



REQUEST FOR PROPOSAL

ABSOLUTE RETURN STRATEGIES

RFP # I-2023-2 (Phase 1)

Issued December 5, 2022

Iowa Public Employees' Retirement System

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PART 1

PURPOSE, DEFINITION OF PRODUCT, MINIMUM REQUIREMENTS AND SCOPE OF SERVICES

A. PURPOSE

1. The main purpose of this Request for Proposal ("RFP") is to evaluate absolute return strategies currently offered in the marketplace, with the intent to hire several investment management firms (each a "Manager") to execute absolute return investment strategies on behalf of the System.
2. The total mandate value is undecided and subject to the opportunity set and discretion of IPERS. Each Manager's allocation within the mandate will be determined by IPERS. A Manager will have full discretion to manage their account consistent with IPERS' Investment Policy & Goal Statement and the terms of the contract between IPERS and the Manager.
3. The selection process for this mandate will be conducted in three phases.
 - a. Phase 1 (currently being commenced via this RFP #I-2023-2) will consist primarily of the collection of quantitative and certain qualitative information from potential Managers. This information will be evaluated and scored based on a pre-determined algorithm (See Part 2.K) to obtain a group of the highest scoring Products that will then advance to Phase 2.
 - b. In Phase 2, the remaining potential Managers will be notified and be required to submit additional detailed information concerning their investment processes, portfolio construction and risk management processes, as well as other aspects of the Product or firm. An evaluation committee will evaluate the responses received in Phase 2 and determine which Managers should be selected for Phase 3.
 - c. Phase 3 would comprise of investment due diligence (including on-site visits or a video conference conducted by IPERS' staff to evaluate the potential Managers' operations, stability and ability to work with IPERS. IPERS reserves the right to modify this process as necessary. Notices of intent to award will be issued after the completion of Phase 3. Even if a notice of intent to award has been issued, a proposal may be rejected in IPERS' sole discretion if the bidder and IPERS cannot agree on contract terms and conditions.
4. Any firm meeting the minimum requirements of this RFP is encouraged to submit a proposal by following instructions set forth in Part 2.A. The RFP is available electronically on the IPERS website, www.ipers.org, and on the state of Iowa website, www.iowa.gov.

B. DEFINITION OF PRODUCT

The Absolute Return "Product" is defined to be any strategy that generates returns (or its excess returns) in a fashion uncorrelated to standard market betas. There are no restrictions on the underlying asset classes or financial instruments used to generate the return. The strategy return can be delivered through a collective fund, separately managed account, linked note or a custom index. The strategy (or its excess returns) is expected to have a long-term beta of less than 0.4 to global equity markets, global rate markets, global credit markets and commodity markets

C. MINIMUM REQUIREMENTS

To be considered as a manager for the purpose stated above, firms submitting proposals must meet the following minimum requirements:

1. The firm managing the Product must be registered as an investment adviser under the Investment Advisers Act of 1940 and provide its full Form ADV or provide proof of bank exemption.
2. The Product must have a minimum AUM of \$500,000,000 as of December 31, 2022.
3. The firm must be willing to accept a performance-based fee arrangement.
4. The Product must have a continuous, proven and verifiable track record of at least five (5) full years as of December 31, 2022 (Note: simulated or back tested results for any portion of this period are not acceptable). The Product inception date must be clearly stated within the proposal response.
5. Monthly net of fee Product composite returns (from Product inception through December 31, 2022) must be submitted along with the proposal in Excel spreadsheet format (in the form of Exhibit A) to investments-rfp@ipers.org
6. Firms with multiple distinct Products that meet the criteria must provide a separate proposal for each Product.

D. SCOPE OF SERVICES

The Manager will be required to provide the following scope of services to IPERS:

1. Invest allocated funds in conformity with the investment policy and guidelines of the System, as defined in the contract established between IPERS and the firm. Provide discretionary management of the funds under the contract.
2. Provide periodic reports and information relating to the firm's investment strategy and other pertinent information pertaining to the investment of the System's funds, as requested by IPERS. Provide monthly reports on portfolio appraisals, performance evaluation and attribution, and trading activities.

3. Participate in public meetings on a periodic basis to provide information to the System concerning the investment performance of IPERS' portfolio and the firm's investment outlook and strategy for IPERS' portfolio.
4. Maintain a good working relationship with IPERS staff by providing timely information regarding material changes in the firm's organizational structure, staffing, investment philosophies and any other pertinent information IPERS staff may require in evaluating the performance of the portfolio.

