

# **IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**REQUEST FOR PROPOSAL  
#I-2019-1**

**TRANSITION MANAGEMENT SERVICES**

**August 3, 2018**

**Iowa Public Employees' Retirement System**

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**PART 1**

***PURPOSE, MINIMUM REQUIREMENTS, AND SCOPE OF SERVICES***

**A. PURPOSE**

1. This Request for Proposal (“RFP”) is issued by the Iowa Public Employees’ Retirement System (“IPERS”) for the purpose of selecting one or more firms (“Manager”) to provide transition management services for possible future transitions of IPERS portfolios over a six-year period commencing with the date of contract. IPERS seeks proposals from Managers experienced in managing asset transitions in multiple asset classes with the objectives of controlling the risks and minimizing the costs associated with such transitions.
2. IPERS expects to select a firm (or firms) that it believes will be best able to successfully transition portfolios if and when the need for a transition occurs. There is no guarantee that IPERS will ever use the services of the Manager.
3. Proposals are being solicited from firms known to IPERS and Wilshire Associates to be in the business of providing transition management services. However, firms that do not receive a Request for Proposal may obtain the RFP document from IPERS’ website at [www.ipers.org](http://www.ipers.org)

**B. MINIMUM REQUIREMENTS**

Respondents to the RFP must meet all of the following minimum requirements as of March 31, 2018, for their proposal to be considered:

***A. Organization***

1. The firm must have been in existence, and providing transition management services for institutional clients, for at least five (5) years.
2. The firm must be a broker/dealer registered with the Securities Exchange Commission and/or a Registered Investment Advisor.
3. The firm or its key professionals must have at least five (5) years experience in providing transition management services to clients of similar or larger size to IPERS in all of the following asset classes: U.S. equity, non-U.S. developed market equity, emerging market equity, U.S. fixed income, non-U.S. sovereign, and emerging market fixed income.

***B. Transition Activity***

1. The firm must have completed a minimum of \$25 billion of transition activity per year in each of the last three (3) years.
2. The firm must have completed at least fifty (50) U.S. equity, twenty (20) U.S. fixed income, and fifty (50) non-U.S. equity and/or fixed income transitions over the last three (3) years.
3. The firm must have completed at least ten (10) transitions greater than \$1 billion in the past five (5) years.

*C. Standard of Care, Disclosure of Conflicts & Revenues*

1. The firm must agree in writing to conduct itself and exercise its investment authority on behalf of IPERS in accordance with the fiduciary standards set forth in Section 404 of the Employee Retirement Income Security Act of 1974, as amended.
2. The firm must agree in writing to disclose, prior to the start of each transition management project, any conflicts of interest and any revenue and/or commission sharing agreements the firm or its affiliates may have in place with external execution parties it may use in the project.
3. The firm must agree in writing to disclose, promptly upon the completion of each transition project, all sources of revenue generated by the firm and/or any of its affiliates in conjunction with the use of, or transactions in, IPERS assets.

**C. SCOPE OF SERVICES**

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

1. Provide a proposal to IPERS for each transition project that includes the firm's analysis of the risks and costs associated with the transition, the firm's plan for mitigating those risks and minimizing those costs, a timetable for executing the transition, and the firm's estimate of all commission costs and trading costs for the transition.
2. If the Manager is selected to provide its services for a transition project, the Manager will coordinate the entire transition process and will work cooperatively with IPERS Staff, the custodian bank, the investment managers, and any other third parties to ensure that the assets are transitioned in the most efficient and cost-effective manner possible.
3. Provide periodic reports to IPERS throughout the transition updating the progress according to plan. The Manager shall also provide a final written report once the transition is completed that summarizes the transition performance, provides an analysis of costs and savings, provides details on all trades that were executed and the costs of each trade, and compares the Manager's initial cost estimate with the realized cost estimate.
4. Participate in meetings or conference calls as needed to provide information to IPERS concerning the Manager's management or performance in any transition project.
5. Maintain a good working relationship with IPERS staff by providing timely information regarding material changes in the firm's organizational structure, staffing, and any other pertinent information IPERS staff may require in evaluating the capabilities of the firm.

