|  |
| --- |
| Appendix B: Written Response Packet |
| Solicitation Number: | ITN 18-2 |
| Title: | Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan |
| Issuer: | Florida Prepaid College Board1801 Hermitage Boulevard, Suite 210Tallahassee, FL 32308 |
| When completing this Written Response Packet, the Respondent should give clear, concise, and, where appropriate, quantifiable replies to all questions. The length of the Response is at the discretion of the Respondent; however, Responses are expected to be brief and to contain full and fair disclosure of essential elements without references to an appendix or attachment, unless otherwise requested. Respondents shall only propose one product against one benchmark.This packet is made available in Microsoft Word on the Board’s website for ease of completion.Please visit: [myfloridaprepaid.com/who-we-are/about-the-board/board-reports-and-plans/](http://www.myfloridaprepaid.com/who-we-are/about-the-board/board-reports-and-plans/). |

|  |
| --- |
| TAB 1: Invitation to Negotiate Acknowlegement |
| Solicitation Number: | ITN 18-2 |
| Title: | Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan |
| Issuer: | Florida Prepaid College Board1801 Hermitage Boulevard, Suite 210Tallahassee, FL 32308 |
| This sheet and the accompanying negotiation documents constitute an offer from the Respondent to provide the services detailed in the solicitation under the contractual terms provided therein.By completing this acknowledgment, I agree to abide by all conditions of this negotiation and certify that (1) I am authorized to sign this response and (2) that the offer complies with all requirements of the solicitation. |
| Respondent (Firm): |  |
| Contact Person: |  |
| Address: |  |
|  |  |
| Telephone: |  |
| E-Mail Address: |  |
| Authorized Signature: |  |
| Date: |  |
| Printed Name & Title: |  |

|  |
| --- |
| Tab 2: Minimum Qualifications |
| Solicitation Number: | ITN 18-2 |
| Title: | Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan |
| Respondent: |  |
| The following represent minimum qualifications. A mark in a field indicates an affirmative response to the statement. Any Respondent that does not satisfy the criteria herein shall be rejected. |
| EXPERIENCE |  |  | Yes/No |
| Respondents must affirmatively state, via written response, that the Respondent: |
| Has $5 billion, or more in firm-wire assets under management (AUM), as of March 31, 2018. |  |  |  |
| Has $1 billion, or more, in institutional AUM for mid or SMID cap investments, as of March 31, 2018. |  |  |  |
| Has 5 years, or more, of experience managing mid or SMID cap investments. |  |  |  |
|  Has positive gross performance versus the Benchmark for the rolling 3 and 5 year periods, as of March 31, 2018, for their mid or SMID cap composite. |  |  |  |
| Has a dollar weighted average market cap less than $12 billion. |  |  |  |
| Will charge an effective annual manager fee of 65 bps or less for $200 million AUM. |  |  |  |
| Will manage the assets in separate accounts. |  |  |  |
| Agrees to provide the services as detailed in Section 3 and agrees to all other requirements as stated in the ITN. |  |  |  |
| Agrees to accept and can enter into the Contract supplied in Appendix A. |  |  |  |
| Submitted product and organizational information into Callan Associates’ database no later than Noon (Eastern Time), July 31, 2018. |  |  |  |
|  |  |  |  |
| STATUTORY REQUIREMENTS |  |  | Yes/No |
| Section 1009.971(5), Florida Statutes limits the type of entities that may be an investment manager for the Board. Please indicate whether the Respondent is one of the following: |
| An authorized insurer as defined in Section 624.09, Florida Statutes. |  |  |  |
| A bank as defined in Section 658.12, Florida Statutes. |  |  |  |
| An association as defined in Section 665.012, Florida Statutes. |  |  |  |
| An authorized Securities and Exchange Commission investment adviser. |  |  |  |
| An investment company as defined in the Investment Company Act of 1940. |  |  |  |
|  |  |  |  |
| STATUTORY REQUIREMENTS (Continued) |  |  | Yes/No |
| Please indicate whether the Respondent: |  |  |  |
| Has their principal place of business and corporate charter located and registered in the United States. |  |  |  |
| Agrees to meet the obligations of the Board to Qualified Beneficiaries if moneys in the Fund fail to offset the obligations of the Board as a result of imprudent investing by the Respondent. |  |  |  |

|  |
| --- |
| Tab 3: Performance |
| Solicitation Number: | ITN 18-2 |
| Title: | Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan |
| Respondent: |  |
|  |
| **Performance** |
|

|  |
| --- |
| Please provide the product (mid or SMID) and benchmark (Russell Mid Cap Index or the Russell 2500 index) you are proposing |
|  |

 |
| For your mid or SMID cap equity investment portfolio, please provide the following performance information for the 1, 3, and 5 year periods and since inception as of March 31, 2018:  |
| Period | Excess Return | Tracking Error | Information Ratio |
| 1-Year |  |  |  |
| 3-Year |  |  |  |
| 5-Year |  |  |  |
| Inception |  |  |  |

