

BOARD RESPONSE TO WRITTEN REQUESTS FOR CLARIFICATION

RELATING TO:

INVITATION TO NEGOTIATE
FOR

International Equity Portfolio Investment Management Services

#21-01

February 17, 2021

Florida Prepaid College Board
1801 Hermitage Blvd., Suite 210
Tallahassee, Florida 32308
(850) 488-8514

Memorandum

To: Prospective Respondents, ITN #21-01

From: Florida Prepaid College Board

Date: February 17, 2021

Subject: Board Response to Written Requests for Clarification relating to ITN #21-01: International Equity Portfolio Investment Management Services

Any questions concerning conditions and specifications of this ITN were required to be submitted in the form of written questions, on the Request for Clarification Form, and pursuant to the schedule in Section 2.01. Please note, if any of these requirements were not met, the questions may not be included in the answer section below.

Company Name: Axiom Investors

Question	ITN Section	ITN Page	Question/Comment
1.	1.03	3	With Respect to Section 1.03 - Minimum Qualifications for Respondents, line item #2, "Has \$3 billion, or more, in institutional AUM for international equity investments, as of December 31, 2020" can this include international equity investments across the firm's entire assets, or is this requirement specific to just the one strategy being offered?
For Section 1.03 Minimum Qualifications for Respondents, item #2, the \$3 billion international equity requirement relates to the Respondent's international equity assets (ex-U.S.) managed across the entire firm. International equity (ex-U.S.) sub-components of broader investment strategies may be included.			

Company Name: Ninety One

Question	ITN Section	ITN Page	Question/Comment
1.	1.03	1	Do global equity mandates (that include international exposure, but are benchmarked to MSCI ACWI) meet the minimum qualification "Has \$3 billion, or more, in institutional AUM for international equity investments, as of December 31, 2020" or must the \$3 billion be in dedicated international strategies?
For Section 1.03 Minimum Qualifications for Respondents, item #2, the \$3 billion international equity requirement relates to the Respondent's international equity assets (ex-U.S.) managed across the entire firm. International equity (ex-U.S.) sub-components of broader investment strategies may be included.			

Company Name: C Worldwide

Question	ITN Section	ITN Page	Question/Comment
1.	1.03	3	Our International strategy was founded in 1986 and we manage approximately \$10B in international equities (as

			<p>part of our Global and International equity strategies). However, the standalone international strategy is \$300m.</p> <p>In your criteria for minimum AUM, would our \$10B managed in international equities qualify in order to get over the \$3B minimum AUM requirement or would you consider only the \$300m standalone strategy?</p>
<p>For Section 1.03 Minimum Qualifications for Respondents, item #2, the \$3 billion international equity requirement relates to the Respondent's international equity assets (ex-U.S.) managed across the entire firm. International equity (ex-U.S.) sub-components of broader investment strategies may be included.</p>			

Company Name: Walter Scott & Partners Limited

Question	ITN Section	ITN Page	Question/Comment
1.	1.03	3	We are an SEC registered investment adviser which is wholly owned by The Bank of New York Mellon, a US Bank. Although we are headquartered in Edinburgh, Scotland, we do have a dedicated sales team operating from an office in the US and we currently do business with public funds in Florida. Would we meet your minimum criteria pursuant to Section 1009.971 (5)(d), Florida Statutes on this basis?
<p>The Respondent (Entity the Board will be contracting with) must meet the requirements of Section 1009.971 (5)(d). However, the Respondent may subcontract the services to a subsidiary if desired.</p>			

Company Name: AllianceBernstein L.P.

Question	ITN Section	ITN Page	Question/Comment
1.	1.03 #4 And 3.01 #2	Page 3 and Page 5	Our GIPS compliant track record in eVestment has the MSCI EAFE as the benchmark (developed only). We also have an EM service with the same philosophy and PM team and we can show a blended service (with supplemental performance; this would not be in eVestment) that would have less tracking error to the ACWI xUS benchmark. Is this acceptable?
<p>The ITN has been issued to find a Respondent to manage an international equity investment portfolio designed to outperform the MSCI All Country World ex-U.S. Index. The Board will evaluate each Respondent's proposed strategy, which may utilize a blended service approach, and select the Response that best meets the Board's overall investment strategy.</p>			

Company Name: Kabouter Management, LLC

Question	ITN Section	ITN Page	Question/Comment
1.	3.01	5	What style are you seeking for the search?
<p>The ITN has been issued to find a Respondent to manage an international equity investment portfolio designed to outperform the MSCI All Country World ex-U.S. Index. The Board will evaluate each Respondent's proposed strategy and select the Response that best meets the Board's overall investment strategy.</p>			
2.	1.02	3	Why are you conducting the search?
<p>The contract with the current Investment Manager is expiring after 10 years.</p>			

3.	3.01	5	Would you consider an international SMID product (median market cap \$3.8bn and weighted average market cap \$7.7bn), or is this search specifically targeting large-cap or all-cap?
The ITN has been issued to find a Respondent to manage an international equity investment portfolio designed to outperform the MSCI All Country World ex-U.S. Index. The Board will evaluate each Respondent's proposed strategy and select the Response that best meets the Board's overall investment strategy.			

