

OPERS RFP #515-24-001, #515-24-002, #515-24-003 Question & Answer

Questions not directly associated with one RFP:

Q: Is OPERS only looking for investments that are 100% devoid of all companies on that list, no exceptions? Will OPERS reject all proposals that cannot exclude holdings from the restricted list?

A: OPERS is seeking proposals in several different asset classes and active/passive strategies within those asset classes. This question most directly applies to the RFP for index fund mandates (#515-24-001), as the active constrained core fixed income and U.S. Large Cap Equity Enhanced Index mandates could eliminate holdings of Restricted Financial Companies through guidelines in a separate account, should the Board prefer.

As described in RFP #515-24-001 (Section IV, Scope of Assignment), OPERS would like prospective vendors to present two pricing proposals for the index mandates. The first is an index fund that fully replicates the appropriate index exposure in its entirety. The second is an index fund that is devoid of holdings on the Restricted Financial Company list. If the latter does not exist, or the ability to create such an index fund is not possible, the vendor should state that in the response. OPERS will not reject proposals that do not exclude holdings from the Restricted Financial Company list. However, the Board may prefer to select a product that excludes Restricted Financial Companies from index fund holdings. The only mandatory requirement for submitting a proposal regarding the Restricted List is that the vendor not be named on the Restricted Financial Company list. OPERS will not reject proposals from consideration that adhere to the mandatory requirements and the criteria and qualifications for the investment advisory firm.

Q: Is there an expected date for which finalists and winners will be announced?

A: Staff expects to have a recommendation prepared for the Investment Committee and Board at the meetings scheduled for August 23rd.

RFP #515-24-001: U.S. EQUITY, Non-U.S. EQUITY, AND FIXED INCOME (TIPS) INDEX INVESTMENT MANAGEMENT SERVICES

Q: Is there a restricted issuer list that will be provided? I could not locate it on OPERS' website.

A: The Restricted Financial Company list is provided by the Oklahoma State Treasurer. The List may be found on the Treasurer's website, www.ok.gov/treasurer.

Q: Does OPERS have a preference for its passive assets to be managed in a Fund vs a separately managed account for each of the TIPS, U.S. equity, and ex-US equity mandates?

A: OPERS is open to separately managed accounts or commingled vehicles for these mandates.

Q: While these mandates mention to be indexed can you please specify the acceptable tracking error for each mandate?

A: There is no specified tracking error target for these mandates per the RFP. But as these are mandates meant track the specified index, it is implied that the preferred product would exhibit very low tracking error relative to the appropriate index. The Statement of Investment Policy denotes an excess return and tracking error target of 0% for index mandates.

Q: Are you looking to hire just one manager for the RFP or are you looking at different managers for each component of the RFP?

A: As stated in the RFP, OPERS reserves the right to reject any or all proposals submitted. In the event that none of the proposals are satisfactory to OPERS, no selection will be made. The Board reserves the right to award all, part, or none of this contract. The Board reserves the right to award contracts to more than one investment manager if deemed appropriate and desirable.

Q: To add to that are you considering splitting individual mandates between managers or will it be one mandate eg TIPS = 1 manager?

A: The Board reserves the right to award all, part, or none of this contract. The Board reserves the right to award contracts to more than one investment manager if deemed appropriate and desirable.

Q: What is the most important factor in selecting a manager? Fees, tracking error, performance etc.?

A: OPERS has not designated one single factor as the most important in the selection process.

Q: May we make the questions in bold? Similarly, can we put shading in the tables and bold the column headings in tables, as long as we do not adjust the layout or text provided in the tables by PERS?

A: OPERS would prefer that respondents not alter the RFP in any way aside from answering the questions in the order asked. As stated in the RFP, the Vendor's Affidavit and all questions must be identically reproduced in the submitted proposal. Any alterations to the contents of the RFP document will be grounds for rejection from consideration or termination of a resulting contract.

Q: Page 10 of 17, K. Access to Records: With respect to records retention, kindly provide additional color describing "records relative to the contract". Records including emails and ad-hoc requests would follow AB's retention policy. Documents including contracts, valuation, transaction, and performance reports, invoices may be made available for 7 years following completion/termination of the contract.