The performance information will be considered in addition to the data provided to Callan Associates.

|  |
| --- |
| Tab 4: Organizational Experience |
| Solicitation Number: | ITN 18-2 |
| Title: | Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan |
| Respondent: |  |
|  |
| **Organization Overview** |
|  |
| 1. Please introduce the organization by providing a brief overview of:
	1. History,
	2. Services provided,
	3. Ownership structure,
	4. Assets Under Management by asset class
	5. Organization changes (i.e., mergers, acquisitions, key personnel changes, etc.) that are in process or have occurred over the last three years.
 |
|  |
|  |
| 1. Please provide the name, mandate size and contact information for at least three mid or SMID cap equity investment portfolio clients. The Board may contact these individuals during due diligence efforts.
 |
|  |
|  |
| **Experience managing mid or SMID cap equity investment portfolios designed to outperform the Benchmark** |
|  |
| 1. Please describe your investment experience managing mid or SMID cap equity investment portfolios designed to outperform the Benchmark including but not limited to: years, number of clients and AUM.
 |
|  |
| 1. Please describe the technical and research capabilities, including analytical tools and processes, of the team and the extent to which outside research sources are used.
 |
|  |
|  |
| 1. How will the team incorporate working with the Board and investment advisor appointed by the Board to provide ideas and feedback on investment strategy enhancements?
 |
|  |
|  |
| 1. Please describe any suggested modifications to the Board’s current and proposed [Comprehensive Investment Plans](http://www.itppv.com/documents/pdf/comprehensive-investment-plan/comprehensive-investment-plan-prepaid.pdf).
 |
|  |
|  |
| **Compliance** |
|  |
| 1. Please describe how the organization manages compliance and provide an organizational chart showing where compliance responsibility resides as well as the reporting flow, escalation, and resolution of compliance violations.
 |
|  |
|  |
| 1. Please describe how quantitative and qualitative contractual guidelines are implemented and reviewed.
 |
|  |
|  |
| 1. Describe any compliance monitoring issues that the Board’s current and proposed Comprehensive Investment Plans may cause your compliance section. Also, suggest changes to the Comprehensive Investment Plans that could resolve any issues.
 |
|  |
|   |
| **Regulatory Restrictions, Litigation and Conflicts of Interest** |
|  |
| 1. Please state whether or not there are any past or pending regulatory restrictions, consent orders, stipulations or litigation to which the Respondent, any subcontractor, any Related Entity of the Respondent or any subcontractor, or any of their principals, owners, directors or officers, has ever been a party that would affect its or their ability to provide the required services or which alleges any unfair, illegal or unethical business practice. If so, a detailed description of each must be provided.
 |
|  |
|  |
| 1. Please state whether or not any penalties, fines or liquidated damages have been imposed against the Respondent, any subcontractors or any Related Entity of the Respondent or any subcontractor, including without limitation thereto, those associated with any contract for services entered into by the Respondent, any subcontractor, or any Related Entity of the Respondent or any subcontractor, within the past five (5) years. If so, a detailed description of each such incident, including the amount of the penalty, fine, or liquidated damages imposed, must be included in the Response.
 |
|  |
|  |
| 1. Please state whether or not the Respondent or any subcontractor has ever been involved in any litigation with any Qualified Tuition Plan. If so, a detailed description of each lawsuit must be provided.
 |
|  |
|  |
| 1. Please state whether or not the Respondent or any Related Entity has ever been contacted by any regulatory body (federal, state or industry) regarding any potentially illegal, non-compliant, unethical or improper activities involving the Respondent, any Related Entity, or any of the employees of the Respondent or any Related Entity. If so, a detailed description must be provided that indicates whether your firm or any Related Entity conducted an investigation of those matters.
 |
|  |
|  |
| 1. Please confirm that the Respondent has not been placed on the convicted vendor list and that it will comply with the provisions of s. 287.133, F.S. Section 287.133(2)(a), F.S., which provides:

