, group trusts, real estate operating companies ("REOCs"), partnerships, corporations, limited liability companies ("LLCs") or other collective investment vehicles or pooled investments as well as REIT's (private or public). At the time of acquisition, the minimum investment size for an individual property is \$5.0 million, unless the investment is part of an accumulation strategy of multiple properties in a given market or sub-market. The maximum investment size in any one property shall be limited to one-half of one percent (0.5%) of the market value of TCRS' total assets.

TCRS shall invest primarily in substantially leased (i.e., 80% or greater leased at time of acquisition) institutional quality, well-located assets in the traditional property types: office, apartment, retail, and industrial. To avoid concentrations within certain property types and to ensure prudent diversification over the longer time periods, no investment may be made which would cause, at the time of acquisition, the market value of TCRS holdings in any single traditional property type to exceed 2.0% of the market value of TCRS' total assets.

TCRS shall limit real estate investments such that at the time of acquisition, no more than 1.0% of the market value of TCRS' total assets shall be invested in any single Standard Metropolitan Statistical Area ("SMSA"). All investments shall be limited to properties located in the United States. In any event, TCRS cannot acquire real estate located in the State of Tennessee unless such acquisition is in the shares or

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interests of a regulated investment company, mutual fund, common trust fund, investment partnership, real estate investment trust, or similar organizations or vehicles which are commingled and investment determinations as to which real estate assets to purchase or acquire are made by the investment sponsor or investment manager, or persons other than TCRS.

Real estate investment advisors (Advisor) are to be utilized by TCRS to locate, evaluate, acquire, manage and dispose of separate account direct real estate investments. TCRS shall limit its exposure to any single Advisor to mitigate potential advisor or firm specific risk. No Advisor, at the time of an acquisition, shall be permitted to asset manage more than 2.0% of the market value of TCRS' total assets.

TCRS may own such investments in its own name or, to the extent permitted by law, through title holding entities, and may transfer real estate properties from direct ownership to a title holding entity, or from a title holding entity to direct ownership, during the course of the holding period of the investment.

The Director of Real Estate shall develop comprehensive real estate investment guidelines (Real Estate Guidelines) that shall be approved by the Chief Investment Officer and the Treasurer.

Transactions to acquire and dispose of direct real estate properties are subject to approval of the investment committee of the Board of Trustees. The investment committee will not consider any acquisitions or dispositions until the Investment Advisory Council has reviewed the transaction and submitted its advice.

T.C.A, Section 8-37-104(a)(9).

**THE BOARD OF TRUSTEES OF THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
ADOPTED THIS REVISED POLICY AT ITS BOARD MEETING ON JUNE 30, 2006.**

DALE SIMS, CHAIRMAN
BOARD OF TRUSTEES
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ATTACHMENT C

INVESTMENT DIVISION CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

INTRODUCTION

The mission of the Treasury Department, as developed by department employees in 1991, is to provide superior service to constituents in a cost effective manner through qualified personnel **while maintaining the highest ethical standards**. Recognizing that investment division employees are fiduciaries for system members and state taxpayers, the Treasury Department adopts the Investment Division Code of Ethics and Standards of Professional Conduct for the benefit of system members and state taxpayers. This document is produced to emphasize the high ethical standards expected of Treasury Department employees as described in our mission statement. Every Investment Division employee is obligated to conduct themselves with utmost integrity, professionalism and ethical behavior.

In any cases of doubt as to whether an action may be in violation of Investment Division policy of ethics and standards of professional conduct, an investment division employee should seek the advice of the State Treasurer, the Chief Investment Officer, the Director of Retirement, or the Executive Assistant to the State Treasurer for guidance. Such guidance should be sought prior to the action in question.

If any situation or action occurs which an employee is in doubt as to whether the situation or action should be disclosed, then the Investment Division employee should seek advice of the State Treasurer, the Chief Investment Officer, the Director of Retirement, or the Executive Assistant to the State Treasurer as to whether disclosure is required.

