

**PASSIVE U.S., NON-U.S., AND GLOBAL INDEX STRATEGIES Mandate Search**

**Initiation: September 9, 2021**

**Response deadline: November 9, 2021**

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**A. INTRODUCTION**

The Los Angeles City Employees’ Retirement System (LACERS) administers an investment portfolio with approximately $23 billion in assets. LACERS is seeking one or more investment managers to manage its current portfolio of passive strategies as well as provide additional passive investment strategy options for possible future investment needs. As of August 31, 2021, LACERS had approximately $8.8 billion invested in the following passive strategies:

|  |  |
| --- | --- |
| LACERS Index Mandates(as of 8/31/2021) | Assets(as of 8/31/2021) |
| * S&P 500
 | $4,270 million |
| * Russell 2000
 | $365 million |
| * Russell 2000 Value
 | $158 million |
| * MSCI World ex USA IMI
 | $2,146 million |
| * MSCI EAFE Small Cap
 | $355 million |
| * MSCI Emerging Markets
 | $387 million |
| * Bloomberg Barclays US Aggregate Bond
 | $1,166 million |

The following table provides the entire set of passive strategies LACERS is seeking services for:

LACERS intends to maintain exposure to the passive strategies currently in its portfolio, but not necessarily to the investment managers currently providing these services. Additionally, LACERS may or may not fund other passive strategies it is seeking services for via this RFP; funding will depend entirely on LACERS’ future investment needs. LACERS will consider separately managed and commingled fund strategies.

Emerging Managers (as defined by LACERS’ Emerging Investment Manager Policy) are encouraged to participate in this search, subject to LACERS investment policies (including LACERS’ Emerging Investment Manager Policy) and any provisions specifically stated in this search document that pertain only to Emerging Managers. LACERS will consider Emerging Manager mandates based on the criteria outlined in this search document.

Existing LACERS managers will be required to submit RFP responses and compete in the RFP process to maintain their current mandates. In the case that an existing LACERS manager is not reselected through the RFP process, the manager’s current contract will be subject to termination.

LACERS will retain sole discretion to determine the appropriate number of managers and mandate sizes based on the aggregate pool of non-emerging and emerging manager finalists.

This document details the requirements and instructions for interested firms who meet the minimum qualifications as outlined below.

**B. MINIMUM QUALIFICATIONS**

A proposing firm (“Proposer”) must fulfill **all** of the minimum qualification requirements to LACERS’ satisfaction to be given further consideration. The Proposer must complete the *Minimum Qualification Certification (Exhibit 1)* substantiating that the Proposer satisfies all minimum qualifications and requirements. Failure to satisfy each of the minimum qualifications may result in the immediate rejection of the proposal.

1. The Proposer is a registered investment advisor under the Investment Advisors Act of 1940 or possesses a bank exemption.

 2. The Proposer must be directly responsible for the management of the account, and all personnel responsible for the account must be employees of the firm or a legal joint venture partner.

 3. The Proposer, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity’s legal formation documents; otherwise the Proposer must have been in existence for a minimum of one year based on the entity’s legal formation documents.

4. The firm must be willing to accept the indices specified in Exhibit 5 - Scope of Services as the mandate benchmarks.

5. The Proposer must have a minimum of $50 million under management in the proposed product as of June 30, 2021 and at the time of funding, exclusive of LACERS investment, if awarded a contract.

6. The proposed product’s assets under management must be of sufficient size such that LACERS’ expected mandate size would not comprise more than 50% of the proposed product assets inclusive of LACERS assets at the time of hire. For Emerging Managers, strategy AUM must be of sufficient size that LACERS’ expected mandate size would not comprise more than 20% of the proposed product assets inclusive of LACERS assets at the time of hire.

7. The Proposer must have a minimum of five years of verifiable GIPS-compliant performance history actively managing the proposed product for institutional clients. Emerging Managers (as defined by the LACERS Emerging Investment Manager Policy) with a GIPS-compliant track record of less than five years for the proposed strategy may submit this track record and a supplemental track record established at a prior firm when performance can clearly be attributed to the emerging firm’s key individuals and/or the specific team associated with the strategy being considered.

 8. The Proposer must submit their monthly and quarterly product composite returns and quarterly portfolio characteristics since inception through June 30, 2021 to NEPC’s designated product database via eVestment. LACERS staff reserves the right to request more recent returns and portfolio information from candidates subsequent to receiving RFP responses.

 9. The composite performance history submitted to eVestment must be actual results (not simulated or back-tested). For existing LACERS investment managers, the actual LACERS track record may be used.