The scope of services defined in the final contract between IPERS, and the Manager will be binding and will supersede this section of the RFP if different from the scope of services defined here.

PART 2

ADMINISTRATIVE INFORMATION

A. INSTRUCTIONS FOR SUBMITTING PROPOSALS

1. Managers responding to this RFP must provide answers to the questions posed in Part 3 of this RFP. All proposals must be complete in every respect and must answer concisely and clearly all questions proposed by the RFP. Late proposals will not be considered.
2. If the manager has multiple Products that meet the requirements, then a separate proposal for each Product should be sent.
3. Proposals shall be submitted with a cover letter stating in the affirmative that the **firm meets each and all of the minimum requirements listed in Part 1.C of this RFP**, that the firm's proposal is binding for 180 days from the date of the proposal, and that the firm is able and willing to provide the type and level of services required to fulfill the mandate proposed in this RFP. The cover letter and the offer made by the proposal, and any clarifications to that proposal shall be signed by an officer of the offering firm or a designated agent empowered to bind the firm in a contract. **The cover letter must also identify any sections of the proposal that the firm is identifying as confidential (see Disclosure of Proposal Content).**
4. To be considered as a potential manager for this mandate, it is required that the firm submit monthly return information since inception through December 31, 2022, via an Excel spreadsheet in the form of Exhibit A to investments-rfp@ipers.org.
5. Proposals should follow the order of questions as they are asked in Part 3 of this RFP. In response to each question asked in Part 3, restate the **main** question (denoted by a number or a letter) in bold font followed by your answers stated in regular font. Responses should be thorough and answer the specific question asked (including the issues addressed in the bullet points following a question).
6. Supporting material must be clearly referenced to the applicable question posed in Part 3. Information and materials which are strictly promotional in nature should not be used. The submission of such material may serve to disqualify the firm from further consideration.
7. Communication regarding this RFP or the firm's proposal shall only be made to the RFP Coordinator and firms should not discuss the RFP or their proposal with other IPERS staff, Board members or IPERS' consultant. Firms will be given the opportunity to submit written requests for clarification of questions or terms contained in the RFP. In all cases, verbal communications will not override written communications.
8. IPERS reserves the right to amend this RFP at any time. In the event IPERS amends the RFP, the amendment will be posted in the same manner as provided in Part 1.A.3 of this RFP. A firm's response to this RFP must include an acknowledgement of all such amendments.

9. **Proposals must be received no later than 4:30 p.m. Central time on January 20, 2023.**

10. The firm must email a complete electronic version of its proposal, including the information requested as Exhibit A, to IPERS at investments-rfp@ipers.org.

11. The RFP coordinator is:

Melinda McElroy
Iowa Public Employees' Retirement System
7401 Register Drive
Des Moines, IA 50321
Phone: (515) 281-0030
Email: investments-rfp@ipers.org

B. **REJECTION OF PROPOSALS**

1. Firms responding to this RFP must restrict their proposed investment structure to that specified in this RFP. Proposals offering alternate or substitute structures will be treated as not meeting the RFP's minimum requirements and will be rejected.
2. IPERS reserves the right to reject without penalty any or all proposals in whole or in part received by this request, due to noncompliance with the requirements of this RFP or for any other reason. Issuance of this RFP in no way constitutes a commitment by IPERS to award a contract or to enter a contract with a successful bidder. IPERS further reserves the right to cancel this RFP, to issue a new RFP or to award a contract in whole or in part if deemed in the best interest of IPERS. The RFP and the RFP process are for the sole benefit of IPERS and its members. IPERS will not pay for any information herein requested, nor is it liable for any costs incurred by the submitting Managers.
3. After evaluation of the proposals, selection, and approval by IPERS, all Managers will be notified of the successful firm or firms.
4. IPERS reserves the right to not hire or to defer the hiring of a firm for these management services.

C. **DISCLOSURE OF PROPOSAL CONTENT**

The laws of Iowa require that the content of bidders' proposals be maintained in confidence prior to the issuance of a notice of intent to award a contract. If IPERS issues a notice of intent to award a contract at the conclusion of the selection process, the contents of all proposals, excluding confidential information, will be placed in the public domain and open to inspection by interested parties. Trade secrets or proprietary information that are recognized as such and protected by law may be withheld, but only if designation of such sections is stated in proposing firms' cover letters and confidential information is *clearly identified* as such on each of the applicable pages and electronic documents within the body of the proposal.