4.	1.03	3	Is there a minimum AUM required for the strategy?
There is not a minimum AUM required for the strategy. For Section 1.03 Minimum Qualifications for Respondents, item #2, the \$3 billion international equity requirement relates to the Respondent's international equity assets (ex-U.S.) managed across the entire firm. International equity (ex-U.S.) sub-components of broader investment strategies may be included.			

5.	1.03	3	Is daily liquidity a requirement?
Daily liquidity is not a requirement. Cash flows typically occur during periodic rebalancing of the Board's portfolios.			

Company Name: Lazard Asset Management

Question	ITN Section	ITN Page	Question/Comment
1.	1.02	3	Can a Respondent submit multiple responses/ strategies to this Invitation to Negotiate?
Each Respondent should submit a single Response with a single proposed solution.			

2.	1.03.02	3	Regarding minimum qualification #2, is the "\$3 billion or more in institutional AUM for international equity investments" in regard to the strategy for which the Invitation to Negotiate is submitted or for the Respondent's total international equity AUM across numerous similar strategies, if applicable?
For Section 1.03 Minimum Qualifications for Respondents, item #2, the \$3 billion international equity requirement relates to the Respondent's international equity assets (ex-U.S.) managed across the entire firm. International equity (ex-U.S.) sub-components of broader investment strategies may be included.			

Company Name: Morgan Stanley Investment Management

Question	ITN Section	ITN Page	Question/Comment
1.	ITN 21-01, section 4.03	7	Given that Covid-19 has pushed a largely remote workforce will there be accommodations for submission via email?
For this procurement, each Respondent shall deliver two (2) complete electronic copies of the Response on two (2) USB hard drives (one (1) copy per drive).			
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 of the ITN for delivery date, time, and address.			

2.	Appendix D	3	Will there be consideration for strategies performing above the 325 bps tracking error limit?
Yes, however the Response should provide a recommendation and explanation for modifying the investment guidelines.			

3.	ITN 21-01, section 5.04	8	How is information sharing between FSBA and consultant (AON) protected by an NDA? What specific items will be shared with the consultant?
The Respondent should anticipate all information provided to the Board will be shared with the investment consultant.			

Company Name: American Century Investments

Question	ITN Section	ITN Page	Question/Comment
1.	1.03	4	<p>Can you please clarify the requirement that the Respondent 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? How would the Board determine that the failure to offset the obligation of the Board was due to Respondent's imprudent investing and what standard would be used to determine imprudence?</p> <p>Generally, as an investment manager, we are willing to indemnify clients for fund/portfolio losses resulting from a breach of the agreement (contract term, investment guideline breach, or similar), a violation of the related standard of care (trade error or other error) or violation of other statutory or regulatory standards. Is this sufficient to meet the minimum requirements? We have not previously been asked to extend potential liability to cover the obligations of a client to participants in or beneficiaries of a plan.</p>
Your understanding is sufficient to submit a Response.			

2.	1.03	3	A separate account is all we can offer since our CIT will not accept 529 assets. Would this disqualify us from consideration?
The requirement is for assets to be managed in a separately managed account or a Collective Investment Trust. Respondents are not required to provide both.			

Company Name: Dier Associates LLC

Question	ITN Section	ITN Page	Question/Comment
1.	Tab 2 – Minimum Qualifications	2	<p>Indicate whether the Respondent: Has their principal place of business and corporate charter located and registered in the United States.</p> <p>A Firm's parent company is headquartered in the US. However, the wholly-owned subsidiary that would</p>

			<p>manage the Florida Prepaid College Board account is located in Europe.</p> <p>Would the parent company location in the US allow us to meet the above qualification?</p>
<p>The Respondent (Entity the Board will be contracting with) must meet the requirements of Section 1009.971(5)(d). However, the Respondent may subcontract the services to a subsidiary if desired.</p>			

Company Name: Marathon-London

Question	ITN Section	ITN Page	Question/Comment
1.	1.03	1	<p>The 'Minimum Qualifications for Respondents' include that the asset manager have its "principal place of business and corporate charter located and registered in the United States".</p> <p>We are based in the United Kingdom, but we do have a US-based CIT which matches the mandate specification. Would that be adequate to meet this requirement?</p>
<p>The Respondent (Entity the Board will be contracting with) must meet the requirements of Section 1009.971(5)(d). However, the Respondent may subcontract the services to a subsidiary if desired.</p>			

2.	1.03	2	<p>The ITN states that the successful applicant must "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." We would like clarity that this potential liability relates only to that portion of the Fund for which the successful applicant is responsible, rather than the whole fund.</p>
<p>Your understanding is sufficient to submit a Response.</p>			

Company Name: J.P. Morgan Asset Management

Question	ITN Section	ITN Page	Question/Comment
1.	Tab 6 – Appendix B	14	<p>In addition to an asset-based fee schedule, will you consider proposals for a performance based fee?</p>
<p>An asset-based fee schedule is required for the Response. However, the Board does reserve the right to consider other fee proposals during negotiations.</p>			

Company Name: ARG Investment Management

Question	ITN Section	ITN Page	Question/Comment
1.	Appendix B Tab 2 Minimum Qualifications	2	<p>Is the \$3 billion minimum in total international equities investments for the firm or just in the proposed strategy?</p>
<p>For Section 1.03 Minimum Qualifications for Respondents, item #2, the \$3 billion international equity requirement relates to the Respondent's international equity assets (ex-U.S.) managed</p>			

across the entire firm. International equity (ex-U.S.) sub-components of broader investment strategies may be included.