GIFTS

No investment division employee shall accept any lodging, airfare, membership, service, loan, promise of future benefits, or payment of any kind from any firm the Treasury Department does business with or may potentially do business with. An Investment Division employee may not accept any gift or entertainment from firms which do business or may potentially do business on behalf of the Treasury Department which might adversely affect or influence his or her judgment in the performance of official duties. Gifts are prohibited except for diminutive gifts such as coffee mugs, envelope openers, calendars, etc. which are defined as items estimated to cost less than \$20 with minimum resale value. Perishable food items may be accepted if made available in the office to all employees in the department and consumed in the office. Diminutive gifts and perishable food items should not be received on so frequent a basis as to lead a reasonable person to believe that an investment employee is using his office for personal gain. Under no circumstance shall an employee seek, request or ask for any gift, entertainment, lodging, airfare, membership, service, loan, promise of future benefit or payment of any kind from any firm the Treasury Department does business with or may potentially do business with.

Meals and Modest Entertainment

The Treasury Department recognizes that networking and information gathering in the investment industry may occur at meal meetings and entertainment settings. Business meetings in the investment industry are routinely conducted on a meal time schedule, mostly for the convenience of a broker/analyst/vendor, allowing them to gather several clients together for one meeting in each city, rather than conducting numerous small meetings. Also, travel itineraries tend to produce

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meetings at the mealtime hours. Reasonable breakfast, lunch and dinner meetings and modest entertainment are permitted, provided such meetings are working meetings where information, research, projections, analysis or opinions are provided on economic, business, governmental and investment data which directly relates to the investment industry.

All breakfast, lunch, and dinner meetings and modest entertainment must be disclosed on the Treasury Department DAYPLAN program prior to such meetings, if possible. Any items not disclosed prior to such meetings should be recorded immediately upon returning to the office. Moreover, all conferences, conventions, and travel must be disclosed on the DAYPLAN program.

Extravagant entertainment events such as post season playoffs, major sporting events, Olympic events, or events of a significant nature are prohibited.

Meals and modest entertainment should not be accepted on so frequent a basis as to lead a reasonable person to believe that an employee is using his office for personal gain. Under no circumstance shall an employee seek, request, or ask for any meal or modest entertainment permitted under this section from any firm which does business or may potentially do business with the Treasury Department.

PERSONAL TRADING

Investment Division employees are obligated to conduct their personal securities transactions in a manner that does not conflict with the Investment Division's business and fiduciary responsibilities. The primary responsibility of Investment Division employees is to place the interests of the Investment Division above their own and to conduct their personal securities transactions in a manner which does not interfere with the Investment Division's portfolio transactions or create an actual or potential conflict of interest with the retirement system.

The purchase of an initial public offering of equity securities for which no public market in the same or similar securities of that issuer has previously existed is prohibited. An exception is permitted where an employee has an existing right to purchase a security based on his or her status, for a significant period of time, as a depositor or policy holder. Whenever such a transaction is executed, it should be disclosed on the monthly personal trading report.

All personal trades must be cleared in advance by the appropriate portfolio managers. On the day an Investment Division employee wishes to trade a security, he or she must first contact the appropriate portfolio managers for clearance. The portfolio manager shall not provide clearance for such trades if the security is being acquired or sold by the Investment Division. The Investment Division must have completed its acquisition or disposition of a security before any personal trades can be made. In all cases, the Investment Division's execution of trades must take priority over personal trades.

Disclosure of Personal Trades and Holdings

Each month, Investment Division employees shall disclose in writing on the prescribed form the previous month's personal securities trades. Such disclosure shall be made directly to the director of TCRS or if the director is unavailable, to the executive assistant to the Treasurer. It is the intent that these monthly reports remain confidential. However, since this is a public document subject to the Open Records Act, the Treasury Department will honor any request by Tennessee citizens to review such documents. Investment staff will be advised of any request for the documents prior to releasing the document. Prior to hiring an Investment Division employee, such employee should disclose all brokers/brokerage relationships. The annual statement of investment disclosure should include a list of all broker/brokerage relationships and security holdings during the year being reported. Disclosure is not required for mutual funds accounts, the state's 401(k) plan, the state's 457 plan,

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real estate holdings, partnership interest or any type securities in which the state is prohibited from owning.

Disclosure Requirement of Securities Held by Family Members

An Investment Division employee is required to disclose trades and holdings of family members where a pecuniary interest exists or where the Investment Division employee has control over the trading activities in a security account. Pecuniary interest means the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in a security.

Family members regarded as having pecuniary interest in, and therefore as the beneficial owner of, securities held are any child, step-child, grandchild, parent, step-parent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law sharing the same household. Adoptive relationships are included for purposes of determining whether securities are held by a member of a person's immediate family.