Any proposal submitted which contains confidential information must be conspicuously marked on the outside as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as containing confidential information. Identification of the entire proposal as confidential shall be deemed non-responsive and disqualify the firm.

If the firm designates any portion of the RFP as confidential, the firm must submit one "excised copy" of the proposal to IPERS from which the confidential information has been excised. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the proposal as possible.

The firm's failure to request confidential treatment of material shall be deemed by IPERS as a waiver of any right to confidentiality, which the firm may have had.

D. PROPOSAL OBLIGATIONS

The contents of the proposal and any clarifications thereto submitted by the successful Manager shall become part of the contractual obligation and will be incorporated by reference into the ensuing contract.

E. DISPOSITION OF PROPOSALS

All proposals become the property of IPERS. Notwithstanding the foregoing, if IPERS decides to terminate the selection process prior to the issuance of a notice of intent to award a contract, it will destroy or shall direct the destruction of all proposals and no copies, either physical or electronic, shall be maintained by IPERS or its agents. Proposals that are received after the submission deadline will not be considered.

F. GRATUITIES

1. The laws of Iowa provide that it is a felony to offer or promise to give anything of value or benefit to a state employee with the intent to influence that employee's duties. Evidence of violations of this statute will be turned over to the proper prosecuting attorney.
2. IPERS provides reimbursement for transportation, lodging, meals and miscellaneous expenses for its employees.
3. IPERS employees are subject to stringent statutory restrictions relative to acceptance of gifts, meals, lodging or transportation from any service contractor. Except for expenses associated with attending Manager-sponsored educational conferences, and only to the extent such expenses are covered by the Manager for its other clients, no meals or travel expenses may be provided or subsidized by a Manager for IPERS employees.

G. IOWA STATUTES AND RULES

The terms and conditions of this RFP and the resulting contract shall be construed in accordance with the laws of Iowa. Whenever differences exist between federal and state statutes or regulations affecting this procurement, interpretation shall be in the direction of that which is most beneficial to the interests of the state of Iowa.

H. SIGNATURE OF MANAGER'S AGENT

The offer made by the proposal, and any clarifications to that proposal, shall be signed by an officer of the offering firm or a designated agent empowered to bind the firm in a contract.

I. AWARD OF MANDATE

IPERS reserves the right to award this contract not necessarily to the firm with the lowest fee or cost proposal, but to the firm which will provide the best match to the requirements of the RFP. The successful Manager or Managers will be determined in accordance with the evaluation criteria defined by IPERS.

J. EVALUATION OF PROPOSALS

IPERS and Wilshire will evaluate the Phase 1 proposals according to the evaluation criteria specified in this RFP and determine a group of Phase 2 semifinalists for further consideration by an Evaluation Committee. The Evaluation Committee will evaluate and score the semifinalist proposals. Upon completion of the Evaluation Committee's review, finalist interviews will be, and office visits may be, conducted with some candidate firms. Determination of whether to conduct interviews and which firms to interview is at the sole discretion of the Evaluation Committee. A determination to execute a contract may be made by the IPERS Investment Board without an interview, upon recommendation of the Evaluation Committee. IPERS' Investment Board will make the final Manager selection(s).

K. EVALUATION CRITERIA

In the Phase 1 evaluation, the performance history of each potential Product that meets the minimum requirements will be evaluated using various metrics to assess the quality of the returns, such as Diversification characteristics, Return to Risk Ratio, Success Ratio, Worst Drawdown, correlation to IPERS' strategic asset allocation and IPERS' liabilities, etc. (Note: Products will be evaluated utilizing the returns provided by the firm in response to this RFP, which must be the Product's monthly net returns.)

The criteria for Phase 2 of the RFP will be roughly as follows:

Firm/Organization	20%
Investment thesis	20%
Risk management	20%
Liquidity and other terms	20%
Fees / Economics	20%

L. THE RESULTING CONTRACT

The contract that IPERS expects to award because of the RFP process will be based upon the proposals submitted by the successful Manager (Phase 1 and Phase 2) and IPERS' due diligence in Phase 3. The contract between IPERS and the Manager shall be a combination of the specifications, terms and conditions of RFP Phase 1 and Phase 2, the offer contained in the proposals submitted by the Manager, any written clarifications or changes made in accordance with the provisions herein, and any other terms deemed necessary by IPERS.