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. Managers responding to this RFP must provide answers to the questions posed in Part 3 of this RFP. All proposals must be complete in every respect and must answer concisely and clearly all questions proposed by the RFP. Late proposals will not be accepted.
2. Proposals shall be submitted with a **cover letter stating in the affirmative that the firm meets each and all of the minimum requirements listed in Part 1.B of this RFP**, and that the firm is able and willing to provide the type and level of services required to fulfill the mandate proposed in this RFP. The cover letter and 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. The cover letter must also identify any sections of their proposal that the firm is identifying as confidential. (See Disclosure of Proposal Content below.)
3. Proposals should follow the order of questions as asked in Part 3 of this RFP. In response to each question asked in Part 3, restate the **main** question (denoted by a number or a letter) in bold font followed by your answers stated in regular font. Responses should be thorough but concise, and answer the specific question asked, (including the issues addressed in the bullet points following a question).
4. Supporting material must be clearly referenced to the appropriate question. Information and materials which are strictly promotional in nature should not be used.
5. Communication regarding this RFP or the firm's proposal shall only be made to the RFP Coordinator identified in item 9 below. Firms may not discuss the RFP or their proposal with any other IPERS staff or Board members, or IPERS' consultant. 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.
6. IPERS reserves the right to amend this RFP at any time. Any amendments will be posted on the IPERS' web site at <http://www.ipers.org>. A firm's response to this RFP must include an acknowledgement of all such amendments.
7. **Proposals must be received at the IPERS Headquarters no later than 4:00 p.m. Central Time, August 24 2018.**
8. A firm must submit its proposal by e-mail to [investments@ipers.org](mailto:investments@ipers.org). The e-mail subject line should clearly indicate that it contains a proposal submitted in response to RFP #I-2019-1. The proposal must be attached as a pdf file with the firm's name included in the file name. (If the proposal contains more than one pdf file, you may compress the files and submit in a Zip file that clearly identifies the firm in the file name.)
9. The RFP coordinator is:

Jeff Beisner  
Iowa Public Employees' Retirement System  
Phone: (515) 281-0030  
Email: [investments@ipers.org](mailto:investments@ipers.org)

**B. REJECTION OF PROPOSALS**

1. Firms responding to this RFP must restrict their proposed investment structure to that specified in this RFP. Proposals offering alternate or substitute structures will be treated as not meeting the RFP's minimum requirements and will be rejected.
2. 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.
3. After evaluation of the proposals, selection, and approval by IPERS, all Managers will be notified of the successful firm or firms.
4. IPERS reserves the right to not 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 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 a separate electronic "excised copy" of the original proposal (from which the confidential information has been excised) at the same time that they submit the original (unexcised) proposal as requested in Part 2.A.8 of this RFP.** 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. A firm cannot designate its entire proposal as confidential.

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.

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

An Evaluation Committee of IPERS staff will evaluate the proposals according to the evaluation criteria specified in this RFP and determine a group of semifinalists for interviews. Determination of whether to conduct interviews and which firms to interview is at the sole discretion of the Evaluation Committee. The IPERS Investment Board will review the Evaluation

Committee's hiring recommendation and decide whether to accept it or not.