PROFESSIONAL ETHICS AND CONDUCT

Chartered Financial Analysts (CFAs) shall adhere to the Code of Ethics and the Standards of Professional Conduct as published by the Association of Investment Management and Research (AIMR). Investment employees not participating in the AIMR program shall take the self-administered ethics exam annually or when renewed, whichever occurs first.

Every Investment Division employee shall be provided with a copy of the following:

- (1) Investment Division Code of Ethics and Standards of Professional Conduct,
- (2) Tennessee Treasury Department Standards of Professional Conduct, and
- (3) Investment Policy as adopted by the Board of Trustees.

Communication of Policy

Prior to the annual statement of investment disclosure filing each year, the Treasurer, Chief Investment Officer, or the Director of Retirement shall meet with Investment Division employees to review and discuss the above referenced documents.

Sanctions

Investment division employees serve at the direction and pleasure of the State Treasurer. Any employee who violates this policy shall be subject to disciplinary action by the State Treasurer which may range from verbal reprimand to dismissal.

Effective Date

This policy shall become effective January 1, 1995 and shall remain in effect until amended.

Dale Sims, State Treasurer

[Employee
Guidebook
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[Monthly Statement
of Disclosure](#)

[Annual
Statement of
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[Annual
Conflict of
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ATTACHMENT D
TENNESSEE TREASURY DEPARTMENT
STANDARDS OF PROFESSIONAL CONDUCT

The mission of the Treasury Department, as developed by department employees in 2004, is to be a leader by providing exceptional service to our customers honestly, efficiently, and effectively. It is the obligation of every employee of the department to conduct themselves with the utmost integrity, professionalism and ethical behavior in relations with all clients of the department, be they members of the public, fellow employees, or vendors providing services for the department.

In any cases of doubt as to whether an action may be in violation of these standards of professional conduct, an employee should seek the advice of their supervisor, director, the personnel director, or the Treasurer. Such advice should be sought prior to the action in question.

Treasury employees should strive to abide by the following core values:

- **Impeccable Honesty** - We will develop relationships and interact with one another and with our customers in a manner that fosters and encourages trust. We will maintain the highest ethical and professional standards in everything that we do.
- **Mutual Respect** – We will treat everyone equitably and with honor. We will communicate in a manner, which promotes open dialogue with our customers, within the department, and with our peers in state government.
- **Continuous Improvement** – We will continually challenge ourselves to improve the level of service that we provide by being innovative, collaborative, creative, and efficient. We will work to be the best at what we do.
- **Shared Accountability** – We will work as a team and will purposely strive to leverage the strengths and overcome the weaknesses of each team member. We will accept responsibility individually and collectively for the service that we provide to our customers.
- **Exceptional Service** – We will be innovative in how we provide service to our customers and in how we do our work. We will be relentless in our pursuit of quality and excellence in everything that we do. We will focus not only on solving customers' problems but also anticipating their needs.
- **Exemplary Leadership** – We will be visionary leaders and positive role models for our peers. We strive to be highly respected both inside and outside state government.

Each employee, in performing his or her duties and responsibilities, should apply the following standards of conduct:

A Treasury Department Employee Should

- conduct all state business responsibilities in a fair manner and be honest in all business negotiations;
- strive to provide the highest quality of performance and counsel;
- attempt to avoid any activity which may be interpreted as a **conflict of interest** * by others and, if the activity is not reasonably avoidable, disclose the activity to their supervisor;
- be responsible for maintaining their competence to fulfill the responsibilities of their position;
- maintain confidentiality of information so designated which is received or maintained by the department;
- comply with standards of conduct for professions, as applicable (i.e., CPA, CFA, Attorneys);
- exercise prudence and integrity in the management of resources in their custody;

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- consult with their supervisor or director if they have questions about these standards of conduct;
- communicate to appropriate members of management, any actions that may be violations of the law, this Standards of Conduct, or actions which may be conflicts of interest; and
- *review the Treasury policies and procedures at a minimum annually and immediately notify their supervisor any time a potential **conflict of interest** * arises.*

