

INVITATION TO NEGOTIATE

Title: Liability Driven Investment Management Services

Issuer: Florida Prepaid College Board

ITN Number: ITN 20-01

Issue Date	January 8, 2020
Written Request for Clarification Deadline	January 24, 2020 12:00PM (ET)
Written Request for Clarification Response	January 28, 2020
Response Deadline	February 14, 2020 12:00PM (ET)

TABLE OF CONTENTS

1. Introduction	1
1.01 About the Florida Prepaid College Board	1
1.02 Procurement Objective	1
1.03 Minimum Qualifications for Respondents	1
2. Schedule and Communications	2
2.01 Schedule	2
2.02 official Notices	2
2.03 Communications and Restrictions Thereof	3
3. Description of Services	3
3.01 Services	3
3.02 Contract	4
4. Response	4
4.01 Mandatory Requirements	4
4.02 Response Format and Content	4
4.03 Delivery	5
4.04 Conflicts of Interest	5
4.05 Response Tenure	6
5. ITN Process	6
5.01 Overview	6
5.02 Requests for Clarification	6
5.03 Mandatory Requirements Assessment	6
5.04 Evaluation Phase	6
5.05 Negotiation Phase	7
6. General Information	7
6.01 Legal Requirements	7
6.02 Board Rights	7
6.03 Public Access to Records	8
6.04 Property of Board	8
6.05 Cost of Developing and Submitting Responses	8

Appendix A: Contract

Appendix B: Written Response Packet

Appendix C: Request for Clarification Form

Appendix D: Comprehensive Investment Plans

1. INTRODUCTION

1.01 ABOUT THE FLORIDA PREPAID COLLEGE BOARD

The Florida Prepaid College Board (Board) administers two Qualified Tuition Programs for the State of Florida pursuant to Section 529 of the Internal Revenue Code: the Stanley G. Tate Florida Prepaid College (Prepaid) Program and the Florida 529 Savings (Savings) Program. The Prepaid Program allows Florida families to prepay the cost of college tuition, required fees, and dormitory housing at a state college or university in Florida at a price lower than the projected future cost of enrollment. The Savings Program allows families nationwide to invest for future higher education expenses.

The Board, an agency of the State of Florida created by Section 1009.97, Florida Statutes, has seven members who establish policy and monitor performance for the Prepaid and Savings Programs. The Board is administratively housed within the State Board of Administration (SBA) but exercises its powers independently. The Board employs an administrative staff of 20.

For more information, please visit myfloridaprepaid.com.

1.02 PROCUREMENT OBJECTIVE

This Invitation to Negotiate (ITN) has been issued by the Board, pursuant to Section 287.057, Florida Statutes, to obtain written offers for services (Responses) from qualified firms (Respondents) to:

- Produce a Liability Driven Investment (LDI) fixed income investment portfolio that will align participant payments and future investment returns with Program liabilities as projected by the Board's Actuary and will attempt to add value to the portfolio relative to the liabilities through modest duration and yield management and through active sector and security selection, to the extent permitted by the Comprehensive Investment Plan for the Prepaid Program (Appendix D). The Manager will have investment discretion as to security selection subject to the guidelines and limitations expressed in the Comprehensive Investment Plan and any manager specific guidelines agreed upon between the Board and the Manager.
- Assist the Board's investment consultant with the development of LDI strategy, the construction of the fixed income customized benchmark using the liability profile for the Prepaid Program, as determined by the Prepaid Plan's actuary, and assist in the evaluation and recommendation of enhancements to the Comprehensive Investment Plan (Appendix D).
- Provide modeling/analysis of how well the LDI investments are matching the Program liabilities as projected by the Board's Actuary.

The Board intends to contract with two Respondents.

The Board currently invests \$9 billion in the LDI strategy and funding for this ITN will be approximately \$2 billion per manager.

1.03 MINIMUM QUALIFICATIONS FOR RESPONDENTS

Respondents must affirmatively state, in writing, that the Respondent meets the following, as of December 31, 2019:

1. Has \$25 billion, or more, in fixed income assets under management (AUM).
2. Has \$2 billion, or more, in LDI management services.
3. Has 5 years, or more, of experience managing LDI mandates.
4. Will manage the assets in separate accounts.