**K. EVALUATION CRITERIA**

Proposals will be evaluated using the following criteria:

- |  |     |
|--|-----|
| 1. Organization, Experience, and Qualifications  | 30% |
| 2. Philosophy & Process for Managing Transitions | 20% |
| 3. Access to Liquidity                           | 25% |
| 4. Reporting Capabilities                        | 25% |

**L. THE RESULTING CONTRACT**

1. The contract that IPERS expects to award as a result of the RFP will be based upon the proposal submitted by the successful Firm and this RFP. The contract between IPERS and the Firm shall be a combination of the specifications, terms and conditions of the RFP, the offer contained in the proposal submitted by the Firm, any written clarifications or changes made in accordance with the provisions herein, and any other terms deemed necessary by IPERS.
2. IPERS expects the final contract to conform to IPERS' legal contracting requirements described in Part 4 of this RFP. **The firm's legal counsel should carefully review the requirements in Part 4 and evaluate whether the firm is willing to accept them. If the firm is not willing to accept the requirements, then it should not submit a proposal.**
3. IPERS will issue a notice of intent to award if or when a winning proposal has been selected. The Firm submitting the winning proposal 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 four weeks of notification; if not, the firm's proposal may be rejected and discussions may be initiated 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-year period from the date of its execution. The resulting contract may be terminated at IPERS' discretion, with or without cause, after thirty (30) days written notice to the Manager. See Part 4 for complete termination of contract provisions.

**N. SCHEDULE OF EVENTS**

1. **August 3, 2018** – RFP IS ISSUED
2. **August 10, 2018** – INQUIRIES – Inquiries and requests for interpretation or clarification of the RFP from potential bidders must be received no later than 4:00 p.m. Central Time on this date. Firms must e-mail their inquiries to IPERS at [investments@ipers.org](mailto:investments@ipers.org).
3. **August 15, 2018** – RESPONSE TO INQUIRIES – Responses and addenda resulting from requests for interpretation will be posted on IPERS' web site no later than 4:00 p.m. Central

Time on this date.

4. **August 24, 2018** – PROPOSALS DUE – The e-mail containing the proposal and any excised copy of the proposal must be received at IPERS' offices by 4:00 p.m. Central Time on this date.
5. **September 20, 2018** (Tentative) – ANNOUNCEMENT OF SELECTION – IPERS will notify all firms that submitted a proposal of its selection, which shall be subject to successful negotiation of a contract with the selected firm(s).

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

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>).

Q. APPEALS

*Filing an appeal.* Any firm that filed a timely bid or proposal and that 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 Mueller, 7401 Register Drive, Des Moines, Iowa, 50321, within five 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 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.

**PART 3**

***QUESTIONNAIRE***

The proposal must answer the following questions:

**A. Contact Information** Complete the table below:

Name of Firm:	
Contact:	
Title:	
Address:	
Telephone #:	
Facsimile #:	
E-Mail Address:	

**B. Minimum Requirements**

1. Provide the date the firm was established. Provide the date the firm began providing transition management services for institutional clients.
2. Is the firm a registered investment advisor under the Investment Advisors Act of 1940? If yes, provide the firm's SEC File Number (e.g. 801-xxxxx) and attach a copy of the firm's most recently filed Form ADV as **Exhibit A** to your proposal. If your firm is exempt under the bank exemption, please explain and provide proof of such exemption.
3. Is the firm a broker/dealer registered with the Securities Exchange Commission? If yes, provide the firm's CRD or SEC number.
4. Complete the chart below by providing the number of transition projects completed each year for institutional clients with assets greater than \$5 billion for each asset class:

	2018	2017	2016	2015	2014
U.S. Equities					
Non-U.S. Developed Market Equities					
Emerging Market Equities					
U.S. Fixed Income					
Non-U.S. Fixed Income					

5. Complete the chart below by providing the number of transition projects completed each year for each asset class (regardless of the type or size of the client):

	2018	2017	2016	2015	2014
U.S. Equities					
U.S. Fixed Income					
Total U.S.:					
Non-U.S. Equities					
Non-U.S. Fixed Income					
Total Non-U.S.:					

6. Complete the chart below by providing the US Dollar (USD) value of the transition projects the firm completed each year:

	2018	2017	2016	2015	2014
USD Value of All Transitions:					
Number of Transitions:					
Number of Transitions Completed that had USD values greater than \$1 Billion:					