2.	Appendix B Tab 4 Question 31	12	ARGA manages both an unconstrained and sector neutral international equity strategies. Would sector neutral, with a lower tracking error (5-year of approximately 4.5% vs 9.0% for the unconstrained), be more appropriate for this mandate?
----	------------------------------------	----	--

The ITN has been issued to find a Respondent to manage an international equity investment portfolio designed to outperform the MSCI All Country World ex-U.S. Index. The Board will evaluate each Respondent's proposed strategy and select the Response that best meets the Board's overall investment strategy.

3.	Appendix B Tab 3 Question 5	4	Could you please further define the terms "team" and "investment advisor appointed by the Board" in the following question to help us better answer the question below. "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?"
----	-----------------------------------	---	--

"Team" is the Respondent's investment and relationship staff and "investment advisor appointed by the Board" is the Board's investment consultant, currently Aon.

4.	Appendix B	8	Is a Value manager appropriate for this mandate?
----	------------	---	--

The ITN has been issued to find a Respondent to manage an international equity investment portfolio designed to outperform the MSCI All Country World ex-U.S. Index. The Board will evaluate each Respondent's proposed strategy and select the Response that best meets the Board's overall investment strategy.

Company Name: Jennison Associates LLC

Question	ITN Section	ITN Page	Question/Comment
1.	Appendix D – Investment Guidelines	16	Section X. Actuarial Reserve Segment – International Equity Guidelines outlines foreign securities as: (1) Foreign-domiciled companies traded on domestic or non-U.S. exchanges, including over-the-counter markets, and (2) Securities domiciled, incorporated, or traded in a benchmark country. Will the portfolio be limited to investing in foreign securities that are also domiciled, incorporated or traded in a benchmark county?

Investment guideline requirements will be updated based on discussions with the successful Respondent and the Board's Investment Consultant.

2.	Appendix D – Investment Guidelines	N/A	If applicable, please provide a list of restricted securities.
----	------------------------------------	-----	--

Investment guideline requirements will be updated based on discussions with the successful Respondent and the Board's Investment Consultant.

3.	Appendix A - Contract	8	<p>Item 7. Objective includes the following language that we believe was included accidentally: The objective of the Manager will be to produce a mid or SMID cap investment management portfolio designed to outperform the index provided in the Comprehensive Investment Plans.</p> <p>Please confirm the objective of the Manager will be to produce an international equity investment management portfolio designed to outperform the index provided in the Comprehensive Investment Plans.</p>
The ITN has been issued to find a Respondent to manage an international equity investment portfolio designed to outperform the MSCI All Country World ex-U.S. Index.			

Company Name: BlackRock, Inc.

Question	ITN Section	ITN Page	Question/Comment
1.	3.01	P.5	Is there a preferred investment vehicle? For example, separate account, mutual fund, or collective trust fund?
The ITN has been issued to find a Respondent to manage an international equity investment portfolio designed to outperform the MSCI All Country World ex-U.S. Index. The Board will evaluate each Respondent's proposed investment vehicle and select the Response that best meets the Board's overall investment strategy.			

2.	3.01	P.5	Related to the question above, if the Respondent has determined that the Prepaid plan ONLY is eligible for the proposed collective trust funds, please confirm this is an acceptable investment vehicle to propose to the Board if the exact same strategy is also available in a mutual fund that the savings plan is eligible to invest in.
A Respondent may propose a solution that utilizes more than one investment vehicle.			

3.	3.01	P.5	With the change in benchmark and potentially future guidelines, do you anticipate the tracking error & excess returns remaining the same as outlined on P.14 of the CIP?
Tracking error limits and investment guideline requirements will be updated based on discussions with the successful Respondent and the Board's Investment Consultant.			

Company Name: Kopernik Global Investors

Question	ITN Section	ITN Page	Question/Comment
1.			We are a \$5.2b global equity manager based in Tampa, FL, offering both a Global All-Cap and International strategy. My question regarding the RFP is, although all of our AUM is 100% within Global Equity (over \$5b), our International strategy does not hit the \$3b threshold alone, however. As a total of all of our strategies, the US is less than 6%. We would like our global equity strategy to count towards the International equity minimum requirement. Would this allow us to qualify under the minimum requirements?

For Section 1.03 Minimum Qualifications for Respondents, item #2, the \$3 billion international equity requirement relates to the Respondent's international equity assets (ex-U.S.) managed across the entire firm. International equity (ex-U.S.) sub-components of broader investment strategies may be included.