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| Appendix B: Written Response Packet | |
| Solicitation Number: | ITN 20-01 |
| Title: | Liability Driven Investment Management Services |
| Issuer: | Florida Prepaid College Board  1801 Hermitage Boulevard, Suite 210  Tallahassee, 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.  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/). | |

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| TAB 1: Invitation to Negotiate Acknowlegement | |
| Solicitation Number: | ITN 20-01 |
| Title: | Liability Driven Investment Management Services |
| Issuer: | Florida Prepaid College Board  1801 Hermitage Boulevard, Suite 210  Tallahassee, 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: |  |
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| Telephone: |  |
| E-Mail Address: |  |
| Authorized Signature: |  |
| Date: |  |
| Printed Name & Title: |  |

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| Tab 2: Minimum Qualifications | | | | |
| Solicitation Number: | ITN 20-01 | | | |
| Title: | Liability Driven Investment Management Services | | | |
| 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 $25 billion, or more, in fixed income assets under management (AUM). | |  |  |  |
| Has $2 billion, or more, in LDI management services. | |  |  |  |
| Has 5 years, or more, of experience managing LDI mandates. | |  |  |  |
| Will manage the assets in separate accounts. | |  |  |  |
| 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. | |  |  |  |
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| STATUTORY REQUIREMENTS | |  |  | Yes/No |
| Section 1009.971(5), Florida Statutes limits the type of entities that may be an investment manager for the Board. 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. | |  |  |  |
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| STATUTORY REQUIREMENTS (Continued) | |  |  | Yes/No |
| 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. | |  |  |  |

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| Tab 3: Organization | |
| Solicitation Number: | ITN 20-01 |
| Title: | Liability Driven Investment Management Services |
| Respondent: |  |
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| **Organization Overview** | |
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| 1. 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. | |
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| 1. Provide the name, mandate size and contact information for at least three representative LDI Portfolio clients. The Board may contact these individuals during due diligence efforts. | |
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| **Experience managing LDI portfolios** | |
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| 1. Describe the Respondent’s investment experience managing LDI portfolios including but not limited to: years, number of clients and AUM. | |
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| 1. Describe the Respondent’s organizational structure and personnel dedicated to LDI clients.   Attach an organizational chart and biographies of key personnel performing LDI Portfolio services. For this purpose, key personnel includes investment officers, portfolio managers, and analysts. Indicate whether this group is considered fully staffed and identify those individuals that will be assigned to the Board’s portfolio (team). | |
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| 1. Describe the Respondent’s experience managing LDI portfolios relative to custom benchmarks that utilize various asset classes, such as government securities, intermediate corporate bonds, and long-term corporate bonds. | |
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| 1. Describe the Respondent’s experience working with clients and/or investment consultants on developing custom benchmarks to match program liabilities. | |
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| **Compliance** | |
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| 1. Describe how the Respondent manages compliance and provide an organizational chart showing where compliance responsibility resides as well as the reporting flow, escalation, and resolution of compliance violations. | |
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| |  | | --- | | 1. Describe the organization’s ethics policy. Address how ethical behavior is encouraged and how policy violations are handled. | |  | |  | | |
| **Regulatory Restrictions, Litigation and Conflicts of Interest** | |
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| 1. 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. | |
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| 1. State whether or not any officers, principals, owners, directors and all proposed contract employees of the Respondent or any subcontractor that will provide services related to this product have been convicted of, or have plead guilty or nolo contendere to, any felony, regardless of whether adjudication of guilt was withheld. If so, a detailed description of each incident must be included. | |
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| 1. 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. | |
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| 1. 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. | |
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| 1. 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 the Respondent or any Related Entity conducted an investigation of those matters. | |
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| 1. 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.* | |
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| 1. 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.* | |
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| 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. | |
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| **Financial Information** |
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| 1. Indicate if any of the Respondent’s financial statement audits (for the most recent three years) included any Qualified Opinion or Going Concern language. If so, please describe. |
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| **Contract** |
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| 1. Describe any changes the Respondent would **require** to the contract provided in Appendix A. |
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| Tab 4: Investment Philosophy and Strategy | |
| Solicitation Number: | ITN 20-01 |
| Title: | Liability Driven Investment Management Services |
| Respondent: |  |
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| **LDI Philosophy and Strategy** | |
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| 1. Describe the Respondent’s philosophy for executing a customized LDI strategy expected to meet a pre-defined future liability stream. Please provide examples where the team assigned has worked with a custom strategy. | |
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| 1. Describe how the Respondent integrates liability cash flows into portfolio design and monitoring? | |
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| 1. Describe how the Respondent will work with the Board and the Board’s investment advisor to provide ideas and feedback on the Board’s current LDI investment strategy and Comprehensive Investment Plan. | |
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| 1. Describe the Respondent’s modeling/analysis capabilities and the structure, frequency, and value of available reporting outputs relating to the Respondent’s LDI mandates. Provide an output example. | |
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| **Custom Benchmark** | |

