

# OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

## Majority Minority Owned Asset Managers- US Equity Strategies Request for Information



**Please Note:**

- 1) OPERS is subject to the Ohio Public Records Act; the documents submitted pursuant to this RFI may be subject to a public records request.
- 2) All responses must be delivered to [OPERSWMOF@opers.org](mailto:OPERSWMOF@opers.org). Any questions may also be directed to the same email address.
- 3) If you are submitting more than one proposal for consideration, please complete a separate RFI for each proposal.

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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# OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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### INTRODUCTION

In 1935, the Ohio Public Employees Retirement System began a tradition of providing retirement benefits to state employees. Today, OPERS provides retirement, disability, and survivor benefit programs to public employees throughout the state who are not covered by another state or local retirement system. With approximately \$100 billion in net assets, OPERS serves more than 1,116,000 members of approximately 3,700 public employers and 210,868 retirees, disability recipients and surviving beneficiaries who receive monthly benefits.

The most recent OPERS Comprehensive Annual Financial Report is available on the OPERS website at: <https://www.opers.org/financial/reports.shtml>

### SUMMARY OF SERVICES

OPERS may engage an investment manager to manage US small cap equity assets. This is an opportunistic search that may or may not result in any hire. This mandate requires a separate account structure. The benchmark will depend on the mandate, but note that OPERS does not currently allocate to diversified US large and mid-cap managers.

This search will focus on long only, non-leveraged, active managers. Investment Managers who invest in closed-end funds, Fund of Funds and 130-30, are not being sought at this time.

### MINIMUM QUALIFICATIONS

Prospective managers responding to this request (“Prospective Managers”) must meet the minimum qualifications to OPERS satisfaction to be given further consideration. Minimum qualifications are listed in **Attachment 1 – Manager Certification**. However, OPERS reserves the right to choose to retain a manager that does not meet such qualifications, at OPERS’ sole and absolute discretion.

### TERMS AND CONDITIONS FOR SUBMITTING PROPOSALS

1. Vendor acknowledges that OPERS is subject to the Ohio Public Records Act, and the documents submitted pursuant to this Request for Information (“RFI”) may be subject to a public records request. Accordingly, the Prospective Manager should submit, along with its response to this RFI, a copy of its response in which any information that is trade secret or is otherwise exempt from disclosure under the Ohio Public Records Act is redacted, along with a reference to the statutory basis upon which the Prospective Manager is relying for the redaction. For example, the Ohio Public Records Act is ORC Section 149.43 and allows protection of trade secret information as set for in ORC 1333.61(D) or any federal statutes that might apply. If at any time after submitting the redacted copy of its response pursuant to the previous sentence the Prospective Manager should identify information in its redacted copy that (a) was not redacted in its submission but it later determines has become trade secret information or otherwise exempt from disclosure under the Ohio Public Records Act, or (b) was redacted in its original submission but it later determines is no longer trade secret or otherwise exempt from disclosure under the Ohio Public Records Act, the Prospective

Manager shall send OPERS an updated redacted copy reflecting such change, along with a reference to the statutory basis upon which the Prospective Manager is relying for any additional redaction. If a request for records is made that includes information the Prospective Manager has submitted pursuant to this RFI, OPERS will provide the requestor with the redacted version of the Prospective Manager's response provided pursuant to this section, or updated pursuant to the preceding sentence, if applicable. If the position taken by the Prospective Manager in its redactions hereunder results in OPERS suffering any damages, fees or other losses of any kind, the Prospective Manager shall indemnify OPERS for such losses. If no documents or materials are identified and marked by the Prospective Manager as confidential, the Prospective Manager will be deemed to have consented to the release of the document or material, and to have waived any cause of action against OPERS resulting from the release of the documents or materials.