A: Records relative to the contract include, but are not limited to, email, trade/transaction data, valuation data, performance reports, correspondence and anything else relevant to the contract. While there may be the possibility of making minor amendments in the process of negotiating the resulting investment manager agreement, the respondent should assume exceptions to the General Terms and Conditions will not be made. Submission of a proposal in response to this RFP evidences the Vendor's acceptance of the terms and conditions within the RFP.

Q: How many investment managers does OPERS intend to hire for index strategies?

A: The Board reserves the right to award all, part, or none of this contract. The Board reserves the right to award contracts to more than one investment manager if deemed appropriate and desirable.

Q: What type of investment vehicle (CIT, separate account, mutual fund/ETF) is OPERS currently using for passive exposure?

A: The passive exposure is currently in the form of a commingled common trust fund.

Q: How often does OPERS add or remove passive strategies?

A: Passive strategies are considered a strategic allocation within the overall structure of the Funds. However, specific funds may be added to the structure or removed from the structure, from time-to-time, and as needed.

Q: Regarding section II.A and II.C (page 4), please clarify the requirements that the response must be submitted electronically yet the Proposed Cover Sheet must be notarized

A: The notarization requirement in Section I may be presented in electronic form. Vendors may sign, notarize, and scan the Proposal Cover Sheet to include in the submission.

Q: How will changes to the Restricted Financial Company list be communicated with the index investment manager?

A: The Restricted Financial Company list is provided by the Oklahoma State Treasurer. The List may be found on the Treasurer's website, www.ok.gov/treasurer. While staff may assist in communication efforts, the vendor will be expected to be familiar with the most recent list provided by the Treasurer and remain in compliance with excluded companies. The advisor must attest to that fact in quarterly reports to the System.

Q: If a name is added to the Restricted Financial Company list, how long will the manager have to dispose of or liquidate securities of the new addition?

A: The timeframe for disposition may be variable based on market conditions.

Q: For securities on the Restricted Financial Company list, will OPERS require that these securities also be excluded from the benchmark, or will OPERS continue to use the standard version of the benchmark?

A: This question cannot be accurately answered. It is uncertain at this time whether the Board will exclude listed financial companies from index exposure. Should the Board choose to exclude listed financial companies, it is the expectation that any benchmark used for index exposure should be representative of the investable universe, which also excludes listed financial companies. In that case, vendors should be prepared to replicate benchmark performance excluding listed companies. Alternatively, the Board may choose to continue using the standard version of each applicable index as a benchmark.

Q: Regarding OPERS Investment Policy, please clarify the statement in section II.C (page 3) stating “These index funds...are deemed to be actively managed accounts within the meaning of Section 909.1 (D) of Title 74 of the Oklahoma Statutes.” What are the implications of this statement, and is it possible to delineate the specific clauses in section VII (Investment Guidelines) that apply to index portfolios?

A: The Statute cited in the question allows for the Board to retain investment advisors, among other things. The technical designation of index strategies as an actively managed account contained in Section II.C of the Statement of Investment Policy allows for the advisor/mandate to benefit from other provisions contained in the Statute (i.e., investment discretion, the total return objective etc.). As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s).

Q: Given the language in section VII.A.1 (page 6) and VII.B (page 7) regarding futures, it appears that equity index futures are not allowable instruments for Domestic Equity index funds (Russell 1000, Russell 1000 Value, Russell 2000). Please confirm if this is accurate, and if not please provide the reference in the OPERS Investment Policy that would allow for their use. If they are not in fact allowable instruments, can these instruments be added to the Policy in order to satisfy section VII.A.2 (page 6) requiring that investment managers are to be fully invested in their respective asset class?

A: As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s). In addition, OPERS understands that commingled vehicles are governed by documents outside of the OPERS Statement of Investment Policy, which may allow for the use of futures for the purpose of equitization of cash.

Q: Regarding section VII.B.3 (page 7), if positions in any index portfolio were to appreciate to more than 10%, is there an exception to be able to continue to hold these positions in order to be able to continue tracking the assigned benchmark?

A: As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s).

Q: Relative to question 10 above, are there any additional reporting requirements if allowed to hold positions that have moved to more than 10% of the portfolio?

A: As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s).

Q: Regarding section VII.B.4 (page 7), please clarify which of the 4 levels of the GICS apply for this requirement?

A: As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s).

Q: Also please clarify the 10% rule in section VII.B.4 (page 7) – is this based on the entire value of OPERS/URSJJ or just the value of specific portfolios?