No Treasury Department Employee Should

- utilize any property or resources of the department for personal gain;
- falsify or fail to record proper entries on any books or records of the department;
- knowingly be a party to, or condone, any illegal activity;
- make potential business referrals of department customers (such as retirees, claimants, etc.) to relatives or close business associates;
- authorize payment on behalf of the department of any amount, or for any purpose, other than that specifically disclosed in the original request for payment and owed by the department;
- directly or indirectly seek or accept gifts (as defined below), money, travel, lodging, association memberships or property that would influence or appear to influence the conduct of their duties;
- engage in or conduct outside activities of financial or personal interest that may conflict with the impartial and objective execution of departmental business activities;
- sell or provide goods or services to the department;
- utilize the services of relatives or close personal associates for departmental business without disclosing such relationships to management prior to such services being rendered;
- engage in activities involving dishonesty, fraud, deceit or misrepresentation;
- engage in outside employment with any providers of supplies or services to the department; or
- engage in outside employment that would interfere with or hamper expected performance with the department.

Members of Management of the Department Are Responsible for

- communicating these standards of conduct to their coworkers;
- monitoring and encouraging compliance with these standards; and
- *providing written documentation of any reported potential **conflict of interest** * to Internal Audit.*

Employees of the Investment Division Must Also

- adhere to the Investment Division Code of Ethics and Standards of Professional Conduct;
- file a Statement of Disclosure of Personal Securities Trades monthly;
- file a Statement of Interest Disclosure annually; and
- file a Statement of Brokerage Relationships and Personal Security Holdings annually.

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- A **conflict of interest** is a situation where an employee, family member, or close personal friend or associate is in a position to derive a benefit, directly or indirectly, from an action which conflicts substantially, or appears to conflict substantially, with the employee's duties or responsibilities.

Family member is defined as spouse, children, stepchildren, siblings, parents, grandparents, grandchildren, stepparents, foster parents and parents-in-law.

Gifts

No employee shall solicit or accept, directly or indirectly, any gift including but not limited to any gratuity, service, favor, entertainment, lodging, transportation, loan, loan guarantee or any other thing of monetary value, from any person or entity that:

- Has, or is seeking to obtain, contractual or other business or financial relations with the Treasury Department; or
- Conducts operations or activities that are regulated by the Treasury Department; or
- Has interests that may be substantially affected by the performance or nonperformance of the employee's official duties.

Unsolicited meals of reasonable value and modest entertainment accepted on an infrequent basis are excluded from the prohibition of accepting gifts. Employees must disclose any gifts, meals and entertainment to their division director.* Disclosure of unsolicited diminutive gifts, activities offered in connection with a conference or seminar, or perishable food items made available to all department employees is not required.

Unsolicited diminutive gifts, such as coffee mugs, envelope openers, calendars, etc. which are defined as items estimated to cost less than \$20 with minimum resale value, are acceptable. Activities (meals, refreshments, modest entertainment) offered in connection with a conference or seminar are also excluded from the prohibition of gifts. Perishable food items may be accepted if made available in the office to all employees in the department and consumed in the office. Diminutive gifts and perishable food items should not be received on so frequent a basis as to lead a reasonable person to believe that a Treasury employee is using his office for personal gain. ***Employees charged with procurement responsibilities should review statutes and rules related to purchasing before accepting any gift.***

Notwithstanding any of the above, acceptance or solicitation of gifts from a lobbyist or a person employing a lobbyist in the State of Tennessee is prohibited. An employee is responsible for asking whether the person offering the gift is or employs a lobbyist in the State of Tennessee. The exceptions to gifts by lobbyists provided by Tennessee Code Annotated 3-6-114 apply to this policy. An employee should contact the Treasury Department General Counsel if there are any questions about a specific situation.

Treasury employees are to disclose any gifts, meals or entertainment received on their division's spreadsheet located at F:/shared/public/disclosure. The director has the responsibility for reviewing these disclosures on a monthly basis. The division of internal audit shall periodically review the disclosures to determine compliance with the Standards of Professional Conduct.

Disciplinary action for violation of this policy may involve immediate termination of employment or may include counseling, changes in work assignments, a written warning, reprimand or suspension. The degree and kind of action is at the discretion of the Treasurer.

*This disclosure is applicable to employees outside of the Investment Division. Investment Division employees should continue to disclose their meals and entertainment as required by the [Investment Division Code of Ethics and Standards of Professional Conduct](#).