2. All responses must be delivered to [OPERSWMOF@opers.org](mailto:OPERSWMOF@opers.org). Any questions may also be directed to the same email address.
3. OPERS reserves the right without prejudice to reject any or all proposals submitted. There are no expressed or implied obligations on the part of OPERS to reimburse responding Prospective Managers for any expenses incurred in preparing proposals in response to this request.
4. This RFI is not a contract, not meant to serve as a contract, does not constitute a promise to enter into a contract and is not a promise or assurance that any Prospective Manager will be selected to provide services.
5. All documents, proposals and other materials submitted in response to this RFI will become the property of OPERS and will not be returned to the Prospective Manager.
6. By submitting a response to this RFI, Prospective Manager agrees to comply with all terms, conditions and requirements described in the RFI.
7. If a contract results from this RFI, neither the Manager, nor anyone on its behalf (including its agents, affiliates, subcontractors and/or Managers), shall publish, distribute or otherwise disseminate any press release, advertising and/or publicity matter of any type or kind (collectively "Advertising Material") having any reference to OPERS (or this RFI) unless and until such Advertising Material first shall have been submitted to and approved in writing by OPERS.
8. An individual who is authorized to contractually bind the Prospective Manager must sign **Attachment 1 - Manager Certification**.

## **EVALUATION PROCESS**

All responses submitted will be evaluated in accordance with the provisions stated in this RFI. Clarifications may be requested from the Prospective Manager at any phase of the evaluation process.

The purpose of the evaluation process is two-fold: (1) to assess the responses for compliance with the minimum qualifications requirements listed in **Attachment 1 – Manager Certification**; and (2) to identify Prospective Managers that have the highest probability of successfully performing the services as described herein. The evaluation process will be conducted in a comprehensive and impartial manner.

**ATTACHMENT 1 - MANAGER CERTIFICATION**  
**Majority Minority Owned Asset Managers- US Equity Strategies**  
**Request for Information**

\_\_\_\_\_  
**Prospective Manager Firm Name**

\_\_\_\_\_  
**Prospective Product Name**

The Prospective Managers must substantiate that the firm satisfies or will agree to meet the minimum criteria listed below to OPERS satisfaction. This certification and the associated documentation must contain enough information, as prescribed, to assure OPERS of its accuracy.

The Prospective Manager must:

- 1) Have and maintain the status of a registered investment advisor under the Investment Advisors Act of 1940.
- 2) Have a minimum of \$500 million USD in strategy assets under management (“AUM”).
- 3) Be able to be certified as minority owned and controlled. “Owned and controlled” means at least 51% of the business is owned by minorities, disabled veterans or women who have control over the management and day-to-day operations of the business and an interest in the capital, assets, and profits of the firm. Further, these persons must have had this ownership for at least one year prior to being awarded a mandate.
- 4) Have previously established and managed separate account mandates.
- 5) Agree to comply with OPERS insurance standards as outlined in Exhibit A hereto, if hired.
- 6) Have at least a three-year track record for the proposed strategy, with the same PM, as of the date of submittal.
- 7) Agree to comply with Ohio law as it applies to investments made by OPERS.
- 8) Agree to act as a fiduciary within the meaning of applicable Ohio law (including Chapter 145 of Ohio Revised Code).

The Prospective Manager certifies:

- 1) To the best of our knowledge, all information and representations provided are true, complete and accurate.
- 2) We warrant and represent that our firm did not confer with any other persons or organizations submitting information regarding the search in progress.
- 3) We have read the complete materials and agree to the terms and requirements upon which this Request for Information is conditioned.
- 4) The signature affixed hereon and dated certifies compliance with all the requirements of this Request for Information.

Yes: \_\_\_\_\_ No: \_\_\_\_\_

\_\_\_\_\_  
Prospective Manager - Authorized Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**ATTACHMENT 2 - QUESTIONNAIRE**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**Majority Minority Owned Asset Managers- US Equity Strategies  
Request for Information**

**INSTRUCTIONS**

OPERS is considering hiring US Equity Managers as outlined in this Request for Information. All Prospective Managers shall complete each of the sections of this questionnaire. Responses should be clear, concise and complete.

Firm Name: \_\_\_\_\_

Product Name: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Please try to limit your responses to no more than one (1) page per question and type each response in the same order as listed in this questionnaire.