7. Will the firm agree in its contract with IPERS to conduct itself and exercise its investment authority on behalf of IPERS as a fiduciary, in accordance with the fiduciary standards set forth in Section 404 of the Employee Retirement Income Security Act of 1974, as amended?
8. Will the firm agree in its contract with IPERS to disclose, prior to the start of each transition management project, any conflicts of interest and any revenue and/or commission sharing agreements the firm or its affiliates may have in place with external execution parties it may potentially use in a project?
9. Will the firm agree in its contract with IPERS to disclose, promptly upon the completion of each transition project, all sources of revenue generated by the firm and/or any of its affiliates in conjunction with the use of, or transactions in, IPERS assets?

**C. Quality of Organization, Experience and Qualifications**

1. Provide a general description and history of the firm, including:
- Year firm began providing institutional transition management services.
  - The ownership structure of the firm. Indicate all entities that have an ownership stake.
  - Any subsidiaries, affiliated companies or joint ventures.
  - Recent or planned changes to the ownership or organization structure.
  - The firm’s estimated market share and rank in the transition management market
2. How is the firm structured to provide transition management services? (Please specify and discuss all that apply: brokerage affiliate, stand-alone agency, introducing broker, index fund management affiliate, custody bank affiliate, consultant affiliate, principal only, etc.).
3. Do you subcontract any aspect of your firm’s transition management services to a third party? If yes, please describe.
4. Provide an organizational chart featuring all of the key individuals involved in the firm’s transition management operations. Clearly indicate the office locations and reporting relationship(s). Note any employees that are “dual” or “shared” employees that provide services to the firm as well as to affiliated organizations or other departments within the firm.
5. Clearly describe all sources of revenue (both explicit and implicit) that your firm derives from trading activities related to the assets of transition management clients. If necessary, break out descriptions by asset classes or trading venues utilized.
6. Disclose any sanctions or disciplinary actions taken against the firm by the SEC, NASD, or other

regulatory body within the last five years.

7. Disclose any legal or arbitration claims the firm has settled or been required to pay within the last five years.
8. Describe the levels (dollar amounts) of coverage the firm has for SEC required fidelity bonds, errors and omissions insurance, or any other insurance coverage the firm has in place to protect the firm and/or transition management clients against potential losses.
9. Provide a list of biographies of the key personnel who would be responsible for managing asset transitions on behalf of IPERS. Describe the transition management experience of each individual. Identify what role each person would serve in an asset transition, and identify who would serve as the client relationship manager, the trading coordinator, and the risk manager.
10. Complete Appendix I.
11. Describe the compensation and incentive program for professionals directly involved in asset transitions. How are they evaluated and rewarded? Are managers and traders compensated on volume of trades, commissions earned for the firm, or on how well they minimize cost for clients?
12. Complete Appendix II.
13. Provide a list of three (3) U.S. investment managers and three (3) non-U.S. investment managers that have been involved in a transition managed by your firm that can attest to your transition management expertise. Provide the name, firm and phone number of the contact person.
14. Provide at least three (3) large (i.e. greater than \$5 billion in assets) public pension fund client references. Provide the name, pension fund, and phone number of the contact person.

**D. Philosophy and Process for Transition Management**

1. Describe your firm's philosophy concerning transition management for institutional clients. What distinct competitive advantages does your firm have over other firms?
2. Does your firm specialize, or have particular expertise, in any specific asset class or particular style? (For example, equities versus bonds; domestic stocks versus international; small cap versus large cap; etc.) Are there any asset classes or markets in which your firm cannot provide transition management services?
3. Describe the step-by-step process that your firm would utilize in managing an asset transition for IPERS, from pre-trade analysis to post-trade reporting.
4. Explain how you manage the risks and costs associated with transitions. In your response, please address both financial risks (i.e., poor execution, implementation shortfall, timing, market impact, asset allocation exposure and others) and operational risks (i.e., incorrect order execution, delivery failures, custody interface and others), and explicit and implicit costs.
5. Describe how you determine the optimal trade-off between market impact and opportunity cost prior to and during a transition.
6. How should the firm's performance be evaluated to determine if a transition was successful? Do you use T-Standard to measure your transitions? Describe your methodologies for measuring

costs, savings and performance. Contrast your transition cost calculation methodology with the main alternative methodologies.