A: As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s).

Q: Section VII.C.6 (page 8) – please clarify whether the 8% limit per single issuer applies at the portfolio level or across all OPERS/URSJJ assets under management?

A: As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s).

Q: Section VII.C.7 (page 8) – please clarify whether the 20% limit per single country applies at the portfolio level or across all OPERS/URSJJ assets under management?

A: As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s).

Q: Please clarify whether sections VII.C.7-10 (page 8) apply to Non-U.S. Equity Index portfolios.

A: As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s).

Q: If section VII.C.8 (page 8) does apply to Non-U.S. Equity index portfolios, please clarify which of the 4 levels of GICS apply?

A: As passively managed index exposure, it is well understood that the primary objective of each index mandate is to track the performance of the designated index. The requirements under Section VII of the Statement of Investment Policy generally apply to actively managed separate accounts and are subordinate to the primary objective of the index mandate(s).

Q: The OPERS Investment Policy appears to be silent with regard to crossing trades – please clarify whether the manager can conduct crossing trades involving OPERS/URSJJ portfolios?

A: Vendors submitting responses acknowledge and agree to be a fiduciary to the plan. All activity conducted by the advisor must meet a fiduciary standard. OPERS may consider specific language in a final investment manager agreement to address specific activity, like crossing trades.

Q: For all equity funds, please confirm whether the manager can participate in IPOs and SPOS.

A: As index exposure, it is well understood that the primary objective of each index mandate is to track the performance of each applicable index in a passive manner. Should the index inclusion rules allow for the immediate inclusion of IPOs or SPOs, the advisor may be allowed to participate.

RFP #515-24-002: U.S. CONSTRAINED CORE FIXED INCOME INVESTMENT MANAGEMENT SERVICES

Q: We had a question about the RFP search for fixed income managers. We are an independent firm that is about 10 years old with an established institutional client roster including some public funds. But we have less than \$10bln of AUM. Are there any of the RFPs that might be appropriate for us?

A: The mandatory requirements for submitting a proposal, as well as the criteria and qualifications of the investment advisory firms, are listed in the RFP document and exceptions will not be granted. The RFP contains the scope of assignment the Board is currently actively seeking. No other search activity has been authorized by the Board or will be considered.

Q: Pertaining to the minimum requirement, “The proposed investment team must have been responsible for at least \$5 billion in U.S. constrained core (core) fixed income assets as of June 30, 2023,” do Core Plus assets count toward this figure? What about Intermediate Government/Credit assets?

A: The mandatory requirements for submitting a proposal, as well as the criteria and qualifications of the investment advisory firms, are listed in the RFP document and exceptions will not be granted. The RFP seeks proposals for an investment-grade only multi-sector core fixed income mandate. The composite of accounts used for the purpose of qualification should reflect (or very closely reflect) the mandate sought by the RFP. The benchmark is the Bloomberg Aggregate Index and it is expected the mandate will contain all of the sectors included in the index. Core Plus assets do not fit the criteria of the mandate, therefore, composite assets would not count for the purpose of the criteria and qualifications. Intermediate Govt/Credit mandates appear to not cover the breadth of the mandate, unless those assets are included in the investment manager’s investment-grade only core fixed income composite.

Q: Is there flexibility in amending the following paragraph? Can we provide you with a requested change within the rfp?

A: This question specifically referred to Section VIII. General Terms and Conditions Part I. The vendor must agree that the contents of the RFP and the responses by the vendor will be incorporated by reference into any final agreement (Section II Part O.) While there may be the possibility of making minor amendments in the process of negotiating the resulting investment manager agreement, the respondent should assume exceptions to the General Terms and Conditions will not be made. Submission of a proposal in response to this RFP evidences the Vendor's acceptance of the terms and conditions within the RFP.

Q: Would OPERS be open to investing in an ETF for this mandate? If so, given that the ETF documents would govern the investment, rather than an investment management contract, do the terms of the IPS, etc. still apply?

A: OPERS is open to separately managed accounts or commingled vehicles for this mandate. Should the Board select a commingled vehicle, the Board understands the fund itself is governed by specific fund documents. However, certain terms contained in the OPERS and URSJJ Statement of Investment Policy (and the incorporation by reference of the RFP and responses) could still apply. Any amendments to the fund documents desired by the Board (including but not limited to the quarterly compliance statement, downgrade reporting, etc.) could be addressed in the negotiation of the resulting investment manager agreement.