**A. Firm / Organizational Information**

1) Please complete the following table and provide a brief history of the firm:

| <b>Firm Information</b>  |  |
|--|--|
| Country and state of incorporation                                   |  |
| Date firm founded  |  |
| Principal place of business  |  |
| Fiduciary classification   |  |
| Date and current registration with any regulatory agency (SEC, FSA). |  |

2) Please detail the ownership structure of the firm:

| <b>Ownership</b>   |  |
|--|--|
| Form of organization (corporation, partnership, LLC, etc.)   |  |
| Ownership % of each principal (list names)   |  |
| Ownership % by actively involved minorities (please break out by group and name: ex. African American, Hispanic American, etc.)* |  |
| Ownership % by actively involved women (list names)*   |  |

*\*Note: Under Ohio Law, for a firm to be able to claim minority ownership the “owners must have control over the management and day-to-day operations of the business and an interest in the capital, assets, and profits and losses of the business proportionate to their percentage ownership.” Minority ownership that does not meet the above requirements (such as the ownership of an uninvolved spouse or silent partner) will not be counted towards the minority ownership total.*

3) Provide a current organizational chart of your firm. Please also provide an organizational chart that shows the persons who would be involved in proposed product. Finally, please provide professional bios for all staff aligned with the proposed product.

4) Please describe:

- a) Any material developments in your organization (changes in ownership, personnel, business, etc.) over the past five (5) years in detail.
- b) Any joint ventures or affiliations including any ownership the firm or any entity under its control may hold in other investment firms.
- c) Any planned changes in terms of ownership structure, resources or staffing, including any succession planning for potential retirements of key individuals in the proposed product.

5) Please disclose and describe:

- a) Any significant findings by any regulatory agency that conducted an audit or review of the firm within the last seven (7) years.

- b) Any deficiency letter or similar report by any regulatory agency regarding an audit or review of the firm within the last ten years.
  - c) Any investigation or litigation involving the firm or any of its principals during the last ten years, including the nature of the litigation, the parties and the status of the litigation.
  - d) Please provide an electronic copy of your full Form ADV (Parts I and II) if applicable.
- 6) Provide the location and function of each of your firm's offices and the location(s) of the management of this strategy.
- 7) Please list the number of employees in each department/job function. If persons are included in more than one category, please explain in detail the reason for inclusion in such categories:

|   | # of Employees | %Minority*/Female |
|---|----------------|-------------------|
| Investment Committee                        |                |                   |
| Portfolio Management                        |                |                   |
| Analyst                                     |                |                   |
| Risk Management                             |                |                   |
| Legal                                       |                |                   |
| Operations (Back Office / Admin)            |                |                   |
| Other (please provide detail)               |                |                   |
| Total Dedicated to Mgmt of Proposed Product |                |                   |

\* Minority is as defined in the Ohio Revised Code and includes: Blacks or African Americans, American Indians, Hispanics or Latinos, and Asians.

- 8) Please describe the policies and/or practices your organization has in place to promote and/or increase diversity among your workforce.
- 9) Please describe actions taken by your organization to ensure women and minorities are equally represented in leadership roles.
- 10) Provide a list of the professionals in the subject product in the manner listed below:

**Portfolio Management**

| Name | Title/<br>Responsibilities | Years<br>Exp | Years at<br>Firm | Degrees/<br>Designations | Sponsoring<br>Body/ School |
|------|----------------------------|--------------|------------------|--------------------------|----------------------------|
|      |                            |              |                  |                          |                            |

**Research**

| Name | Title/<br>Responsibilities | Years<br>Exp | Years at<br>Firm | Degrees/<br>Designations | Sponsoring<br>Body/ School |
|------|----------------------------|--------------|------------------|--------------------------|----------------------------|
|      |                            |              |                  |                          |                            |

**Trading**

| Name | Title/<br>Responsibilities | Years<br>Exp | Years at<br>Firm | Degrees/<br>Designations | Sponsoring<br>Body/ School |
|------|----------------------------|--------------|------------------|--------------------------|----------------------------|
|      |                            |              |                  |                          |                            |



11) Please list all investment professionals associated with your equity strategies as well as other firm strategies that joined your organization in the past five (5) years:

| Professionals - Joined | Date Joined | Title/Job Function | Products |
|------------------------|-------------|--------------------|----------|
|                        |             |                    |          |
|                        |             |                    |          |
|                        |             |                    |          |
|                        |             |                    |          |

12) Please list all investment professionals associated with your equity strategies as well as other strategies that left your organization in the past five (5) years. Please include departures, regardless of seniority.

| Professionals - Departures | Date Left | Title/Job Function | Years with Firm | Products |
|----------------------------|-----------|--------------------|-----------------|----------|
|                            |           |                    |                 |          |
|                            |           |                    |                 |          |
|                            |           |                    |                 |          |

13) Discuss your organization’s employee compensation and incentive program and how this aligns interests with investors. For example, what percentage of their bonus is tied to alpha generation? Do employees receive equity compensation (physical or phantom)? Are the investment professionals for this strategy required to invest in this product?