5. Agrees to provide the services as detailed in Section 3 and agrees to all other requirements as stated in the ITN.
6. Has completed the eVestment Alliance database, in its entirety, for the proposed LDI strategy (and/or sub-strategies that make up the LDI strategy) prior to Response submission.

Pursuant to Section 1009.971(5)(d), Florida Statutes, the Respondent shall:

1. Be an authorized insurer as defined in Section 624.09, bank as defined in Section 658.12, association as defined in Section 665.012, authorized Securities and Exchange Commission investment adviser, or investment company as defined in the Investment Company Act of 1940.
2. Have its principal place of business and corporate charter located and registered in the United States.
3. Agree to meet the obligations of the Board to qualified beneficiaries if moneys in the Florida Prepaid College Trust Fund (Fund) fail to offset the obligations of the Board due to imprudent investing by the Respondent.

Any Respondent that does not satisfy the minimum criteria herein shall be rejected.

2. SCHEDULE AND COMMUNICATIONS

2.01 SCHEDULE

The following schedule is set forth for informational and planning purposes. The Board reserves the right to modify this schedule as necessary to effectively administer this procurement.

Action	Date & Time	Location
Issue Date	January 8, 2020	
Written Request for Clarification Deadline	January 24, 2020 12:00PM (ET)	ITNInfo.Prepaid@MyFloridaPrepaid.com
Written Request for Clarification Response	January 28, 2020	
Response Deadline	February 14, 2020 12:00PM (ET)	1801 Hermitage Blvd., Suite 210 Tallahassee, FL 32308
Response Opening*	February 14, 2020 2:00PM (ET)	1801 Hermitage Blvd., Suite 210 Tallahassee, FL 32308
Evaluator Scoring Validation*	February – March 2020	1801 Hermitage Blvd., Suite 210 Tallahassee, FL 32308
Negotiation Period	March - April 2020	
Negotiation Vote*	April 2020	1801 Hermitage Blvd., Suite 210 Tallahassee, FL 32308
Notice of Intended Award	April 2020	

* Indicates public meeting. Notice of public meetings will be posted in the Florida Administrative Register (FAR).

2.02 OFFICIAL NOTICES

All notices, addenda, revisions, decisions, intended decisions, and other information relating to this procurement will be electronically posted on the State of Florida Vendor Bid System (VBS) website. The Respondent is responsible for monitoring VBS. The Board does not guarantee information obtained from other sources.

Please visit: myflorida.com/apps/vbs/vbs www.main_menu.

Agency: **State Board of Administration**

Title: **ITN 20-01**

2.03 COMMUNICATIONS AND RESTRICTIONS THEREOF

In accordance with Section 287.057, Florida Statutes, Respondents to this solicitation or persons acting on their behalf may not contact, between the release of the solicitation and the end of the 72-hour period following the agency posting the Notice of Intended Award, excluding Saturdays, Sundays, and state holidays, any employee or officer of the executive or legislative branch concerning any aspect of this solicitation, except in writing to the procurement officer or as provided in the solicitation documents. Violation of this provision may be grounds for rejecting a Response. The procurement officer for this procurement is:

Jason Guido, ITN Administrator

Email: ITNinfo.Prepaid@MyFloridaPrepaid.com

The Board is the only entity authorized to issue news releases relating to this procurement and any resulting contract.

3. DESCRIPTION OF SERVICES

3.01 SERVICES

The Respondent(s) selected will assume direct responsibility for actively managing a LDI fixed income Portfolio. The Board does not guarantee any minimum or maximum market value at any time or in any year.

Pursuant to a written contract resulting from this procurement, the Respondent(s) selected shall:

1. Establish a separate account, consisting of publicly traded fixed income securities complying with applicable state and federal statutes.
2. Serve as an agent of the Board to actively manage a fixed income investment portfolio using an LDI strategy that will, at a minimum, maintain the approximate duration and convexity of the Prepaid Plan's liabilities in compliance with the Comprehensive Investment Plan for the Prepaid Plan (Appendix D), as may be amended from time to time.
3. The Manager's performance will be reviewed and compared against the customized fixed income benchmark. Over any three or more year period of time, the Manager's performance, net of fees, is expected to exceed the customized fixed income benchmark taking into consideration the degree of risk.
4. Present reports to the Board, at a minimum on a quarterly basis, to review performance of the fund, changes in Respondent strategies and investment personnel, and to prepare written monthly, quarterly and fiscal year-end reports in a format as required by the Board.
5. Periodically, assist the Board's investment consultant with the construction of the fixed income customized benchmark using the liability profile for the Prepaid Program, as determined by the Prepaid Plan's actuary, and assist in the evaluation and recommendation of enhancements to the Comprehensive Investment Plan (Appendix D).
6. Provide modeling/analysis of how well the LDI investments are matching the Program liabilities as projected by the Board's Actuary.