Q: Is there is a specific alpha target for this mandate?

A: No, OPERS has not specified an annualized excess return or tracking error target over a full market cycle in this RFP. The vendor should provide its expected excess return and tracking error for each proposed product in the Summary Table as specified in Part XI. Fee Quote. The vendor should refer to guidelines of the mandate as specified in the Statement of Investment Policy when formulating that expectation. The RFP is seeking proposals for an investment-grade only constrained core/core fixed income mandate. The Statement of Investment Policy denotes an excess return objective of 40 basis points and tracking error target of 50 basis points for the existing mandate.

Q: Can a manager submit more than more strategy?

A: Yes, respondents may submit more than one strategy. In addition, respondents may submit more than one vehicle of the same strategy, if available. The RFP is seeking proposals for an investment-grade only constrained core/core fixed income mandate. OPERS is satisfied with the current guidelines of the mandate, as well as the fit of the mandate in the structure of the overall Fund. OPERS is not considering amending or changing the mandate or guidelines for the mandate. Product submissions that do not meet the criteria (or only tangentially meet the criteria) of the mandate are unlikely to be considered.

Q: To obtain clarity on the vernacular used in the RFP document, can you expound upon the term "constrained core", as opposed to "core"?

A: Some core fixed income products offered by investment advisors may include a small allocation to "plus" sectors, including but not limited to high yield or emerging markets debt. OPERS is seeking an investment-grade only fixed income mandate with no exposure to "plus" sectors consistent with guidelines found in the Statement of Investment Policy. For products that

meet the investment-grade only criteria, the label of core could apply. For products that include a small allocation to “plus” sectors, the label of constrained core could apply as any exposure to the “plus” sectors is disallowed under guidelines.

Q: Section V. A.2. asks that the investment team must have been responsible for at least \$5 billion in U.S. constrained core (core) fixed income assets as of June 30, 2023. Does the \$5bn requirement apply for dedicated Core Fixed Income Strategy assets only, or the summation of "Core" assets across a firm regardless of mandate (Core, Core assets with Core Plus, etc.)?

A: The mandatory requirements for submitting a proposal, as well as the criteria and qualifications of the investment advisory firms, are listed in the RFP document and exceptions will not be granted. OPERS is seeking an investment-grade only fixed income mandate with no exposure to “plus” sectors consistent with guidelines found in the Statement of Investment Policy. The composite of accounts used for the purpose of qualification should reflect (or very closely reflect) the mandate sought by the RFP. The benchmark is the Bloomberg Aggregate Index and it is expected the mandate will contain all of the sectors included in the index. Core Plus assets do not fit the criteria of the mandate, therefore, composite assets would not count for the purpose of the criteria and qualifications.

Q: In Section XI. Fee Quote, it states that “the format is a fixed fee quote and applies to all assets administered by the System,” and then later goes on to state that “the only terms that may be altered are those left blank; specifically, dollar amounts, basis points and percentages.”

- a. We do not see a dollar amount section in the table to be altered. Is the System looking for one fixed fee for the combined value of the OPERS and URSJJ portfolios?

A: The System is seeking a fee to apply to both the OPERS and URSJJ accounts, reflecting an aggregation of the two account values. The Board will consider a performance-based fee (accurately described in narrative form) or a fixed asset-based fee (in basis points) as listed in the Summary of Proposal and Fee Quote table in Section XI.

Q: The fixed income team that manages our US Aggregate suite manages significantly more than the required AUM amount. Our core composite has assets of ~\$4.3 billion. Can we look across the complex into Core Plus and Multisector portfolios to satisfy the \$5 billion AUM minimum qualification?

A: The mandatory requirements for submitting a proposal, as well as the criteria and qualifications of the investment advisory firms, are listed in the RFP document and exceptions will not be granted. OPERS is seeking an investment-grade only fixed income mandate with no exposure to “plus” sectors consistent with guidelines found in the Statement of Investment Policy. The composite of accounts used for the purpose of qualification should reflect (or very closely reflect) the mandate sought by the RFP. The benchmark is the Bloomberg Aggregate Index and it is expected the mandate will contain all of the sectors included in the index. Core Plus assets do not fit the criteria of the mandate, therefore, composite assets would not count for the purpose of the criteria and qualifications. Multisector portfolios may satisfy the AUM qualification, provided the mandates match the preferred guidelines of the mandate. Product

submissions that do not meet the criteria (or only tangentially meet the criteria) of the mandate are unlikely to be considered.