14) Please state whether any of the firm’s investment professionals have other business responsibilities outside of their employment with the firm and, if applicable, describe the other business responsibilities, including how many hours each week are allocated to those outside efforts.

15) Please disclose and describe any person(s) on the portfolio, accounting and/or compliance team have been convicted or pled guilty to a violent crime or a crime involving theft at any time.

Would your employees be willing to submit to criminal and work history background checks at the expense of OPERS? Please identify and describe any relationships with third party marketers or placement agents. Will any management fees paid by OPERS be used to compensate these parties?

16) Pursuant to Ohio Revised Code Section 145.112, please disclose the names of any officer, director, member, partner, employee, or holder of a direct or indirect equity interest in the firm that was, within the preceding three years, (a) employed by OPERS, or served as an officer or board member of OPERS, or (b) employed by a board member or an officer of OPERS. If the firm identifies individuals pursuant to the preceding sentence, please describe the position of such person within the firm and the nature of such person’s relationship with OPERS or its officers or board members. (Please note that per Ohio Revised Code Section 145.112, OPERS may be unable to engage external managers meeting the criteria listed above.)

**B. Product Information**

1) Please complete the following table relating to asset growth:

| <b>Amount of Assets</b>  | <b>MRQ</b> | <b>Prior YE</b> | <b>Prior YE-1</b> | <b>Prior YE-2</b> | <b>Prior YE-3</b> |
|--|------------|-----------------|-------------------|-------------------|-------------------|
| Total Firm Assets (\$ mil)   |            |                 |                   |                   |                   |
| Total Assets in Proposed Product (\$ mil)                            |            |                 |                   |                   |                   |
| Total Assets in Proposed Product (\$ mil) - inst'l separate accounts |            |                 |                   |                   |                   |
| Total # of Clients in Proposed Product                               |            |                 |                   |                   |                   |
| Total # of Clients in Proposed Product - inst'l separate accounts    |            |                 |                   |                   |                   |

- 2) Please list each of the firm’s US Equity products with a brief description of each. The description should include:
  - a) Investment objective, return, risk
  - b) Investment universe
  - c) Number of securities in the portfolio
  - d) Inception date
  - e) Maximum capacity
  - f) Strategy AUM
  
- 3) Please specify which product is proposed for this mandate. If you have more than one US Equity strategy, please explain why you chose to propose this one?
  
- 4) List any US Equity fund that you have previously operated which has been subsequently closed. Please describe the reasons for closure.
  
- 5) Are you submitting a US Equity product with an actual “live” track record or are you submitting a carve out or product with a simulated track record? Please elaborate if submitting a carve out or simulated track record.
  
- 6) What is your preferred benchmark for the proposed product, and why? Is this consistent with most existing client mandates?
  
- 7) Please list the five (5) largest clients currently invested in the proposed product.

| <b>Client Name</b> | <b>Client Type</b> | <b>Inception Date</b> | <b>Product Type (Commingled, Separate)</b> | <b>Market Value</b> | <b>% of Product AUM</b> |
|--------------------|--------------------|-----------------------|--|---------------------|-------------------------|
|                    |                    |                       |  |                     |                         |
|                    |                    |                       |  |                     |                         |
|                    |                    |                       |  |                     |                         |
|                    |                    |                       |  |                     |                         |

- 8) For the proposed US Equity product, please list the accounts gained and lost over the past several years and the reasons for any lost accounts.

| <b>As of 12/31:</b> | <b>Total Assets Gained</b> | <b># of Accounts Gained</b> | <b>Total Assets Lost</b> | <b># of Accounts Lost</b> |
|---------------------|----------------------------|-----------------------------|--------------------------|---------------------------|
| Prior YE            |                            |                             |                          |                           |
| Prior YE-1          |                            |                             |                          |                           |
| Prior YE-2          |                            |                             |                          |                           |
| Prior YE-3          |                            |                             |                          |                           |
| Prior YE-4          |                            |                             |                          |                           |

- 9) Please state at what level of assets under management you would consider closing this product to new clients and provide a brief explanation regarding how you arrived at the capacity ceiling?