*A person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid, proposal, or reply on a contract to provide any goods or services to a public entity; may not submit a bid, proposal, or reply on a contract with a public entity for the construction or repair of a public building or public work; may not submit bids, proposals, or replies on leases of real property to a public entity; may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity; and may not transact business with any public entity in excess of the threshold amount provided in s. 287.017 for CATEGORY TWO for a period of 36 months following the date of being placed on the convicted vendor list.* |
|  |
|  |
| 1. Please confirm that the Respondent has not been placed on the discriminatory vendor list and that it will comply with the provisions of s. 287.134(2)(a), F.S. which provides that:

*An entity or affiliate who has been placed on the discriminatory vendor list may not submit a bid, proposal, or reply on a contract to provide any goods or services to a public entity; may not submit a bid, proposal, or reply on a contract with a public entity for the construction or repair of a public building or public work; may not submit bids, proposals, or replies on leases of real property to a public entity; may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity; and may not transact business with any public entity.* |
|  |
|  |
| 1. Pursuant to the provisions of Chapter 112, F.S., Respondents must disclose with their Response the name of any officer, director, or agent who is also an employee of the State of Florida, the Board, or any State agency. Respondents must disclose the name of any state employee who owns, directly or indirectly, interest of five percent or more in the Respondent. Respondents must disclose all investment products, annuities, mutual funds or other similar type savings plans that are marketed or sold by the Respondent or its proposed subcontractors for other states as a part of a prepaid college fund or a college savings fund.
 |
|  |

|  |
| --- |
| Tab 5: Investment Philosophy and Strategy  |
| Solicitation Number: | ITN 18-2 |
| Title: | Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan  |
| Respondent: |  |
|  |
| **Return Opportunity**  |

1. What challenges does the Benchmark present to an active manager?

|  |
| --- |
|  |

1. Describe your view of the current environment for active management in mid or SMID cap securities and note what makes the Benchmark universe an attractive opportunity set.

|  |
| --- |
|  |

1. Describe the circumstances or market conditions that would favor your investment strategy. Provide examples of conditions in which your strategy has performed well relative to the Benchmark.

|  |
| --- |
|  |

1. Describe the circumstances or market conditions that would not favor your investment strategy. Provide examples of conditions in which your strategy has not performed well relative to the Benchmark.

|  |
| --- |
|  |

|  |
| --- |
| **Investment Philosophy, Style, and Construction**  |

1. Describe your investment philosophy for the proposed mid or SMID cap product. At a minimum please discuss the following:
	1. The market inconsistency or inefficiency you are trying to capture.
	2. Is your philosophy top-down, bottom-up or a combination of both? Please discuss.
	3. Why do you believe this philosophy will lead to excess returns over a full market cycle?
	4. Describe the factors that drive returns in the proposed product. Do the factors vary in the short and long term? [Note: this question applies to both fundamental and quantitative strategies.]

|  |
| --- |
|  |

1. Describe how you construct an active mid or SMID cap domestic equity portfolio.
2. Initial idea generation
	* 1. How are ideas sourced? Please detail ways you identify potential names to research for inclusion in the portfolio.
3. Stock Selection
4. Please differentiate and describe the quantitative and qualitative process that leads to a security’s inclusion in the portfolio.
5. Discuss the role of research in the security selection process, including if research is primarily sourced by sell-side resources or is generated internally.
6. How many stocks are actively researched in depth for potential inclusion in the portfolio?
7. Describe the analyst team supporting the proposed strategy, including their coverage responsibilities if organized by sector, industry, or otherwise. How many securities is each analyst responsible for covering? Do they support any other strategies?
8. How do you gain insight over other investors into the opportunities and risk in the mid or SMID cap market?

|  |
| --- |
|  |

1. Describe your sell discipline.

|  |
| --- |
|  |

1. What unique aspects of your process help you identify opportunities in the mid or SMID cap universe?

|  |
| --- |
|  |

1. If applicable, please describe any changes made to your investment philosophy or process over the past five years as well as the performance and risk impact of these changes.

|  |
| --- |
|  |

1. Do you anticipate any changes to the investment philosophy or process in the near future? What are the expected implications of these changes?

|  |
| --- |
|  |

1. Describe the research that your organization conducts and how it is incorporated into the portfolio construction process.

|  |
| --- |
|  |

1. Discuss the importance of company visits to your process.
2. Is a company visit mandatory before you would purchase a security for the portfolio?
3. How many company visits do you conduct every year?

|  |
| --- |
|  |

1. Provide your internal guidelines for this strategy managed as a fully discretionary account.
2. Provide a description of the portfolio construction process, listing each stage explicitly.
3. Discuss how security and sector weightings are determined.
4. What determines the positioning of a single stock as well as sector and industry weights? What are the maximum and minimum parameters? How were these parameters established?

