



REQUEST FOR PROPOSAL

ACTIVE INVESTMENT MANAGEMENT SERVICES

RFP # I-2018-1 (Phase 1)

Issued October 16, 2017

Iowa Public Employees' Retirement System
7401 Register Drive
Des Moines, IA 50321
Phone: 515-281-0030
Fax: 515-281-0045
E-mail: alphasearch2017@ipers.org
Website: www.ipers.org

PART 1

PURPOSE, DEFINITION OF PRODUCT, MINIMUM REQUIREMENTS, AND SCOPE OF SERVICES

A. PURPOSE

1. The purpose of this Request for Proposal (“RFP”) is to hire investment management firms (each a “Manager”) that offer actively managed public market investment products that exhibit persistent risk-adjusted alphas that are uncorrelated with IPERS’ strategic asset allocation, liabilities, and the alphas of other public market products within the IPERS investment program. IPERS will evaluate any “Product” (see definition in Part 1.B) that is or can be benchmarked against a well-known index of publicly traded securities. (Note: a high-scoring Product could possibly be rejected by IPERS if the product does not fit with IPERS’ policy betas, or if the Product cannot be efficiently “ported” to a policy beta using futures contracts.) IPERS’ current public market policy betas are: U.S. equity (large and small caps, growth and value); international equity (large and small cap, growth and value, developed and emerging); fixed income (U.S. Treasuries and government agencies, investment grade corporate debt, high-yield corporate debt, emerging market debt, mortgage-backed securities, asset-backed securities); and public real assets (REITs, MLPs, and U.S. TIPS).
2. The selection process will be conducted in three phases. Phase 1 (currently starting via this RFP) will collect primarily investment return information concerning potential Products. This information will be quantitatively evaluated and scored (see criteria in Part 2.K) to obtain a group of the highest scoring Products that will then advance to Phase 2. In Phase 2, the short-listed Managers will be notified and requested to submit additional detailed information concerning their investment processes, portfolio construction, and risk management processes, as well as other aspects of the Product or firm. An evaluation committee will evaluate the responses received in Phase 2 and determine which Managers should proceed to due diligence (Phase 3). Due diligence (including on-site visits) will be conducted to evaluate the potential Managers’ operations, stability, and ability to work with IPERS. IPERS reserves the right to modify this process as necessary. Notices of intent to award will be issued after the completion of Phase 3 and upon the Investment Board’s approval to proceed. Even if a notice of intent to award has been issued, a proposal may be rejected in IPERS’ sole discretion if the bidder and IPERS cannot agree on contract terms and conditions.
3. Any firm that meets the minimum requirements of this RFP is encouraged to submit a proposal by following instructions set forth in Part 2.A. The RFP is available electronically on the IPERS website, www.ipers.org, and on the State of Iowa website, www.iowa.gov

B. DEFINITION OF PRODUCT

The “Product” is defined as a separately managed account in which the Manager has full discretion to actively implement their investment selection and portfolio construction process. Investments will be primarily comprised of liquid, publicly traded securities. Illiquid or private market securities are not permissible. The Product benchmark will be the respective product composite benchmark. The Product’s portfolio construction process can be discretionary/fundamental or quantitative in nature and can employ leverage and/or shorting.

The Product definition does **not** include hedge fund structures, commingled/mutual funds, fund of funds, or products where a swap or linked note structure is utilized to deliver the return from a fund of funds or some other type of collective fund where there are multiple underlying funds and/or subadvisors.

C. MINIMUM REQUIREMENTS

To be considered as a Manager for the purpose stated above, firms submitting proposals must meet the following minimum requirements:

1. The firm managing the Product (the Manager) must be registered with the relevant regulatory body wherever the firm is domiciled (e.g., SEC for U.S. domiciled investment managers, FCA for U.K. domiciled investment managers, etc.).
2. The Product must have a minimum AUM of \$400,000,000 as of September 30, 2017.
3. The Product must have a proven and verifiable performance record that commences on or before January 2011, with returns that comply with the CFA Institute's GIPS performance reporting standards, Compliance Rule 2-34 of the NFA Manual, or other well-known performance measurement standards. (Note: simulated or back tested results for any portion of this period are not acceptable). The Product inception date must be clearly stated within the Proposal Letter. Product track records must be uninterrupted.
4. Products must be benchmarked against a well-known public market index. Firms submitting Products that are benchmarked to cash, absolute return, etc. should only do so if that product can be ported over a well-known public market index consistent with IPERS' policy betas (see Part 1.A.1 for further clarification).
5. The firm must be willing to accept a performance-based fee arrangement. (The fee structure can have a management fee component as well.)
6. Monthly gross-of-fee Product composite returns (from Product inception through September 30, 2017) must be submitted to the Wilshire Compass Portal on the Wilshire website prior to or concurrently with submission of the firm's Proposal Letter. If your firm does not currently have an active profile within the Wilshire Compass Portal, please visit the Wilshire website (<http://compassportal.wilshire.com>) and click on the Firm Request link to have a profile created. If you experience difficulty accessing or submitting data to the Compass Portal, please contact Wilshire at compassportaldata@wilshire.com.

D. SCOPE OF SERVICES

The Manager will be required to provide the following scope of services to IPERS:

1. Invest allocated funds in conformity with the investment policy and guidelines of the System, as defined in the contract established between IPERS and the firm. Provide discretionary management of the funds under the contract.
2. Provide periodic reports and information relating to the firm's investment strategy and other pertinent information pertaining to the investment of the System's funds, as requested by IPERS. Provide monthly reports on portfolio appraisals, performance evaluation and attribution, and trading activities.

3. Participate in meetings on a periodic basis to provide information to the System concerning the investment performance of IPERS' portfolio and the firm's investment outlook and strategy for IPERS' portfolio.
4. Maintain a good working relationship with IPERS staff by providing timely information regarding material changes in the firm's organizational structure, staffing, investment philosophies, and any other pertinent information IPERS staff may require in evaluating the performance of the portfolio.

The scope of services defined in the final contract between IPERS and the Manager will be binding and will supersede this section of the RFP if different from the scope of services defined here.

PART 2
ADMINISTRATIVE INFORMATION

A. INSTRUCTIONS FOR SUBMITTING PROPOSALS

1. **A firm must submit its proposal by: a) submitting a Proposal Letter to IPERS (as explained below), and b) submitting investment return data to Wilshire Associates for each Product to be evaluated (also explained below).**
2. Proposal Letters shall be submitted to IPERS as a letter on the firm's letterhead and must contain the following:
 - a. The firm must state that it is offering to provide, and is fully capable and willing to provide, the services defined and requested in IPERS Request for Proposal #I-2018-1
 - b. The firm must affirmatively state that the firm and each submitted Product meet all of the minimum requirements listed in Part 1.C of this RFP
 - c. The firm's proposal is binding for 360 days from the date of the proposal
 - d. The letter shall be signed by an officer of the offering firm or a designated agent empowered to bind the firm in a contract
 - e. The letter must identify any sections of the proposal that the firm is identifying as confidential (see Disclosure of Proposal Content)
 - f. The letter shall include the following information in a table for all product(s):

Name of the Firm	
Contact Information	
Name of each Product (MUST BE CONSISTENT with name in Wilshire Compass portal)	
Inception Date of each Product	
AUM of each Product as of 9/30/2017 (MUST BE CONSISTENT with data in Wilshire Compass portal)	
Benchmark index for each Product (MUST BE CONSISTENT with data in Wilshire Compass portal)	

3. A firm must submit investment return information for each proposed Product listed in the Proposal Letter. **Return data must be submitted to Wilshire Associates through its online portal, the Wilshire Compass Portal (<http://compassportal.wilshire.com>) prior to the deadline of December 8, 2017. It is critical that product information in the Proposal**

Letter match the product data in the Compass database. If data does not match, the product may not be included in the search. For firms with products already submitted to the Wilshire Compass Portal, please ensure that each Product's monthly gross-of-fee returns have been updated through September 30, 2017, and that all information regarding each proposed Product is current as of September 30, 2017. For firms that do not have their proposed Product already submitted to the Wilshire Compass Portal, please submit a request to add the proposed Product to your firm's profile using the New Product Request option in the Wilshire Compass Portal. If you experience difficulty accessing or submitting data to the Compass Portal, please contact Wilshire at compassportaldata@wilshire.com. **Wilshire should only be contacted for questions pertaining to data submission into the Wilshire Compass Portal.**