7. The Respondent will make available to the Board's appointed consultant any information necessary for the conduct of its responsibilities to the Board including final asset and transaction statements within fifteen (15) days after the end of each month.
8. Assist with information and descriptive statements needed concerning the LDI investment strategy as may be periodically required by the Board.

3.02 CONTRACT

The Board intends to enter into a written contract with the Respondent(s) that offers the best value to the Board for the services included in this solicitation, as determined by the Board. The contract will incorporate this solicitation and amendments thereof, the written requests for clarifications and the answers thereof, and the Response provided by the contracting Respondent, including any and all supplemental Responses as requested by the Board.

A copy of the contract, which details the responsibilities of the contracting Respondent(s), is provided as Appendix A. The Board reserves the right to modify this contract pursuant to the negotiations addressed herein.

If the language between this solicitation and the contract conflict with the terms of State of Florida General Contract Conditions ([PUR 1000](#)) or State of Florida General Instructions to Respondents ([PUR 1001](#)), incorporated herein by reference, this solicitation and the contract shall control.

Failure to meet any contractual obligations may result in cancellation of any award.

4. RESPONSE

4.01 MANDATORY REQUIREMENTS

The Board has established certain mandatory requirements that must be included in a Response. The use of "shall", "must", or "will" (except to indicate simple futurity) indicates a mandatory requirement or condition. The words "should" or "may" indicate desirable attributes or conditions, but are permissive in nature. Deviation from, or omission of, such a desirable attribute will not by itself cause rejection of a Response.

Respondents who meet the minimum qualifications and that have satisfied the mandatory requirements will be considered; any Respondent who does not will be rejected.

4.02 RESPONSE FORMAT AND CONTENT

Respondents must provide the following information in the form/format specified for the specific portfolio mandate. Failure to comply with the instructions herein is sufficient cause to reject a Response.

There are two primary components of a Response: (1) completing the eVestment Alliance database for the proposed strategy prior to Response submission (information as of November 30, 2019) and (2) the Written Response Packet included herein as Appendix B. The Written Response Packet includes the following forms:

Tab 1 – Invitation to Negotiate Acknowledgement

The Invitation to Negotiate Acknowledgment must be completed and signed by an officer or agent of the Respondent who is empowered to bind the Respondent in a contract. An executed acknowledgement, with the requested materials that follow, constitute an offer from the Respondent to provide the services detailed in this solicitation under the contractual terms provided herein.

Tab 2 – Minimum Qualifications

The Minimum Qualifications form represents a written attestation that the Respondent meets the minimum qualifications set forth in this solicitation.

Tab 3 – Organization

The Organizational Experience form collects information about the Respondent, the assigned team, relevant experience, financial condition, and contract requirements.

Tab 4 – Investment Philosophy and Strategy

The Investment Philosophy and Strategy form collects information about Respondent's investment philosophy and strategy relating to LDI mandates, custom benchmarks, portfolio construction, and portfolio risk and return management.

TAB 5 – Pricing Schedule

The Pricing Schedule represents the price offered for the services set forth in this solicitation. The Respondent, if awarded the contract, will receive compensation under the contract resulting from this procurement based upon the agreed upon price contained in the Pricing Schedule.

The forms provided herein are made available in Microsoft Word on the Board's website for ease of completion. Responders must use the provided forms. Additional information may be added as appendixes to support the forms. However, primary consideration will be given to the information provided in the forms.

Please visit: myfloridaprepaid.com/who-we-are/about-the-board/board-reports-and-plans/.

4.03 DELIVERY

Responses must be complete on the date delivered. Additional information submitted after the Response, or separate from the Response, will not be considered unless specifically requested by the Board and only to the extent requested.