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ATTACHMENT E

PROXY VOTING GUIDELINES

| | | <u>DESCRIPTION</u> | <u>POSITION</u> |
|------|-------------------------------------|---|--|
| 1.1 | Appointment of Auditors | Appointment of auditors recommended by management or outside directors. An issue of concern exists where the same firm has audited the company for excessively long periods. Another issue of concern is when there is frequent turnover of auditors. | Generally support. |
| 1.2 | Election of Directors | Management proposals which provide for the annual election of directors or establishment of staggered terms and "classified boards." A "classified board" is one in which directors are divided into separate classes, with directors in each class elected to overlapping terms. In a typical classified board, a third of the directors are elected annually and, therefore, each director serves a three year term. | Support annual election of directors. |
| 1.21 | Cumulative Voting | Cumulative voting is a method of stockholder voting which gives minority stockholders a voice on the Board of Directors. Each stockholder has the number of votes that equals the number of shares that he owns multiplied by the number of directors to be elected. | Evaluate on a case-by-case basis; generally support. |
| | | <u>DESCRIPTION</u> | <u>POSITION</u> |
| 1.3 | Executive and Director Compensation | Compensation plans must contain adequate disclosure pertaining to a) compensation and b) correlation of compensation and performance. This information will aid in evaluating the earnings of directors and management, and to provide for a measure of accountability of those who make company decisions. | Evaluate on a case-by-case basis; generally support. |

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| | | | |
|-------------|-------------------------|---|--|
| 1.31 | Golden Parachute | A Golden Parachute is a contract between a top executive and his firm which provides lucrative benefits in case the company is taken over. | Evaluate on a case-by-case basis; generally opposed. |
| 1.4 | Confidential Ballot | Confidential balloting requires all proxies, ballots and voting tabulations that identify shareholders to be kept confidential. | Support. |
| | Anti-Takeover Proposals | Anti-takeover charters and bylaw amendments have been proposed by the management of large companies in an effort to thwart corporate raiders. These proposals must be approved by shareholders. Once approved, they make it more difficult to oust incumbent management through either a proxy fight or a tender offer. The most popular type of anti-takeover proposals include: | Evaluate on a case-by-case basis; generally oppose. |

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| | <u>DESCRIPTION</u> | <u>POSITION</u> |
|------|---|---|
| 1.51 | Anti-Greenmail provision seeks to prevent the payment of "greenmail" to an unsolicited purchaser of the company. "Greenmail" is the payment of a premium price for the stock of selected shareholders without the opportunity for all shareholders to participate in the repurchase program. | Support. |
| 1.52 | Re-incorporation proposals to another state are most frequently motivated by considerations of anti-takeover protection or cost savings where cost savings are the sole issue. | Evaluate on a case-by-case basis. |
| 1.53 | Blank Check Preferred proposals are for authorization of a class of preferred stock for which voting rights are not established in advance, but are left to the discretion of the board of directors on a when issued basis. This type of proposal transfers authority from shareholders to the board and creates a possible entrenchment devise. | Evaluate on a case-by-case basis; generally oppose. |

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2.0 NON-ECONOMIC ISSUES

DESCRIPTION

Unless the long-term economic impact on shareholder value can be demonstrated to the satisfaction of the TCRS, the Board will most likely oppose those resolutions that propose to impose sanctions on the products or behavior of the corporations, as long as such products, behavior or policies are not in conflict with other TCRS statements of principle.

POSITION

Evaluate on a case-by-case basis; generally oppose.

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APPENDIX 1

Pursuant to Section A.6.b. of the Contract between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "Retirement System", and CONTRACTOR LEGAL ENTITY NAME, hereinafter referred to as the "Contractor", the Retirement System has designated the following entity as its Custodian:

The Northern Trust Company
50 S. LaSalle Street
Chicago, Illinois 60603

This designation shall be valid until revoked or amended by further written notice from the Retirement System.

Date Effective

Dale Sims, State Treasurer &
Chair of the Board of Trustees

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ATTACHMENT F

**ATTESTATION RE PERSONNEL USED IN CONTRACT
PERFORMANCE**

| | |
|---|--|
| SUBJECT CONTRACT NUMBER: | |
| CONTRACTOR LEGAL ENTITY NAME: | |
| FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number) | |

The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.

CONTRACTOR SIGNATURE

NOTICE: This attestation MUST be signed by an individual empowered to contractually bind the Contractor. If said individual is not the chief executive or president, this document shall attach evidence showing the individual's authority to contractually bind the Contractor.

PRINTED NAME AND TITLE OF SIGNATORY

DATE OF ATTESTATION