4. Questions regarding this RFP or the firm's proposal shall only be made to the RFP coordinator, Sriram Lakshminarayanan, and firms should not discuss the RFP or their proposal with other IPERS staff, Board members, or IPERS' consultant (outside of Compass data submission issues). Firms will be given the opportunity to submit written requests for clarification of questions or terms contained in the RFP. In all cases, verbal communications will not override written communications.
5. IPERS reserves the right to amend this RFP at any time. In the event IPERS amends the RFP, the amendment will be posted in the same manner as provided in Part 1.A.3 of this RFP. A firm's response to this RFP must include an acknowledgement of all such amendments.
6. **Proposal Letters must be received at IPERS no later than 3:00 p.m. Central time on December 8, 2017. The firm must e-mail its Proposal Letter, clearly identifying each Product it is submitting, to alphasearch2017@ipers.org and copy Wilshire Associates at ipers.alpha@wilshire.com.**
7. Each proposal submitted will be reviewed to verify that the proposal meets the minimum requirements specified in this RFP. This verification process could take several weeks depending upon the number of proposals received.
8. The RFP coordinator is:

Sriram Lakshminarayanan
Iowa Public Employees' Retirement System
7401 Register Drive
Des Moines, IA 50321
Phone: (515) 281-0030
E-mail: alphasearch2017@ipers.org

B. REJECTION OF PROPOSALS

1. IPERS reserves the right to reject without penalty any or all proposals in whole or in part received by this request due to noncompliance with the requirements of this RFP or for any other reason. Issuance of this RFP in no way constitutes a commitment by IPERS to award a contract or to enter into a contract with a successful bidder. IPERS further reserves the right to cancel this RFP, to issue a new RFP, or to award a contract in whole or in part if deemed in the best interest of IPERS. The RFP and the RFP process are for the sole benefit of IPERS and its members. IPERS will not pay for any information herein requested, nor is it liable for any costs incurred by the submitting Managers.

2. All firms that submit Proposal Letters will be notified by e-mail of the results of the search when it is completed.
3. IPERS reserves the right not to hire or to defer the hiring of a firm for these management services.

C. DISCLOSURE OF PROPOSAL CONTENT

The laws of Iowa require that the content of bidders' proposals be maintained in confidence prior to the issuance of a notice of intent to award a contract. If IPERS issues a notice of intent to award a contract at the conclusion of the selection process, the contents of all proposals, excluding confidential information, will be placed in the public domain and open to inspection by interested parties. Trade secrets or proprietary information that are recognized as such and protected by law may be withheld, but only if designation of such sections is stated in proposing firms' cover letters and confidential information is clearly identified as such on each of the applicable pages and electronic documents within the body of the proposal.

Any proposal submitted which contains confidential information must be conspicuously marked on the outside as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as containing confidential information. Identification of the entire proposal as confidential shall be deemed non-responsive and disqualify the firm.

If the firm designates any portion of its proposal as confidential, the firm must submit one "excised copy" of the proposal to IPERS from which the confidential information has been excised. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the proposal as possible.

The firm's failure to request confidential treatment of material shall be deemed by IPERS as a waiver of any right to confidentiality, which the firm may have had.

D. PROPOSAL OBLIGATIONS

The contents of the proposal and any clarifications thereto submitted by the successful Manager shall become part of the contractual obligation and will be incorporated by reference into the ensuing contract.

E. DISPOSITION OF PROPOSALS

All proposals become the property of IPERS and will not be returned to the Manager. Notwithstanding the foregoing, if IPERS decides to terminate the selection process prior to the issuance of a notice of intent to award a contract, it will destroy or shall direct the destruction of all proposals and no file copies, either physical or electronic, shall be maintained by IPERS or its agents. Proposals that are received after the submission deadline will not be considered.

F. GRATUITIES

1. The laws of Iowa provide that it is a felony to offer or promise to give anything of value or benefit to a state employee with the intent to influence that employee's duties. Evidence of violations of this statute will be turned over to the proper prosecuting attorney.