|  |
| --- |
|  |

1. Discuss how your mid or SMID cap strategy complements other strategies (e.g. growth or value).

|  |
| --- |
|  |

1. Who is responsible for risk monitoring? Do you maintain an internal, dedicated risk team? If so, who does that team report to and what is the process for monitoring and effecting portfolio changes when necessary? Also, please describe the interaction between risk professionals within your firm and the investment team responsible for this strategy.

|  |
| --- |
|  |

1. How is portfolio risk monitored and controlled?
2. How do you define risk?
3. Discuss any applicable risk controls with respect to sectors, industries, value or growth style exposures, individual stocks and capitalization.

|  |
| --- |
|  |

1. What is the expected excess returns and tracking error of the strategy over a full market cycle?

|  |
| --- |
|  |

1. What is the range of market capitalizations (lowest and highest) for which you will consider investing in this mid or SMID cap strategy?

|  |
| --- |
|  |

1. Will you hold any securities outside of the Benchmark?

|  |
| --- |
|  |

1. Please answer the following questions regarding cash holdings.
2. How is cash utilized in this strategy?
3. What is the maximum amount of cash that a portfolio manager may hold in this strategy?

|  |
| --- |
|  |

|  |
| --- |
| **Profile Characteristics** |

1. What is the number range of securities held in a typical portfolio?

|  |
| --- |
|  |

1. Compare your mid or SMID cap domesticequity portfolio with the Benchmark as of March 31, 2018.

|  |  |  |
| --- | --- | --- |
|  | **Average** **Account** | **Benchmark** |
| Weighted Average Market Cap |  |  |
| Weighted Med Market Cap |  |  |
| Average Forward Price/Earnings (Next 12 months) |  |  |
| Average P/B |  |  |
| Forecasted 5 Year Earn. Growth |  |  |
| Dividend Yield |  |  |
| # of holdings |  |  |

1. What has the average annual portfolio turnover been in 2014, 2015, 2016, and 2017? What originated the turnover (asset allocation, changes in security selections)?

|  |
| --- |
|  |

1. Describe any specific guidelines/restrictions around sector or industry concentrations.

|  |
| --- |
|  |

1. Describe any biases towards any sectors, industries or market capitalization.

|  |
| --- |
|  |

1. What is the capacity of the portfolio and how is it monitored/evaluated?

|  |
| --- |
|  |

|  |
| --- |
| Tab 6: Audits and Financial Information |
| Solicitation Number: | ITN 18-2 |
| Title: | Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan |
| Respondent: |  |
| The Respondent shall provide complete copies of each audited financial statement **electronically** for the most recent three (3) year period, or other evidence that clearly indicates the Respondent’s financial history, current financial strength, and capital adequacy to provide the services required in this procurement.To the extent that written explanation is required, please use the space below.  |
|  |
|  |
| The respondent shall indicate if any of the previous 3 audit reports included any Qualified Opinion or Going Concern language. If so, please describe in the space below. |
|  |

|  |
| --- |
| Tab 7: Pricing Schedule |
| Solicitation Number: | ITN 18-2 |
| Title: | Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan  |
| Respondent: |  |
| Please supply your proposed fee schedule:

|  |
| --- |
|  |

In addition, please provide an **effective annual fee** for the following funding amount. Please note that your response will be scored based on these effective fees.**Annual Fee** |
| $200 MillionEffective Fee: |  | Basis points  |  |  |
|  |
| **Calculation of compensation** |
| The fee due will be determined quarterly in accordance with the rates set forth above in the fee schedule and the formula below, based on the market value of the assets held in the portfolio as determined by the custodian appointed by the Board, on the last business day of the quarter being billed. The fee shall be calculated on a prorata basis for the portfolio to reflect the periods of time such assets were under direct supervision during the billing period. The formula utilized in calculating this proration is shown below and calculated on a settlement date basis using actual, rather than standard, days.Quarterly Fee =[(Portfolio Market Value on Last Day of Quarter – Adjustment for Contributions + Adjustment for Withdrawals) x (Flat Rate Fee) x (Number of Days in Preceding Quarter / Number of Days in Year)]Adjustment for Contributions=[Contribution Amount x((Number of Days from Beginning of Quarter to Date of Contribution) / Number of Days in Quarter))]Adjustment for Withdrawals =[Withdrawal Amount x((Number of Days from Beginning of Quarter to Date of Contribution) / Number of Days in Quarter))] |