10. The Proposer must carry the following insurance coverage or must have applied for it by contract execution:

1. Professional Liability (Errors and Omissions): In the amount of at least $50 million, with a discovery period of twelve months after completion/termination of this Contract, whichever occurs first.

 b. General Liability: In the amount of at least $10 million.

 c. Fiduciary Liability: In the amount of at least $10 million.

d. Fidelity Bond/Financial Crime: In the amount of at least $10 million.

 e. Directors & Officers: In the amount of at least $5 million.

f. Cyber Risk: In the amount of at least $1 million per occurrence, and aggregate of $2 million.

LACERS reserves the right to require a higher insurance coverage, if it deems necessary.

Please see the LACERS’ *General Conditions*, No. 34, *Bonding, Insurance and Indemnification* for evidence of insurance coverage requirements.

All minimum qualifications, except for No. 10 – insurance coverage, must be met as of November 9, 2021

**C. SCHEDULE**

1. Search Document Available to Prospective Proposers September 9, 2021

Should a firm need further clarification on the specifications contained in this document, the Proposer may e-mail questions to *lacers.invest@lacers.org* *and* *LACERSRFPResponse@NEPC.com**.* The subject line of the e-mail should show the name of your firm and “2021 Passive Index Strategies Search Questions”. Responses to questions will be posted at:

[lacers.org](http://www.lacers.org)

1. Written Questions Submission by e-mail September 23, 2021
2. Response to Written Questions posted on LACERS website: October 8, 2021
3. Final Date for Proposal Submission November 9, 2021
4. Interviews of Finalists April 2022 (tentative)
5. Contract Start Date June 2022 (tentative)

**D. PROPOSAL EVALUATION**

All proposals meeting the minimum qualifications will be evaluated according to the process and criteria established by the LACERS Manager Search and Selection Policy. Qualified proposals will be scored and ranked to develop a list of semi-finalist candidates for further consideration.

**Proposal Evaluation Criteria Weighting**

**Qualitative Assessment 10%**

 *Organization/People 50%*

 *Product AUM 50%*

**Tracking Error 40%**

**Expected Fees 50%**

Due diligence meetings will be conducted with approved semi-finalist candidates firms. Due diligence meeting topics may include, but are not limited to, overall business strategy and growth, organization and reporting structure, staffing and compensation, investment philosophy and strategy, trading, risk management, compliance and controls, and technology. Reference checks will also be conducted.

Upon completion of satisfactory due diligence, suitable semi-finalist candidates will be invited for interviews with the LACERS Investment Committee. Following the interviews, the Investment Committee will provide the Board with a recommendation for contract award(s).

For further details about the evaluation and selection process, please review the LACERS Manager Search and Selection Policy located on LACERS’ website at:

[**https://www.lacers.org/sites/main/files/file-attachments/lacers\_board\_manual.pdf?1627588543**](https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1627588543)

1. **SUBMISSION REQUIREMENTS**
2. **Response Format.** To be eligible for evaluation, a proposal must adhere strictly to the format set forth below. Failure to do so may result in disqualification. Proposers must address each of the required sections indicated below. Completeness, clarity and brevity are stressed in the responses. All forms provided in this response must be completely filled out. If a question does not apply to you, please write in “not applicable” and then state the reason why the question does not apply to your firm.

The content and sequence of the proposal will be as follows:

Section Title

I Cover Page

II Table of Contents

III Letter of Transmittal

IV Required Documents

 I. Cover Page

 Title for cover page: “Passive U.S., Non-U.S., and Global Index Strategies Mandate Search”.

 II. Table of Contents

Immediately following the cover page, there must be a comprehensive Table of Contents of the material included in the proposal. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.

 III. Letter of Transmittal

A letter of transmittal must accompany all responses and be placed as the first page of this search document. The letter of transmittal must further state that the response to this search is valid for nine (9) months subsequent to the proposal due date. The letter of transmittal MUST:

1. Identify the search as “Passive U.S., Non-U.S., and Global Index Strategies Mandate Search”;
2. Identify the submitting organization;
3. Identify the name and title of the person authorized by the organization to contractually obligate the organization;
4. Identify the names, titles, telephone and fax numbers, and e-mail addresses of persons to be contacted for clarification;
5. Certify that your firm has fully complied with all provisions of this document and that all statements are true and accurate, and that the firm has not knowingly made any false or misleading statements in its proposal; Emerging managers must certify that their firm qualifies as an Emerging Manager pursuant to the Minimum Qualifications listed in Section B.
6. Be signed by a person authorized to contractually obligate the organization.