2. IPERS provides reimbursement for transportation, lodging, meals, and miscellaneous expenses for its employees.
3. IPERS employees are subject to stringent statutory restrictions relative to acceptance of gifts, meals, lodging, or transportation from any service contractor. Except for expenses associated with attending Manager-sponsored educational conferences, and only to the extent such expenses are covered by the Manager for its other clients, no meals, or travel expenses may be provided or subsidized by a Manager for IPERS employees.

G. IOWA STATUTES AND RULES

The terms and conditions of this RFP and the resulting contract shall be construed in accordance with the laws of Iowa. Whenever differences exist between federal and state statutes or regulations affecting this procurement, interpretation shall be in the direction of that which is most beneficial to the interests of the State of Iowa.

H. SIGNATURE OF MANAGER'S AGENT

The offer made by the proposal, and any clarifications to that proposal, shall be signed by an officer of the offering firm or a designated agent empowered to bind the firm in a contract.

I. AWARD OF MANDATE

IPERS reserves the right to award this contract not necessarily to the firm with the lowest fee or cost proposal, but to the firm which will provide the best match to the requirements of the RFP. The successful Manager or Managers will be determined in accordance with the evaluation criteria defined by IPERS.

J. EVALUATION OF PROPOSALS

IPERS and Wilshire Associates will evaluate the Phase 1 proposals according to the evaluation criteria specified in this RFP and determine a group of Phase 2 semifinalists for further consideration by an Evaluation Committee. The Evaluation Committee will evaluate and score the semifinalist proposals and conduct interviews of deemed semifinalist firms. The Evaluation Committee will make a hiring recommendation to the IPERS Investment Board, generally subject to successful completion of final due diligence and contract negotiations. IPERS' Investment Board will make the final Manager selection(s).

K. EVALUATION CRITERIA

In the Phase 1 evaluation, the performance history of each Product that meets the minimum requirements will be evaluated using various metrics to assess the quality of the Product's "alpha" returns. Risk and beta characteristics, return to risk ratios, success ratios, drawdowns, correlation to equities, and liability proxies, are examples of the metrics that will be used in the quantitative analysis. (Note: Products will be evaluated utilizing the returns provided by the firm in response to this RFP and input into the Wilshire Compass Portal, which must be the Product's monthly gross-of-fee returns.)

The criteria for Phase 2 of the RFP will be specified in the questionnaire for Phase 2.

L. THE RESULTING CONTRACT

The contract that IPERS expects to award as a result of the RFP process will be based upon the proposals submitted by the successful Manager. The contract between IPERS and the Manager shall be a combination of the specifications, terms and conditions of RFP Phases, the offer contained in the proposals submitted by the Manager, any written clarifications or changes made in accordance with the provisions herein, and any other terms deemed necessary by IPERS.

IPERS will issue a notice of intent to award if or when it completes the final phase of the search process. Successful firms will then be required to enter into discussions with IPERS to negotiate and finalize a contract before an award is made. IPERS' contract template will be used in the negotiation process. These discussions are to be finalized and all exceptions resolved within five (5) weeks of notification; if not, IPERS may reject the firm's proposal and initiate discussions with other firms that submitted proposals meeting the RFP's minimum requirements. Negotiated provisions must be consistent with the firm's offer; furthermore, no negotiated provision of any proposed contract shall, in the sole discretion of IPERS, affect the evaluation criteria set forth in this RFP, or give the successful firm a competitive advantage.

M. TERM OF CONTRACT

The resulting contract shall be for a six (6) year period from the date of its execution. However, the resulting contract will allow termination at IPERS' discretion, with or without cause, after thirty (30) days written notice to the Manager.