The Respondent is responsible for the timely and proper delivery. Responses that, for any reason, are not delivered timely will be retained by the Board but will not be considered.

Delivery to the Board

Each Response shall be prepared simply and economically providing a straightforward and concise delineation of the Respondent's capabilities to satisfy the requirements of this procurement.

Each Respondent shall deliver the following for the specific portfolio mandate:

1. Four (4) complete electronic copies of the Response on four (4) USB hard drives – one (1) copy per drive.
2. One (1) unbound original copy of the Response.
3. Four (4) bound copies of the Response. Fancy bindings and promotional material are not desired.

All Responses must be executed and submitted in a sealed package. The face of the package must contain the number and title of this solicitation and the date of the Response. See Section 2 for delivery date, time, and address.

Responses received by facsimile, telephone, or email will be rejected.

4.04 CONFLICTS OF INTEREST

Any award hereunder will be subject to the provisions of Chapter 112, Florida Statutes. 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 agency of the State of Florida. 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, its proposed subcontractors or any Related Entity of the Respondent or any subcontractor, for other states as a part of a prepaid college fund or a college savings fund or for any Qualified Tuition Program.

4.05 RESPONSE TENURE

All Responses are valid for one hundred eighty (180) days from the due date. The period of time during which Responses are valid will be tolled during the pendency of any proceeding related to any contract awarded pursuant to this procurement.

5. ITN PROCESS

5.01 OVERVIEW

This is a multi-phase competitive procurement process, pursuant to Section 287.057, Florida Statutes, whereby all Respondents shall receive fair and equal treatment. Respondents will not be eliminated from consideration until the posting of the Notice of Intended Award.

5.02 REQUESTS FOR CLARIFICATION

Prior to the Response deadline, the Board will accept requests for clarification from prospective Respondents. Questions concerning the conditions and/or specifications of this procurement must be addressed in writing, using the Request for Clarification Form provided in Appendix C. Written requests for clarification delivered to the ITN Administrator in a proper and timely manner will receive a written answer communicated publically via VBS.

Requests for clarification and answers thereto shall be considered an addendum to, and an integral part of, this solicitation document.

5.03 MANDATORY REQUIREMENTS ASSESSMENT

Upon timely and proper receipt, each Response will be reviewed to determine whether the Respondent meets the minimum qualifications and satisfies mandatory requirements set forth in this solicitation. The Board reserves the right to determine which Responses meet the minimum criteria and the right to accept Responses that deviate in a minor or technical fashion.

This assessment is binary (pass/fail); there are no points awarded for meeting the minimum qualifications or satisfying the mandatory requirements. Respondents that do not meet the minimum qualifications or satisfy the mandatory requirements will be removed from consideration.

5.04 EVALUATION PHASE

Each Response for which the Respondent meets the minimum qualifications and satisfies the mandatory requirements will be evaluated, independently, by members of an Evaluation Team appointed by the Board.

Response Evaluation

The Evaluation Team will award points for each Response in the following areas:

Component	Maximum Points Awarded
Written Response: Organizational Experience (Tab 3)	30
Written Response: Investment Philosophy and Strategy (Tab 4)	40
Written Response: Pricing Schedule (Tab 5)	30
Total	100

The Evaluation Team may consider information received from Aon, an Investment Consultant appointed by the Board. Aon may provide information relating to historical performance, portfolio attributes, and the experience, background, and staffing of the Respondent. Any information provided by Aon will be based on the Response to this solicitation and information possessed by Aon through its normal course of business. Aon will not make evaluation decisions for the Board.

Pricing Schedule Evaluation

Each Pricing Schedule Response will be evaluated relative to the lowest responsive price offered based on portfolio balances of \$2 billion. Points will be awarded using the following formula:

$(X/N) \times P = Z$; where:

X = Effective annual fee from the lowest proposed Tab 5 Pricing Schedule;

N = Effective annual fee from the Respondent's proposed Tab 5 Pricing Schedule;

P = Maximum Points Available

Z = Awarded Points

The calculated points awarded will be rounded to the nearest whole number. Decimal values less than 0.50 will be rounded down to the next whole number; decimal values greater than, or equal to, 0.50 will be rounded up to the next whole number. The minimum possible calculated points awarded will be 0.