IPERS will issue a notice of intent to award if and when it completes Phase 3 of the search process. Successful firms will then be required to enter into discussions with IPERS to negotiate and finalize a contract before an award is made. IPERS' contract template will be used in the negotiation process. These discussions are to be finalized and all exceptions resolved within eight (8) weeks of notification; if not, IPERS may reject the firm's proposal and initiate discussions with other firms that submitted proposals meeting the RFP's minimum requirements. Negotiated provisions must be consistent with the firm's offer; furthermore, no negotiated provision of any proposed contract shall, in the sole discretion of IPERS, affect the evaluation criteria set forth in this RFP, or give the successful firm a competitive advantage.

M. SCHEDULE OF EVENTS

1. **December 5, 2022** – RFP IS ISSUED
2. **December 16, 2022** – INQUIRIES – Inquiries and requests for interpretation or clarification of Phase 1 of the RFP from potential bidders will be accepted only via email. All inquiries must be received no later than 3:00 p.m. Central time on this date. Firms must email their inquiries to investments-rfp@ipers.org.
3. **December 22, 2022** – RESPONSE TO INQUIRIES – Responses to and addenda resulting from requests for interpretation will be posted to the IPERS website (www.ipers.org) no later than 4:30 p.m. Central time on this date. Responses to questions will be posted at: <https://ipers.org/about/request-for-proposals>
4. **January 20, 2023** – PROPOSALS DUE – The Phase 1 proposal must be submitted by email to investments-rfp@ipers.org by 4:30 p.m. Central time on this date.
5. **February 17, 2023** – Phase 2 RFP to be issued on this date (tentative).
6. ANNOUNCEMENT OF SELECTION – The System will make a recommendation(s) to the Investment Board to hire a Manager or Managers upon the completion of due diligence. The timing of when this could happen depends upon the number of proposals received and how many Products are selected for Phase 2. IPERS may opt to request Board approval for Managers in more than one recommendation.

N. AUTHORIZATION TO RELEASE INFORMATION

IPERS reserves the right, either directly or through its authorized representative, to obtain from all sources, pertinent information concerning a firm, a firm's products, services, personnel, or subcontractors.

By submitting a proposal, the firm hereby authorizes IPERS and its authorized representatives to obtain information regarding the firm's performance on other contracts, agreements or other business arrangements, its business reputation, and any other matter pertinent to the evaluation and selection of a successful firm in response to this RFP. This includes, but is not limited to, the right to conduct criminal history, prior performance, reference checks and other background investigations for persons retained by the firm or other persons identified in the firm's proposal. This also includes, but is not limited to, the right to obtain, verify and consider information from sources such as the firm's performance of contracts for other clients.

The firm, in submitting its proposal, hereby releases, acquits and forever discharges IPERS, the state of Iowa, and their trustees, officers, employees and agents from any and all liability whatsoever including all claims, demands and cause of action of every nature and kind affecting the firm that it may have or ever claim to have relation to information, data, opinions and references obtained by IPERS in the evaluation and selection of a firm in response to this RFP.

The firm, in submitting its proposal, authorizes IPERS and its authorized representatives to contact all the persons, entities and references which are directly or indirectly, listed, submitted or referenced in firm's proposal submitted in response to this RFP.

By submitting its proposal, firm authorizes all persons and entities to provide information, data and opinions with regard to firm's performance under any contract, agreement, or other business arrangement, firm's ability to perform, firm's business reputation, and any other matter pertinent to the evaluation of firm. The firm and its partners, officers, directors, employees, and agents hereby release, acquit and forever discharge any such person or entity and their officers, directors, employees and agents from any and all liability whatsoever, including all claims, demands and causes of action of every nature and kind affecting the undersigned firm that it may have or ever claim to have relating to information, data, opinions and references supplied to IPERS in the evaluation and selection of a successful firm in response to this RFP.

O. ETHICS POLICY DISCLOSURES

IPERS' staff and Board members are subject to an Ethics Policy adopted by the Investment Board. The policy can be viewed here: https://ipers.org/sites/default/files/2021-03/September%202017%20Ethics%20Policy%20Final_0.pdf

P. APPEALS

Filing an appeal: Any firm that filed a timely proposal and that is aggrieved by an award made by IPERS may appeal the decision by filing a written notice of appeal with Chief Executive Officer (CEO) Greg Samorajski, 7401 Register Drive, Des Moines, Iowa, 50321, within five (5) calendar days of the date of award, exclusive of Saturdays, Sundays, and legal state holidays. IPERS must actually receive the notice of appeal within the specified time frame for it to be considered timely. The notice of appeal shall state the grounds upon which the firm challenges the IPERS award.