N. SCHEDULE OF EVENTS

1. **October 16, 2017** – RFP IS ISSUED
2. **November 6, 2017** – INQUIRIES – Inquiries and requests for interpretation or clarification of Phase 1 of the RFP from potential bidders will be accepted only via e-mail. All inquiries must be received no later than 3:00 p.m. Central time on this date. Firms must e-mail their inquiries to IPERS at the following address: alphasearch2017@ipers.org
3. **November 13, 2017** – RESPONSE TO INQUIRIES – Responses to and addenda resulting from requests for interpretation will be posted no later than 4:30 p.m. Central time on this date. Responses to questions will be posted at: <https://www.ipers.org/>
4. **December 8, 2017** – PROPOSALS DUE – The Proposal Letter must be received in the designated e-mail boxes by 3:00 p.m. CDT on this date

O. AUTHORIZATION TO RELEASE INFORMATION

IPERS reserves the right, either directly or through its authorized representative, to obtain from any and all sources, pertinent information concerning a firm, a firm's products, services, personnel, or subcontractors.

By submitting a proposal, the firm hereby authorizes IPERS and its authorized representatives to obtain information regarding the firm's performance on other contracts, agreements, or other business arrangements, its business reputation, and any other matter pertinent to the evaluation and selection of a successful firm in response to this RFP. This includes, but is not limited to, the right to conduct criminal history, prior performance, reference checks, and other background investigations for persons retained by the firm or other persons identified in the firm's proposal. This also includes, but

is not limited to, the right to obtain, verify, and consider information from sources such as the firm's performance of contracts for other clients.

The firm, in submitting its proposal, hereby releases, acquits, and forever discharges IPERS, the State of Iowa, and their trustees, officers, employees, and agents from any and all liability whatsoever including all claims, demands, and cause of action of every nature and kind affecting the firm that it may have or ever claim to have relation to information, data, opinions, and references obtained by IPERS in the evaluation and selection of a firm in response to this RFP.

The firm, in submitting its proposal, authorizes IPERS and its authorized representatives to contact any and all of the persons, entities and references which are directly or indirectly, listed, submitted or referenced in firm's proposal submitted in response to this RFP.

By submitting its proposal, firm authorizes any and all persons and entities to provide information, data, and opinions with regard to firm's performance under any contract, agreement, or other business arrangement, firm's ability to perform, firm's business reputation, and any other matter pertinent to the evaluation of firm. The firm and its partners, officers, directors, employees, and agents hereby release, acquit, and forever discharge any such person or entity and their officers, directors, employees, and agents from any and all liability whatsoever, including all claims, demands, and causes of action of every nature and kind affecting the undersigned firm that it may have or ever claim to have relating to information, data, opinions, and references supplied to IPERS in the evaluation and selection of a successful firm in response to this RFP.

P. ETHICS POLICY DISCLOSURES

IPERS' staff and Board members are subject to an Ethics Policy adopted by the Investment Board (which can be viewed at <http://www.ipers.org/investments/policy/index.html>). The Ethics Policy requires firms and their agents to disclose campaign contributions made to campaigns for public elective office of IPERS staff and Board members. If your firm is selected as a semifinalist, you will be required to disclose any campaign contributions made by the firm and/or its employees or agents to any campaign for public elective office of IPERS Board and staff members or their spouses within the previous two (2) year period.

Q. APPEALS

Filing an appeal: Any firm that filed a timely bid or proposal and is aggrieved by an award made by IPERS may appeal the decision by filing a written notice of appeal with Chief Executive Officer (CEO) Donna M. Mueller, 7401 Register Drive, Des Moines, Iowa, 50321, within five (5) calendar days of the date of award, exclusive of Saturdays, Sundays, and legal state holidays. IPERS must actually receive the notice of appeal within the specified time frame for it to be considered timely. The notice of appeal shall state the grounds upon which the firm challenges the IPERS award.

Procedures for vendor appeal: The appeal will be treated as "other agency action" in accordance with Iowa Code chapter 17A and cases interpreting this Code chapter. The procedure for an appeal of "other agency action" is to allow the firm an opportunity to be heard. To fulfill this obligation, the firm has five (5) calendar days from the date the notice of appeal was filed with IPERS to submit any written arguments and documents it wants considered related to the merits of the appeal. The aggrieved firm may, or may not, be afforded an opportunity to discuss the merits of the appeal with CEO Mueller, over the telephone or in person. CEO Mueller will issue a final agency decision related to the appeal. The exclusive means for a firm to seek further review of the final agency decision shall be governed by Iowa Code §17A.19.