### **C. Investment Philosophy and Process**

- 1) Describe your investment philosophy for the proposed product. Provide a brief history of the philosophy and process. Who was the original architect? Indicate whether your firm's subject product investment capabilities were developed in-house or derived through acquisition of investment talent from another firm. If the latter, indicate when this occurred. Describe how it has changed over the past several years and how you expect it to change in the future.
- 2) What market anomaly or inefficiency are you trying to capture? What are the key factors that differentiate this product and give it a competitive advantage over the others in the marketplace?
  - a) Why do you believe this philosophy will be successful in the future? Provide any evidence or research that supports this belief.
  - b) Will you emphasize risk control or return maximization as the primary route to success? Or do you think it is possible to achieve both simultaneously?
  - c) Do you put your faith in macro forecasts and adjust your portfolio based on what they say?
  - d) How reliably do you believe a disciplined process will produce the desired results? That is, how do you view the question of determinism versus randomness in results?
  - e) Under what circumstances would you deviate from the discipline associated with this philosophy?
- 3) Are there any niches in which you have a specific focus or competitive advantage? How was this competitive advantage developed? How do you maintain this advantage?
- 4) Please indicate what fundamental/quantitative factors are used to analyze investment opportunities and indicate their relative importance in the decision-making process.

- 5) How much transparency do you allow clients into your decision-making process, research and holdings? Please specify any areas of the investment process that you consider proprietary and, therefore, would not reveal to clients in a separately managed account.
- 6) Explain the roles and responsibilities of each team member in the investment process. Notably the portfolio manager(s), analysts and trader(s). Indicate who has the final decision-making authority over the portfolio. Explain how these respective roles have evolved over time.
- 7) Please explain, in detail your firm's research process and how the research function is organized. Be sure to highlight the following:
  - a) Describe your research capabilities with emphasis on the product being reviewed.
  - b) State the location(s) where research is carried out and what specific research is conducted at each location.
  - c) What is the universe of companies researched and how is it determined?
  - d) How many companies / sectors are analysts responsible for covering?
  - e) How frequent do analysts travel to their coverage areas?
- 8) What is your buy discipline? When would your firm deviate from its buy discipline?
- 9) What is your sell discipline? When would your firm deviate from its sell discipline?
- 10) Describe what circumstances or market conditions would favor your investment strategy. When can it be expected to be out of favor or be unrewarded versus the expressed benchmark?
- 11) What percentage of resources and time does your team devote to the top-down aspect of your approach versus the bottom-up (security selection) aspect of your process?
- 12) What percentage of time do the Lead Portfolio Manager and backup Portfolio Manager dedicate to the proposed strategy?
- 13) Discuss in detail the use of third-party research in your investment process. How does your firm pay for this research?
- 14) What is the range of market capitalizations (lowest to highest) for which you will consider investing in the proposed product?
- 15) If the subject product uses derivatives please discuss how they are used, strategies employed and the extent of their use, the experience of the staff in managing derivative instruments and where leverage is being employed.
- 16) What impact to performance would there be if derivatives were not allowed in this portfolio? Please describe how this constraint would affect your portfolio construction process.
- 17) Please describe the portfolio's expected cash position and circumstances that would lead to higher than expected cash holdings? Do you use cash as a method of risk control?
- 18) How important historically have initial public offerings (IPOs) played to the strategy?
- 19) Please provide details on the last two (2) names removed from the portfolio. Please include:

- a) Original thesis
- b) How sizing was decided
- c) Updates to thesis that informed sizing, timing of buys/sells, etc.

20) What percentage of your annual budget is spent on research?

21) What is your current market outlook for the proposed product’s universe (2-5 years forward)?

**D. Portfolio Information**

1) What is your targeted alpha and tracking error above the benchmark? How were the targets developed?

2) Over what time horizon would be your strategy be expected to meet performance objectives?

