

**THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM
THE UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES**

Question and Answer Document

**U.S. Large Cap Growth Equity Investment Management Services
#515-16-281**

1. **QUESTION:** We are reviewing the RFP and it makes reference to the “Statement of Policy Guidelines and Investment Objectives” for OPERS and URSJJ being included as an exhibit on the RFP link on the OPERS website. However, unfortunately we do not see any references to that policy within your website or the landing page for the RFP (<http://www.opers.ok.gov/opers-issues-rfp-for-us-large-cap-equity-investment-management-services>). Can you please send that along for review and/or possibly add it to the website?

ANSWER: *The policy is posted on the OPERS website, www.OPERS.ok.gov. You will find the link to the policy from the home page using the path “About OPERS” and “Investments” or copying the following the link into your browser:*

http://www.opers.ok.gov/Websites/opers/images/pdfs/2015-07-16_Investment_Policy.pdf

2. **QUESTION:** I could not find an exact amount for the search other than you currently have 230M with Blackrock in a passive mandate.

ANSWER: *As of March 31, 2016, OPERS had an index mandate geared towards U.S. large cap growth equity with an account value of \$231,607,380. The final size of any potential replacement is dependent on several factors. The Board has yet to determine the size of any new or potential mandate, or the final structure. It is anticipated that if an active manager is chosen, the new active mandate would replace the U.S. U.S. large cap growth index fund managed by BlackRock.*

3. **QUESTION:** We have been managing US large growth assets as part of broader US large cap mandates since 1999 and currently hold over \$15 billion in US large cap growth securities as a firm. And while we launched our first dedicated US large cap growth strategy in 2012, the senior members of our investment team have remained consistent over time and are responsible for both the broader mandates as well as our dedicated US large cap growth strategy. We believe we meet the criteria and qualifications of the investment management firm within section A, #2 and 3, but want to confirm this with the plan.

ANSWER: *Part IV.A. 2 and 3 are to intended to ensure the firm has extensive institutional experience in managing dedicated U.S. large cap growth equity portfolios. A firm may be disqualified if it does not manage at least \$1 billion in dedicated U.S. large cap growth equity portfolios and the portfolio manager(s) with discretion for the portfolio does not have at least a decade of experience managing portfolios in the desired style.*

4. **QUESTION:** My firm typically loads RFPs into our own template for formatting purposes. Provided we do not alter the wording of any questions or their order, would this be acceptable?

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ANSWER: *It is up to the Vendor to provide responses in whatever format it is comfortable (and acceptable to OPERS as described), provided the content of the RFP is not altered. Vendors should pay particular attention to Part 1 Proposal Cover Sheet and Vendor's Affidavit. The affidavit should not be altered. The contents of the questions within the RFP should not be altered. Respondents are asked to answer all questions in the RFP in the order presented and as precisely as possible (i.e. avoid using "canned" responses). Canned responses that are not succinct and do not precisely answer the question will be discounted. Do not add appendices to the end of the RFP unless specifically asked to do so.*

5. **QUESTION:** [Name redacted] would like to submit their Strategic Growth (30-50 securities) and Focus (15-20 securities) strategies for the OPERS mandate. Is that allowed? If so, may I combine them into one proposal or would you like me to submit them separately?

ANSWER: *Potential vendors may submit as many responses as appropriate. All responses will be evaluated according to the stated criteria. Potential vendors may combine several different products into one response. However, specific questions must be answered for each product submitted (e.g. including but not limited to portfolio characteristics, factor exposures, fee quote, etc.). Where there is not commonality in the process for each respective product, it is up to the vendor to clearly specify which answer relates to which product.*

6. **QUESTION:** Section II.F. In submitting this proposal, the Vendor must agree to an audit which provides that books, records, documents, accounting procedures, practices or any other items of the service provider relevant to the proposal are subject to examination by the System and the Oklahoma State Auditor and Inspector. Can you please provide more detail regarding the scope of records and types of documents you typically require of vendors when conducting an audit?

ANSWER: *The records required for an audit are usually associated with the specific fund or separate account. For example, audited financial statements, monthly reports, reconciliations, and policies are examples of records and other documentation required for the purpose of conducting an audit.*

7. **QUESTION:** Can you please describe the content of the quarterly compliance statement? Can our Chief Compliance Officer or a delegate sign?