7. Has your firm adopted the T-Charter, Code of Best Practice for Transition Managers? If not, why not?
8. Describe how the firm maintains market and currency exposure during a transition.
9. Describe how futures, ETFs, or other derivatives would normally be used in a transition managed by your firm.
10. Is trading performed on an agency basis, principal basis or both? Please describe when and why one method could be preferred over another in a transition, and what steps are taken to mitigate potential conflicts of interest in choosing one method over the other.
11. Describe the firm's trading capabilities within each of the following areas:
  - a. US equities (small, SMID, and large cap)
  - b. Non-U.S. developed market equities
  - c. Emerging market equities
  - d. U.S. high yield fixed income securities
  - e. Residential and commercial mortgage-backed securities
  - f. Asset-backed securities
  - g. Non-U.S. sovereign debt (USD and local currency)
12. Describe how trading strategy can differ by region and country. How does the firm allocate its resources and personnel in order to cover all the markets?
13. Describe the process your firm follows in soliciting bids from brokers. How many bids would you seek for a typical security? How do you avoid leaking information to the market?
14. Describe in detail how the FX trades associated with non-US portfolios are executed. How do you ensure best execution and reasonable costs when executing FX for clients? Do you provide agency-only execution for FX trading? If agency commission rates apply, what commission rate would you charge for FX trading?
15. Would your firm be willing to perform transition management services under a performance-based arrangement, whereby the firm's compensation would be reduced if the actual cost of the transition exceeded the pre-trade cost estimate? Would the firm be willing to perform its services under some other type of performance-based compensation arrangement? If yes, please describe how the arrangement would work.
16. Complete Appendix III.

**E. Access to Liquidity**

1. Identify and describe the firm's sources of liquidity for asset transitions and estimate the depth/breadth of each source by asset class. Indicate which sources are proprietary to the firm. List all available trading platforms/market access routes/networks to which the firm has access.
2. Does the firm have the ability to internally cross securities at no cost with other client accounts or accounts of the firm's affiliates?
3. Explain how you define internal and external crossing. How are the crossed trades priced? What counterparties and venues do you use for external crossing? Do you have the appropriate

Department of Labor exemption to conduct crossing? Do you charge a commission or include any implied costs for the various forms of crossing provided to clients?

4. Complete Appendix IV.
5. Does your firm use external crossing networks (Posit, Instinet, etc.)? If yes, describe the circumstances when you would or would not use such a network.
6. Describe any business or trading relationships your transition management business has with hedge funds. Do you have any policies against trading with hedge funds or dark pools?

**F. Reporting Capabilities**

1. Provide examples of the firm's pre-trade and post-trade analysis reports for an international equity transition and a U.S. fixed income transition.
2. Can the firm provide on-line reporting access to clients and/or managers to view the daily activity during the transition period? If yes, please describe.
3. Explain how estimates of bid/ask spread, market impact, and opportunity costs in a transition are calculated, clearly defining all assumptions and methodologies.
4. How often will the firm usually plan to communicate with a transition client once a transition is underway until completion?