3) Please describe your investment decision process about the following:

- a) Security Selection
- b) Sector Selection
- c) Liquidity Considerations

4) What is your expected and historical attribution from stock and sector selection? Please explain. How many issues are contained in a typical portfolio? What is your maximum single stock position?

5) What is your minimum and maximum portfolio weighted average market capitalization?

6) What percentage of the strategy is typically invested in off benchmark names and countries?

7) Are there any sectors or industries that you strategically choose not to invest in? Are there any that your approach has a bias towards overweighting or underweighting?

8) Provide the sector exposures, relative to desired benchmark, of a representative account for the proposed investment strategy:

| <b><u>Relative Sector Exposure</u></b> (Note: Columns should approx. total 0) | <b>Ex:</b> | <b>MRQ</b> | <b>Prior YE</b> | <b>Prior YE-1</b> | <b>Prior YE-2</b> | <b>Prior YE-3</b> |
|---|------------|------------|-----------------|-------------------|-------------------|-------------------|
| Energy  | -5.0%      |            |                 |                   |                   |                   |
| Materials   | +3.0%      |            |                 |                   |                   |                   |
| Industrials   | -2.0%      |            |                 |                   |                   |                   |
| Consumer Discretionary  | +4.0%      |            |                 |                   |                   |                   |
| Consumer Staples  | +2.0%      |            |                 |                   |                   |                   |

|                        |          |  |  |  |  |  |
|------------------------|----------|--|--|--|--|--|
| Health Care            | +12%     |  |  |  |  |  |
| REIT                   | +1       |  |  |  |  |  |
| Financials             | +6%      |  |  |  |  |  |
| Information Technology | -5%      |  |  |  |  |  |
| Communication Services | -3%      |  |  |  |  |  |
| Utilities              | -15%     |  |  |  |  |  |
| Other (please specify) | Cash +2% |  |  |  |  |  |

9) Provide the security type exposures of a representative portfolio for the proposed investment strategy:

| <u>Security Type</u><br>(% of portfolio) | MRQ | Prior YE | Prior YE-1 | Prior YE-2 | Prior YE-3 |
|--|-----|----------|------------|------------|------------|
| Common shares                            |     |          |            |            |            |
| Preferred shares                         |     |          |            |            |            |
| Bonds / other Credits                    |     |          |            |            |            |
| Warrants and rights                      |     |          |            |            |            |
| Derivatives                              |     |          |            |            |            |
| Cash                                     |     |          |            |            |            |
| Other (please specify)                   |     |          |            |            |            |

10) Please provide the following data for the indicative portfolio and the benchmark:

|   | MRQ       |       | Prior YE  |       | Prior YE-1 |       | Prior YE-2 |       |
|---|-----------|-------|-----------|-------|------------|-------|------------|-------|
|   | Portfolio | Index | Portfolio | Index | Portfolio  | Index | Portfolio  | Index |
| # of Holdings                                 |           |       |           |       |            |       |            |       |
| Price/Earnings<br>(Forward 12)                |           |       |           |       |            |       |            |       |
| Price/Book                                    |           |       |           |       |            |       |            |       |
| Dividend Yield                                |           |       |           |       |            |       |            |       |
| Market Capitalization<br>(median and average) |           |       |           |       |            |       |            |       |

11) Provide the *active* weights for the ten (10) largest active positions in the proposed strategy. Note: here we are looking for the ten (10) largest active positions (portfolio weight less benchmark weight); the ten (10) largest active positions may or may not be the ten (10) largest capital positions.

| MRQ            |       |      | Prior YE       |       |      | Prior YE-1     |       |      | Prior YE-2     |       |      |
|----------------|-------|------|----------------|-------|------|----------------|-------|------|----------------|-------|------|
| Top 10 Holding | Port. | Ind. | Top 10 Holding | Port. | Ind. | Top 10 Holding | Port. | Ind. | Top 10 Holding | Port. | Ind. |
|                |       |      |                |       |      |                |       |      |                |       |      |

|  |  |  |  |  |  |  |  |  |  |  |  |
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12) Please submit an actual client portfolio (excel file including ticker and shares held) as of the most recent quarter, which closely reflects the investments proposed for this account.