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| 1. Describe the Respondent’s approach for working with an investment consultant to construct a custom LDI portfolio benchmark from a provided set of cash flows, including how frequently this process should be completed. Please provide three brief examples where the Respondent has assisted in the construction of custom benchmarks for other clients. |
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| 1. Please review the fixed income segments set forth in the Board’s custom LDI portfolio benchmark and propose considerations for additions, modifications, or deletions that would align with the Board’s investment goals of 1) Safety, 2) Liquidity, 3) Yield (listed in order of priority).   Currently, the Board’s custom LDI portfolio benchmark is comprised of:   * 76% United States Treasury Strip securities * 5.5% Bloomberg Barclays Intermediate US Corporate Index * 18.5% Bloomberg Barclays Long US Corporate Index   Notably, the Board generally applies a cap/floor of 10% relative to the benchmark for investment in intermediate US corporate and long US corporate securities. |
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| 1. Describe any additional investment types used by the Respondent in LDI strategies for other clients. |
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| 1. Describe how funding status influences the Respondent’s approach to benchmark creation. |
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| **Portfolio Management** |

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| 1. Describe the Respondent’s security review and selection process. |
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| 1. Describe the Respondent’s primary strategies for adding value to an LDI portfolio? Provide your alpha target and why it is appropriate for an LDI strategy. |
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| 1. Describe the Respondent’s philosophy of risk vs return for an LDI benchmark. How do you manage risk? |
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| 1. Describe how the respondent would use the authorized investment types provided in the Board’s Comprehensive Investment Plan, that are not included in the benchmark, in the development of the LDI portfolio. Would the Respondent request any additional investments types be authorized? |
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| 1. Describe the Respondent’s tracking error target and why it is appropriate for an LDI strategy. |
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| 1. For three LDI portfolios managed to match future cash flows, please provide excess return information as of November 30, 2019. At least one of the portfolios should be managed against a multi-sector bond benchmark. |

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| Portfolio Benchmark | Period | Excess Return | Excess Return Attribution | | | | |
| Duration | Allocation | Security Selection | Quality | Tracking Error |
|  | 1-Year |  |  |  |  |  |  |
| 3-Year |  |  |  |  |  |  |
| 5-Year |  |  |  |  |  |  |
| Inception |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | 1-Year |  |  |  |  |  |  |
| 3-Year |  |  |  |  |  |  |
| 5-Year |  |  |  |  |  |  |
| Inception |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | 1-Year |  |  |  |  |  |  |
| 3-Year |  |  |  |  |  |  |
| 5-Year |  |  |  |  |  |  |
| Inception |  |  |  |  |  |  |

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| Tab 5: Pricing Schedule | | | | | |
| Solicitation Number: | | ITN 20-01 | | | |
| Title: | | Liability Driven Investment Management Services | | | |
| Respondent: | |  | | | |
| Supply your proposed fee schedule:   |  | | --- | |  |   In addition, provide **effective annual fees** for the following funding amounts. Note that your Response will be scored based on the effective fee.  ***Annual Fee***  **LDI portfolio***:* | | | | | |
| $2 Billion  Effective Fee: |  | | Basis points |  |  |
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| **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 Withdrawals) / Number of Days in Quarter))] | | | | | |