ANSWER: *The quarterly compliance statement confirms the fund's/account's adherence to the investment guidelines or discloses any violations of the guidelines for the specified period of time (e.g. for the quarter ending DD/MM/YY). The document must be signed by a principal of the firm; Chief Compliance Officer is acceptable.*

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8. **QUESTION:** We would not view our intellectual property, such as research reports and models, as work product or data generated for OPERS under this contract. We would view account specific information as work product. Please clarify that ownership would be limited to such account specific information.

ANSWER: *The term work product is usually associated with the specific fund or separate account. For example, holdings, financial statements, monthly reports, reconciliations, and policies are examples of work product.*

9. **QUESTION:** If awarded the business can we negotiate/amend this MFN language in the IMA? Can you please describe the information that would be requested in the fee review reports?

ANSWER: *OPERS has historically used this standardized MFN language in investment manager agreements and is comfortable continuing to do so. It is highly unlikely OPERS would agree to a change in the language, unless a specific situation warranted a change. The firm shall provide OPERS Trustees with an attestation that the terms of the contract, including the MFN, are being met.*

10. **QUESTION:** Can you please define "Free commission trade"?

ANSWER: *The free commission trade is intended to mean the trades that were not driven by a soft dollar or commission recapture arrangement but where the manager had full discretion in broker choice.*

11. **QUESTION:** Our client directed brokerage target for our Large Cap Growth Equity strategy is 25% of the client's non-risk US dollar denominated brokerage commissions on equity transactions and we will seek on a best effort basis to meet the target subject to our need to seek best execution with respect to all trading activity. Would this be acceptable to OPERS?

ANSWER: *OPERS may negotiate the level, if any, of participation in the commission recapture program. See section IX(A) in the Statement of Investment Policy for a discussion regarding the policy.*

12. **QUESTION:** The policy states that the investment manager shall vote the proxies of shares under their discretion. However, the policy includes a few stipulations on how the investment manager should vote. Our analysts always have the ability to override our official guidelines (with written explanation) and we cannot guarantee that we would always vote the way OPERS stipulates within the Statement of Investment Policy 100% of the time. Are any of the following acceptable to OPERS:

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1. We (the investment manager) vote with 100% discretion based on our guidelines (which the analysts can override);
2. OPERS votes their own proxies; or
3. We vote using OPERS' custom guidelines. We would have to work with our proxy vendor to ensure the guidelines are measurable and implementable.

ANSWER: See section IX(B) of the Statement of Investment Policy for a full discussion of the proxy voting policy. A manager may use its own internal policy, provided they do not conflict with OPERS policy. The process for this is described in the investment policy. Managers will at all times retain the responsibility to vote proxies on OPERS behalf.

13. **QUESTION:** For Question B.3, is OK PERS looking for 3 separate breakouts (1. Total Equity, 2. US Equity, 3. Growth Equity), or just one?

ANSWER: OPERS would like three separate breakouts using the same table format as shown in the question.

14. **QUESTION:** For Question E.2, does OK PERS have a preference for proposed vehicle (Fund vs. Separate Account)?

ANSWER: At this time, OPERS does not have preference with respect to the vehicle. However, many of the active mandates OPERS employs utilize a performance fee, which may only be feasible in a separate account structure.

15. **QUESTION:** Can Section VII(I) be disregarded if a performance fee is offered?

ANSWER: Not necessarily. But OPERS understands a MFN clause may be unsuitable when applied to a performance fee structure.

16. **QUESTION:** What would an audit pursuant to Section II(F) of the RFP entail?

ANSWER: See question #6 and answer above regarding the same topic.

17. **QUESTION:** Will OPERS be willing to consider additional language to clarify the most favored nations fee clause so that fee comparisons will be made to other public employee retirement system accounts of substantially similar size, investment objectives and guidelines, and fee calculation, excluding performance based fee schedules?

ANSWER: OPERS understands a MFN clause may be unsuitable when applied to a performance fee structure, and would be willing to consider clarification language.

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18. **QUESTION:** If we designate certain information as confidential and proprietary, will OPERS honor that request? If so, is there a preferred marking format?

ANSWER: *As set forth in Section II(E) of the RFP, all proposals, once opened, are considered to be a public record and shall be available for viewing and reproduction by any person.*

19. **QUESTION:** Are responding firms allowed to submit exceptions or amendment along with our proposal?

ANSWER: *Exceptions or amendments to the terms contained in the proposal may be a reason to disqualify the submission.*

20. **QUESTION:** Does OPERS have a standard investment management contract and can you make it available for review?

ANSWER: *OPERS does have a standard contract which will be made available to the finalist for review. Section VII of the RFP sets forth some of the required terms and conditions.*