13) Please provide a history of the underlying security turnover (i.e. “name” turnover, not “dollar” turnover). **What is the expected annual portfolio turnover going forward?**

| As of December, 31 | Total Stocks Owned | # of Stocks Added | # of Stocks Removed |
|--------------------|--------------------|-------------------|---------------------|
| Prior YE           |                    |                   |                     |
| Prior YE-1         |                    |                   |                     |
| Prior YE-2         |                    |                   |                     |
| Prior YE-3         |                    |                   |                     |
| Prior YE-4         |                    |                   |                     |

14) What is your preferred time table for getting a new portfolio invested in your strategy?

**E. Trading**

- 1) Describe your firm’s trading capabilities associated with the proposed investment strategy. How many traders will be used for this strategy?
- 2) Describe your firm’s risk control procedures pertaining to trading.
- 3) How do you manage liquidity?
- 4) What type of electronic trading systems do you use?
- 5) How are trading costs monitored? How are execution costs minimized? Does your firm utilize a transaction cost analysis provider?
- 6) Is your firm, its parent or affiliate a broker/dealer? Does your firm trade client accounts through this broker/dealer? If so, what is the percentage of trades directed to the broker affiliate?

- 7) List the top five (5) brokers used and commissions produced during the previous calendar year.
- 8) Do you use soft dollars? If so, list the top ten (10) recipients of soft dollars generated by this product during the previous calendar year.
- 9) What are the policies and processes by which trades are allocated across separate accounts versus commingled trust funds or mutual funds?
- 10) What is the average commission cost (in basis points) for the composite portfolio for the last three years?

## **F. Risk Management**

- 1) What risks are inherent in your investment style and strategy? How do you measure and manage these risks?
- 2) Describe the risk management process within your organization and the degree of independence from your portfolio management process. Please describe how the firm assures the independence of risk management.
- 3) How do you think about risk? Is it volatility or the probability of permanent loss? Can it be predicted and quantified *a priori*? What is the best way to manage it?
- 4) What systems are used in the risk management area on a regular basis?
- 5) Please describe the process used to stress test the portfolio, if any. Please provide the output for the current portfolio based on the stress tests you run.
- 6) Provide your proposed investment guidelines for this product under a fully discretionary basis. Also include the following, if applicable:
  - a) Maximum ownership constraints
  - b) Typical number of securities held in the strategy
  - c) Any security types that are prohibited
  - d) Maximum active risk allocation to a single security as a percent of total portfolio
  - e) Minimum/maximum market capitalization range
  - f) Minimum/maximum sector allocation
  - g) Maximum cash balance
  - h) Any ETF usage
- 7) What is the expected tracking error and actual tracking error since inception?
- 8) Are you willing to accept a maximum tracking error limit as part of the portfolio guidelines? If so, what limit would you propose? How would the tracking error be calculated?
- 9) Please describe how the firm monitors compliance with portfolio guidelines.



- 10) Are derivatives used in this strategy? If so, please provide a complete description of how they are used:
  - a) Specific strategies and types of derivatives used
  - b) Portfolio limits on derivatives usage

**G. Performance**

- 1) What is your strategy’s return objective and over what time horizon should your strategy meet performance objectives?
- 2) Given the current level of market volatility and your volatility outlook, what is a reasonable expectation for what your realized tracking error over the next two (2) to three (3) years? What is your strategy’s return objective expectation over that same period?
- 3) Describe what circumstances or market conditions would favor your investment strategy. When can it be expected to be out of favor or unrewarded versus the benchmark?
- 4) Please provide your monthly gross and net (of all fees) performance for the proposed product since inception through the most recent quarter. Data should be for a composite with the same objective. **Simulated Results will not be considered and should not be submitted.** Submitted returns should be calculated in accordance with GIPS standards. Please attach a completed Excel spreadsheet file in the following format:

| Month | Gross Return | Net Return |
|-------|--------------|------------|
|       |              |            |
|       |              |            |
|       |              |            |
|       |              |            |
|       |              |            |

- 5) Please provide a description of composite:
  - a) Number of accounts and market value of assets represented in composite as of each annual period shown.
  - b) Include low/high and median return for each annual period.
  - c) Has the composite been verified for compliance with GIPS standards?
  - d) Is there a period for which composite is not in compliance?
- 6) Explain the performance during the three (3) months when you experienced your highest and lowest relative quarterly excess returns since inception.
- 7) Provide performance attribution report for each of the last five (5) calendar years. The analysis should include the impact of sector, market cap and cash allocation.