 IV. Required Documents

1. Minimum Qualification Certification *(see Exhibit 1)*
2. Fee Proposal (*see Exhibit 2*)
3. Clients and References (*see Exhibit 3)*
4. Standards of Conduct *(see Exhibit 4)*
5. Scope of Services (*see Exhibit 5)*
6. Questionnaire (*see Exhibit 6*)
7. Compliance Forms *(see Exhibit 7 – General Conditions and Compliance)*

As instructed in Exhibit 7 – General Conditions and Compliance, **do not include the completed Organizational Diversity Survey (ODS) as part of the RFP response**. The completed ODS must be separately uploaded to the following link: <https://lacers.app.box.com/f/279a89bd1e6447098377af4d45d50fa1>

1. Responses including all Required Documents must be e-mailed to *lacers.invest@lacers.org* *and* *LACERSRFPResponse@NEPC.com*no later than  **November 9, 2021 – 4:00 P.M. Pacific Time.**

**F. EXHIBITS**

**EXHIBIT 1**

**MINIMUM QUALIFICATION CERTIFICATION**

Firm Name & Proposed Products:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The Proposer warrants that it will meet **all** of the Minimum Qualifications, except for No. 10 – insurance coverage, presented in Section B by November 9, 2021 – 4:00 P.M. Pacific Time.

If submitting proposal as an Emerging Manager according to the LACERS' definition pursuant to the LACERS Emerging Investment Manager Policy, the Proposer certifies that the firm meets this definition.

🞎 **Check this box if Proposer is submitting as an Emerging Manager.**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Authorized Signature Print Name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title Date

**EXHIBIT 2**

**FEE PROPOSAL**

Firm Name & Proposed Products:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Provide your firm’s proposed fee schedule for each of the index mandates you are bidding to provide to LACERS. If your fee proposal is dependent on a certain amount of assets in the strategy or across multiple index strategies, please indicate. If proposing more than one index product, please provide a fee schedule for each individual index fund. For reference, below is a list of LACERS current index fund mandates and market values.

|  |  |
| --- | --- |
| **LACERS Index Mandates** **(as of 8/31/2021)** | **Assets****(as of 8/31/2021)** |
| S&P 500 | $4.3 billion |
| Russell 2000 | $365 million |
| Russell 2000 Value | $158 million |
| MSCI World ex USA IMI | $2.1 billion |
| MSCI EAFE Small Cap | $355 million |
| MSCI Emerging Markets | $388 million |
| Bloomberg Barclays US Aggregate Bond  | $1.2 billion |

Asset Based Fee:



Emerging Managers should also submit a fee proposal based on no more than a mandate size of 20% of the product AUM as of June 30, 2021. LACERS reserves the right to allocate less than 20% of any managers’ product.

**EXHIBIT 3**

**Clients AND References**

1. Provide references of five largest public pension plan clients (by portfolio asset size) using the format below. Please secure advanced permission to contact at least three of these references. If there are fewer than three references, then include all.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Client Name** | **Mandate** | **Relationship since (month/year)** | **AUM** **(US$ million)** | **Contact Name** | **Title** | **Telephone#** | **E-mail** |
| **1.** |  |  |  |  |  |  |  |
| **2.** |  |  |  |  |  |  |  |
| **3.** |  |  |  |  |  |  |  |
| **4.** |  |  |  |  |  |  |  |
| **5.** |  |  |  |  |  |  |  |

1. Provide a list of all accounts that have been lost from your proposed index products within the last five years using the format below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Client Name** | **Mandate** | **Size of Fund** **(US$ million)** | **Reason(s) for Termination** |
| **1.** |  |  |  |
| **2.** |  |  |  |
| **3.** |  |  |  |
| **4.** |  |  |  |
| **5.** |  |  |  |

**EXHIBIT 4**

**STANDARDS OF CONDUCT**

**STANDARDS OF CONDUCT**

1. a. Disclose any financial or other relationship you have or have had with any LACERS Board member, consultant, or LACERS employees. If there are no conflicts of interest, please state, “There are no conflicts of interest to report.”

b. Disclose any gifts (meals, tickets, anything of value over $50, etc.) that you have given to any LACERS Board member, consultant, or LACERS employee in the last 12 months using the format below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Date (mm/dd/yy) | Given to | Description of Gifts 1 | Value (US$) |
|   |   |   |   |   |
|   |   |   |   |   |
|   |   |   |   |   |

1 Gifts could be in the form of meals, tickets, paid travel, anything of value over $50, etc.

2. Do you have any written policies or procedures to address conflicts of interest? If so, please provide as part of this exhibit.