**G. Historical Transition Costs and Performance**

1. Complete Appendix V.

## **PART 4**

### **IPERS' LEGAL CONTRACTING REQUIREMENTS**

**IPERS is subject to specific legal requirements established for Iowa state agencies as described below:**

1. IPERS will not accept an agreement containing provisions that require IPERS to indemnify or defend a service provider (or any affiliate, director, employee, contractor, subcontractor, or agent of a service provider, etc.).
2. IPERS will not agree to provisions that would either limit the liability of the service provider (or any other person or entity) for specified types of damages (including, without limitation, consequential, indirect, direct, incidental, special, punitive, exemplary, loss of business, lost profits, lost revenues, business interruption, loss or corruption of business information or data, etc.) or place any sort of cap or total limit on the amount of damages for which a service provider could be held liable under the contract. Note: this is not intended to preclude a service provider from relying on standard force majeure clauses that excuse failures to perform due to circumstances outside the reasonable control of a party, like disasters, war, acts of God, etc.
3. IPERS will not agree to any indemnification provisions (in which the service provider is indemnifying IPERS) that allow the service provider to defend IPERS and have sole control over the defense and settlement of any claims against IPERS.
4. IPERS will not agree to provisions that provide for exclusive remedies or which otherwise limit any remedies or legal recourse that may be available to IPERS or the State of Iowa.
5. IPERS will not agree to any confidentiality or nondisclosure provisions that create obligations that conflict with IPERS' legal obligations under applicable open records laws, including but not limited to Iowa Code chapter 22.
6. IPERS will not agree to pledge or make any assets, monies, accounts and/or collateral of IPERS subject to any liens, security interests, rights of set off or recoupment in favor of the service provider. IPERS will not grant a security interest in or pledge a lien against its assets in favor of a service provider. This is not intended to limit the ability of a futures exchange to avail itself of rights to initial and variation margin, etc. IPERS will not agree to any provisions that would require IPERS to waive any legal exemptions from attachment of assets or execution of judgments against IPERS' assets or property.
7. IPERS will not agree to provisions that would require IPERS to waive any immunity to suit or liability or irrevocably waive sovereign or governmental immunity, or any defenses available to it under Iowa or Federal law. This is not intended to eliminate waivers of immunity that presently exist via Iowa statute (e.g., Chapter 669 relating to tort claims) or case law.
8. IPERS will not agree to provisions that would limit a service provider's liability or responsibility for breach of contract to only if the breach resulted from the service provider's gross negligence, willful misconduct, or fraud. A service provider should be responsible for any breach of contract.
9. IPERS must include the following language in its contract with the vendor:

*“The Contractor, its employees, agents, and subcontractors shall not engage in discriminatory employment practices which are forbidden by federal or state law, executive orders, and rules of the Iowa Department of Administrative Services. The Contractor, its employees, agents, and subcontractors shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations, orders when performing under the Contract, including without limitation, all laws applicable to the prevention of discrimination in employment (e.g., Iowa Code chapter 216 and section 19B.7). Upon the State’s written request, the Contractor shall submit to the State a copy of its affirmative action plan, containing goals and time specifications, and accessibility plans and policies as required under Iowa Administrative Code chapter 11—121.*

*The Contractor, its employees, agents and subcontractors shall also comply with all federal, state, and local laws, including any permitting and licensure requirements, in carrying out the work performed under this Contract. In the event Contractor contracts with third parties for the performance of any of the Contractor obligations under this Contract, Contractor shall take such steps as necessary to ensure such third parties are bound by the terms and conditions contained in this section.*

*Notwithstanding anything in this Contract to the contrary, Contractor’s failure to fulfill any requirement set forth in this section shall be regarded as a material breach of this Contract and the State may cancel, terminate, or suspend, in whole or in part, this Contract. The State may further declare Contractor ineligible for future state contracts in accordance with authorized procedures or the Contractor may be subject to other sanctions as provided by law or rule.”*



## Appendix II – Personnel Turnover

Submitted by {INSERT FIRM NAME}

*Indicate when and why any key personnel of the Transition Management Unit left or joined the firm during the three-year period ended 3/31/18. What were/are their job responsibilities? For personnel who have left, indicate job titles and years with the firm and who replaced them.*

Date	Name/Title	Responsibilities	Years at Firm	Reason for Leaving	Replaced by (name/title)
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**Departed:**


**Joined:**


**SUMMARY:**

12 months ending March 31:	Total # of Professionals	# Joined		# Departed	% Turnover
2018					
2017					
2016					
2015					
2014					

## Appendix III – Transition Activity

Submitted by {INSERT FIRM NAME}

### All Clients

Calendar Year	\$ Market Value of Assets*	# of Clients**	# of Transitions
YTD 3/31/18			
2017			
2016			
2015			
2014			
2013			

### Public Pension Fund Clients Only

Calendar Year	\$ Market Value of Assets*	# of Clients**	# of Transitions
YTD 3/31/18			
2017			
2016			
2015			
2014			
2013			

\* Provide the Market Value in US Dollars.