Ranking of Respondents and Selection of the Shortlist for Negotiation

After the Evaluation Team has evaluated each Response independently, the individual scores will be aggregated to determine the total score for each Response. The Respondents will be ranked based on the total score for their Response and the Board will select the highest-ranked Respondents for each of the portfolio mandates, within a competitive range, for negotiation (Shortlist).

The Board intends to select up to five (5) Respondents for each of the portfolio mandates to the Shortlist. However, the Board reserves the right, after posting notice thereof, to expand the shortlist to include additional responsive Respondents for negotiation. The Board will provide individual notice to each Shortlist Respondent.

5.05 NEGOTIATION PHASE

The Board will appoint a Negotiation Team to conduct negotiations with the Shortlist Respondents. The Board intends to negotiate concurrently with the Shortlist Respondents; however, the Board may change the method of negotiation (e.g., concurrent versus by order of ranking) and evaluation criteria if it determines that to do such would be in the best interest of the Board.

When negotiations have been completed, the Board will award a contract to the responsive and responsible Respondent(s) that the Board determines will provide the best value to the Board. The Board will provide public notice of selection via Notice of Intended Award posted on VBS.

6. GENERAL INFORMATION

6.01 LEGAL REQUIREMENTS

Applicable provisions of all federal, state, county, and local laws, will govern development, submittal and evaluation of all Responses received hereto and will govern any and all claims and disputes that may arise between persons submitting a Response and the Board. Lack of knowledge by any Respondent will not constitute a cognizable defense against the legal effect thereof.

6.02 BOARD RIGHTS

The Board, in its sole discretion, may take any of the following actions and may determine the scope and manner of such actions, the Respondent(s) affected, and whether to provide concurrent public notice of such decision:

1. Modify this solicitation, after posting notice thereof.
2. Review and rely on relevant information contained in a Response.

3. Change the members of the Evaluation Team and/or Negotiation Team.
4. Request supplemental Responses from a Respondent.
5. Contact previous clients of a Respondent, as identified by the Respondent, to inquire about the Respondent's ability to deliver on the services offered.
6. Expand the Shortlist, after posting notice thereof, to include additional responsive Respondents.
7. Require any or all Respondent(s) to address services, prices, or conditions offered by any other Respondent.
8. Schedule additional negotiating sessions with any or all Respondent(s).
9. Decline to conduct further negotiations with any Respondent.
10. Reopen negotiations with any Respondent.
11. Require any or all Respondent(s) to provide a best and final offer.
12. Take any administrative steps deemed necessary to determine final award, including additional fact-finding, evaluation, or negotiation where necessary and consistent with the terms of this procurement.
13. Arrive at an agreement with any Respondent, finalize principal contract terms and terminate negotiations with any or all other Respondents, regardless of the status of, or scheduled negotiations with, such other Respondents.
14. The Board reserves the right to accept or reject any and all Responses and to award the contract in the best interests of the State of Florida.

6.03 PUBLIC ACCESS TO RECORDS

Responses to this solicitation shall result in the Respondent waiving any and all rights relating to confidentiality, or claims thereof, upon delivery to the Board. All electronic and written communications pertaining to this procurement, whether sent from or received by the Board, and all Responses including, without limitation, administrative information, proposed services/commodities, and price will be subject to disclosure after contract award as required under Chapter 119, Florida Statutes.

Negotiations between the Board and Respondent are exempted from being held as public meetings by Section 286.0113(2)(a), Florida Statutes. In addition, strategy meetings held by Negotiation Team are also exempted by Section 286.0113(2)(a), Florida Statutes.

6.04 PROPERTY OF BOARD

All Responses become the property of the Board upon receipt and will not be returned to the Respondent. The Board has the right to use any and all ideas or adaptations of ideas contained in any Response received in for this solicitation. Selection or rejection of the Response will not affect this right. All Responses become public documents upon submission. All materials and data produced for the Board under the contract resulting from this solicitation will be owned by the Board unless otherwise agreed to in writing by the Board.

6.05 COST OF DEVELOPING AND SUBMITTING RESPONSES

Neither the Board nor the State of Florida is liable for any of the costs incurred by the Respondent in preparing and/or submitting a Response.