Procedures for vendor appeal: The appeal will be treated as "other agency action" in accordance with Iowa Code chapter 17A and cases interpreting this Code chapter. The procedure for an appeal of "other agency action" is to allow the firm an opportunity to be heard. To fulfill this obligation, the firm has five (5) calendar days from the date the notice of appeal was filed with IPERS to submit any written arguments and documents it wants considered related to the merits of the appeal. The aggrieved firm may, or may not, be afforded an opportunity to discuss the merits of the appeal with CEO Samorajski, over the telephone or in person. CEO Samorajski will issue a final agency decision related to the appeal. The exclusive means for a firm to seek further review of the final agency decision shall be governed by Iowa Code §17A.19.

PART 3
QUESTIONNAIRE

The proposal must answer the following questions:

A. MINIMUM REQUIREMENTS

1. Is your firm a registered investment advisor under the Investment Advisors Act of 1940? If yes, provide the firm's SEC File Number (e.g. 801-xxxxx). If your firm is exempt under the bank exemption, please explain and provide proof of such exemption.
2. Provide the USD-equivalent amount of assets under management (AUM) for the proposed Product as of December 31, 2022.
3. Is the firm willing to accept a performance-based fee arrangement for payment?
4. Provide as **Exhibit A** (formatted as shown in Part 4 of this RFP) the Product's performance composite.
5. Provide the product's benchmark if any. Please indicate a Bloomberg or other appropriate ticker for the benchmark if available.
6. Does the Product submitted for Exhibit A have a proven and verifiable track record of at least five (5) years as of December 31, 2022? (Note: simulated or back tested results for any portion of this period are not acceptable.) What is the Product's inception date?

B. ORGANIZATION/FIRM

1. Provide all the following information:

Name of Firm:	
Name of Product:	
Inception Date of Product:	
Contact:	
Title:	
Address:	
Telephone #:	
Facsimile #:	
Email Address:	
Website:	

2. What is the combined amount of assets under management (AUM) of all of the firms' absolute return strategies (includes the proposed Product and similar products) as of December 31, 2022?
3. Provide a brief description of the Product and summarize why the Product is suitable for the purposes of the mandate described in this RFP. Briefly comment on typical instruments used, volatility targets, leverage levels and cash/margin utilization of the Product. (No more than 300 words.)

PART 4

EXHIBIT A - PERFORMANCE

Submit your monthly (and daily if possible) net of fee return data. If your strategy has a truly representative back-test (with transaction costs and fees), then include it in a separate tab. **Submit only net return data.**

Please submit an Excel (xlsx) document for each fund you would like considered. The file name of the document should be "Firm_Name_Fund_Name". The returns should be written in column B with column A representing the dates. Include the benchmark returns of the product in Column C. A single header row for the "Dates" label, "Fund_Name" and "Benchmark Returns" should be included. Other than the single header row, no other labels or notes should be written in the file. The returns should be in decimal format (NOT as a percentage). Label the tab "Monthly" and if you are also submitting daily returns or back-tested data, submit them in a separate tab labeled "Daily" and "Back-Test".

	A	B	C	D	E
1	Date	Fund_Name	Benchmark_Returns		
2	1/31/2000	0.03285	0.0133		
3	2/29/2000	0.01456	0.00265		
4	3/31/2000	0.03782	-0.01698		
5	4/30/2000	0.03201	-0.00837		
6	5/31/2000	0.01292	0.02309		
7	6/30/2000	0.00523	0.01151		
8	7/31/2000	-0.01005	0.03873		
9	8/31/2000	-0.01838	0.00677		
10	9/30/2000	0.01835	-0.01132		
11	10/31/2000	-0.0155	0.03111		
12	11/30/2000	0.01914	0.03528		
13	12/31/2000	0.03926	0.01113		
14	1/31/2001	0.02712	0.00226		
15	2/28/2001	0.01416	0.01782		
16	3/31/2001	-0.00613	0.0217		
17	4/30/2001	-0.01478	0.03217		
18	5/31/2001	-0.01633	-0.00439		
19	6/30/2001	0.02773	0.00735		
20	7/31/2001	0.00494	0.01396		
21	8/31/2001	0.03477	-0.00281		
22	9/30/2001	-0.00653	0.00933		
23	10/31/2001	0.0237	0.03666		
24	11/30/2001	0.02899	0.00654		

Monthly | Daily | BackTest