**H. Fee Structure and Costs**

- 1) Please provide a proposed fee schedule for the account, including any breakpoints.

- 2) Will you certify that the fee schedule provided above is the most favorable fee schedule that the firm offers for clients with similar requirements? If not, please explain why.
- 3) How does your firm propose to align its interest with the performance of OPERS funds under management? Are you willing to accept a performance-based fee schedule that is based on your targeted alpha?
- 4) Are you willing to negotiate fees?

## EXHIBIT A - OPERS INSURANCE STANDARDS

### Insurance Guidelines

**Fidelity Insurance:** Manager shall maintain insurance policies or bonds other than ERISA Bonds, pursuant to ORC § 145.113(E), that protect against fraudulent or dishonest acts of the Manager, its officers, affiliates or employees. Fidelity Insurance shall be written on a Surety and Fidelity Association of America form, or a substantially equivalent form, determined in accordance with the Manager’s legal status: Form 14 if Manager is a Mutual or Hedge Fund or Private Equity Firm; Form 15 if a Real Estate Investment Trust or Broker-Dealer; Form 24 if a Bank or Trust Company or Form 25 if an Insurance Company.

The Manager’s Fidelity Insurance must cover (1) acts of dishonesty, including but not limited to, employee dishonesty, (2) acts of fraud, including but not limited to, computer fraud, electronic funds fraud and wire transfer fraud, and (3) forgery and alteration, in at least these amounts:

| Manager’s Assets Under Management * | Minimum Required Limit                        |
|-------------------------------------|---|
| Up to \$500 million                 | \$1 million                                   |
| \$500 million to \$3 billion        | \$3 million                                   |
| \$3 billion to \$10 billion         | \$5 million                                   |
| \$10 billion to \$25 billion        | \$10 million                                  |
| \$25 billion to \$50 billion        | \$15 million                                  |
| \$50 billion to \$100 billion       | \$25 million                                  |
| \$100 billion to \$250 billion      | \$35 million                                  |
| \$250 billion to \$500 billion      | \$50 million                                  |
| Over \$500 billion                  | \$50 million and subject to further review ** |

**Errors and Omissions Insurance:** The Manager shall also, during the term of this Agreement, maintain Errors and Omissions (“E&O”) Insurance to protect the Manager, its officers, directors and employees in the event they are sued for any actual or alleged negligent act, error or omission committed within the scope of performing professional services, including legal defense costs even where allegations are baseless, in at least the amounts set forth in the following table:

| Manager’s Assets Under Management * | Minimum Required Limit                        |
|-------------------------------------|---|
| Up to \$250 million                 | \$1 million                                   |
| \$250 million to \$500 million      | \$2 million                                   |
| \$500 million to \$1 billion        | \$5 million                                   |
| \$1 billion to \$10 billion         | \$10 million                                  |
| \$10 billion to \$25 billion        | \$15 million                                  |
| \$25 billion to \$50 billion        | \$25 million                                  |
| \$50 billion to \$100 billion       | \$50 million                                  |
| \$100 billion to \$250 billion      | \$75 million                                  |
| \$250 billion to \$500 billion      | \$100 million                                 |
| Over \$500 billion                  | \$100 million and subject to further review** |

\* “Assets Under Management” in both tables above means the higher of the Manager’s total assets disclosed in its most recently filed Securities and Exchange Commission Form ADV-1 or its Form ADV-2, or similar documents filed with other regulators if Manager is not SEC-registered, at the time insurance is issued or renewed.

\*\*For Managers with assets under management over \$500 billion, OPERS and OPERS Insurance Consultant shall review the Manager’s insurance and may require that the Manager submit additional information.

**Standards for Fidelity and E&O Insurance:** The Manager's coverage must be written by an insurance company rated A (Excellent), or better, with a financial size category of IX (adjusted policyholder surplus of at least \$250 million), or higher, as determined by A. M. Best at the time of issuance. The Manager's Deductibles or Retentions may not exceed 5% of the Minimum Required Limits set forth above or 7.5% of the amounts purchased, if greater than the Minimum Required Limits.