\*\* Provide the number of clients for which portfolios were transitioned during the calendar year.

## Appendix IV – Crossing Percentage by Asset Class

Submitted by {INSERT FIRM NAME}

*Please provide the requested information for each execution method for each asset class for the three-year period ended 3/31/18. Percentages should represent the percentage of the total market value for the period for each execution method.*

**Asset Class: U.S. Equities**

Execution Method	Market Value	Shares	Percent of Total Market Value
<u><i>In-Kind Transfer</i></u>			
<u><i>Internal Crossing</i></u>			
<u><i>External Crossing</i></u>			
<u><i>Open Market Trading</i></u>			
<b>Total</b>			100%

**Asset Class: International Equities**

Execution Method	Market Value	Shares	Percent of Total Market Value
<u><i>In-Kind Transfer</i></u>			
<u><i>Internal Crossing</i></u>			
<u><i>External Crossing</i></u>			
<u><i>Open Market Trading</i></u>			
<b>Total</b>			100%

## Appendix IV – Crossing Percentage by Asset Class

Submitted by {INSERT FIRM NAME}

*Please provide the requested information for each execution method for each asset class for the three-year period ended 3/31/18. Percentages should represent the percentage of the total market value for the period for each execution method.*

**Asset Class: U.S. Fixed Income**

Execution Method	Market Value	Par Value	Percent of Total Market Value
<u><i>In-Kind Transfer</i></u>			
<u><i>Internal Crossing</i></u>			
<u><i>External Crossing</i></u>			
<u><i>Open Market Trading</i></u>			
<i>Total</i>			100%

**Asset Class: High Yield Fixed Income**

Execution Method	Market Value	Par Value	Percent of Total Market Value
<u><i>In-Kind Transfer</i></u>			
<u><i>Internal Crossing</i></u>			
<u><i>External Crossing</i></u>			
<u><i>Open Market Trading</i></u>			
<i>Total</i>			100%

## Appendix V – Actual Transition Costs vs. Pre-trade Estimates

Submitted by {INSERT FIRM NAME}

Year: 2018 (through 3/31)	Actual Total	Pre-Trade Estimated	
Asset Class	Transition Costs (1)	Transition Costs (2)	Difference
U.S. Equities			
International Equities			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
TOTAL			
Year: 2017	Actual Total	Pre-Trade Estimated	
Asset Class	Transition Costs (1)	Transition Costs (2)	Difference
U.S. Equities			
International Equities			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
TOTAL			
Year: 2016	Actual Total	Pre-Trade Estimated	
Asset Class	Transition Costs (1)	Transition Costs (2)	Difference
U.S. Equities			
International Equities			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
TOTAL			
Year: 2015	Actual Total	Pre-Trade Estimated	
Asset Class	Transition Costs (1)	Transition Costs (2)	Difference
U.S. Equities			
International Equities			
U.S. Inv. Grade Fixed Income			
High Yield Fixed Income			
TOTAL			

(1) Provide the mean transition cost (in basis points) of all transitions completed in the calendar year. Transition cost must include explicit costs (such as commissions, taxes and fees) and implicit costs such as market impact and timing of execution.

(2) Provide the mean pre-trade estimated transition cost (in basis points) of all transitions completed in the calendar year. Transition cost must include explicit costs (such as commissions, taxes and fees) and implicit costs such as market impact and timing of execution.