3. What potential conflicts of interest are posed by other activities undertaken by the organization, if any? How are these addressed?

4. For the past 10 years has the firm, its officers or principals or any affiliate ever:

a. been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization,

b. been a party to or settled any litigation concerning breach of fiduciary responsibility or other investment related matters, or

c. submitted a claim to your errors & omission, fiduciary liability and/or fidelity bond insurance carrier(s)?

If ‘yes’ to any, please provide details and the current status or disposition.

5. Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct?

Does the firm have a written code of conduct or set of standards for professional behavior? If so, how is employee compliance monitored?

**EXHIBIT 5**

**SCOPE OF SERVICES**

Firm Name & Proposed Products: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

LACERS seeks one or more investment managers that can provide passive strategies benchmarked to one or more of the indices listed in the following table. This comprehensive list of strategies would provide LACERS with passive options across most public markets asset classes.

LACERS will consider separately managed and commingled fund strategies. LACERS may not fund all of the passive strategies it is seeking services for; funding will depend on LACERS’ current and future investment needs.

LACERS will retain sole discretion to determine the appropriate number of managers and mandate sizes based on the aggregate pool of non-emerging and emerging manager finalists.

The selected firms will be expected to comply with LACERS’ Investment Policy and investment-related policies, which can be found at:

[https://www.lacers.org/sites/main/files/file-attachments/lacers\_board\_manual.pdf?1614708496](https://urldefense.com/v3/__https%3A/www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1614708496__;!!KSjYCgUGsB4!JJo-B6ADnm9xZ5lByTpK8tptH6OhmU5AG2YDVQ7jJj4itqtp-Pcjy7oqdZhCWYbpdc-R2g$)

The selected firms will also be expected to comply with the City of Los Angeles’ Standard Provisions for City Contracts (Appendix B).

**EXHIBIT 6**

**QUESTIONNAIRE**

Firm Name & Proposed Products:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Please complete the NEPC Questionnaire (*see separate document, Exhibit 6. NEPC Passive U.S., Non-U.S., and Global Index Strategies Questionnaire*) and submit as part of this search as Exhibit 6.

**EXHIBIT 7**

**GENERAL CONDITIONS AND COMPLIANCE**

All Proposers are to review the following documents:

1. Appendix A - General Conditions
* Attachment 1 - Confidentiality & Non-Disclosure of Member Information
* Attachment 2 - RFP Warranty/Affidavit
* Attachment 3 - Marketing Cessation Policy
* Attachment 4 - Marketing Cessation Proposer Disclosure Form
* Attachment 5 - Bidder Certification – City Ethics Commission Form 50
* Attachment 6 - Bidder Certification – City Ethics Commission Form 55
* Attachment 7 - Form 700 Filers
1. Appendix B - Standard Provisions for City Contracts
2. Appendix C - Additional Forms
* Attachment 1 – Sexual Harassment Policy Disclosure Form
* Attachment 2 – Gender Equity Disclosure Form
	+ Attachment 3 – Organizational Diversity Survey (ODS)

Please refer to the LACERS Emerging Investment Manager Policy within the LACERS Investment Policy Manual for further details regarding the ODS. The policy is located on LACERS website at:

[**https://www.lacers.org/sites/main/files/file-attachments/lacers\_board\_manual.pdf?1627588543**](https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1627588543)

1. Appendix D – Sample of LACERS Investment Management Agreement

All Proposers are to complete the following forms and include as Exhibit 7 of your response:

1. Warranty/Affidavit (Appendix A, Attachment 2). The document must be signed.
2. Proposer Disclosure Form (Appendix A, Attachment 4).
3. Bidder Certification – City Ethics Commission Form 50 (Appendix A, Attachment 5). Please leave BAVN number section blank.
4. Bidder Certification – City Ethics Commission Form 55 (Appendix A, Attachment 6). Please leave BAVN number section blank.
5. Sexual Harassment Policy Disclosure Form (Appendix C, Attachment 1).
6. Gender Equity Disclosure Form (Appendix C, Attachment 2).

Additionally, all proposers are requested to complete an Organization Diversity Survey (ODS). **Do not include the completed ODS form as part of Exhibit 7 of your RFP response.** Pursuant to the LACERS Emerging Investment Manager Policy, completed ODS forms are to be submitted separately to:  <https://lacers.app.box.com/f/279a89bd1e6447098377af4d45d50fa1>

**Failure to complY with the instructions for completing and submitting the above documents MAY deem your proposal as non-responsive AND REMOVE YOUR PROPOSAL FROM FURTHER CONSIDERATION.**