Q: With respect this RFP, is the board able to provide the current fee schedule for this mandate? We see from public documents a reference to 8 basis points, however unclear if that is a flat rate for all assets – or if there is a tiered schedule.

A: The current fee paid by OPERS for this mandate is a flat asset-based fee of 8.075 basis points applied to all assets.

Q: We understand that the RFP response will be incorporated in the IMA. Will managers be required to provide updates to the materials provided in the RFP, or can we include language in the IMA that such materials were accurate when provided?

A: OPERS is unsure of what the successful vendor would be required to update as part of the incorporation of the RFP by reference in the investment manager agreement.

Q: We understand that subcontracting and assigning the IMA is not allowed. Will we be able to delegate rights and obligations to our investment advisory affiliates?

A: Typically, the final investment manager agreement is between OPERS and the entity most closely associated with the account/fund. OPERS may consider delegation of rights and obligations if necessary.

Q: We understand OPERS will own certain data and work product. Can we include a carve out in the IMA for the investment manager's retaining exclusive ownership of composites that may include data related to the account, all models, formulas, algorithms, etc. used to manage the account, commentaries sent to multiple clients of the investment manager and other intellectual property deemed proprietary by the investment manager?

A: OPERS expects that composites, models, formulas, algorithms, commentaries etc. are owned by the vendor, and shall remain owned by the vendor. OPERS is open to language specifying such in the final investment manager agreement.

Q: We understand that there will be an MFN. Will we be able to negotiate the MFN language?

A: OPERS has preferred language with respect to the MFN. While amendments to the language may be possible in the final contract negotiation, OPERS has a strong preference to adhere to existing language.

Q: IPS – Section VII, A.1, - With respect to “investment managers shall not sell short” — Would OPERS allow the intra-day shorting of US Treasuries for hedging purposes with the expectation that those positions would be covered by the end of the same business day?

A: No. OPERS is satisfied with the current guidelines of the mandate, as well as the fit of the mandate in the structure of the overall Fund. OPERS is not considering amending or changing the mandate or guidelines for the mandate.

Q: Can a manager use affiliated funds, subject to the requirements in the IPS?

A: The purpose and use of affiliated funds would have to be specified in any resulting investment management agreement.

Q: Is it possible to allow for leverage up to 10% of the Account?

A: No. OPERS is satisfied with the current guidelines of the mandate, as well as the fit of the mandate in the structure of the overall Fund. OPERS is not considering amending or changing the mandate or guidelines for the mandate.

Q: Is it possible to have private placement securities that are not 144A be permitted in the Guidelines up to 10% of the Account?

A: No. OPERS is satisfied with the current guidelines of the mandate, as well as the fit of the mandate in the structure of the overall Fund. OPERS is not considering amending or changing the mandate or guidelines for the mandate.

Q: Is it possible to hold bonds payable in non-US dollars up to 5% of the Account?

A: No. OPERS is satisfied with the current guidelines of the mandate, as well as the fit of the mandate in the structure of the overall Fund. OPERS is not considering amending or changing the mandate or guidelines for the mandate.

Q: Is it possible to hold below investment grade bonds (at time of purchase) up to 10% of the Account?

A: No. OPERS is satisfied with the current guidelines of the mandate, as well as the fit of the mandate in the structure of the overall Fund. OPERS is not considering amending or changing the mandate or guidelines for the mandate.

Q: To meet the constrained core fixed income assets criteria to submit for the RFP, would any strategy that is managed by the same investment team meeting the "Core Fixed Income" guidelines as defined in the Statement of Investment Policy Qualify? This may include strategies with different benchmarks or different duration profiles (for example a shorter duration strategy under otherwise similar guidelines).

A: The mandatory requirements for submitting a proposal, as well as the criteria and qualifications of the investment advisory firms, are listed in the RFP document and exceptions will not be granted. OPERS is seeking an investment-grade only fixed income mandate consistent with guidelines found in the Statement of Investment Policy. The composite of accounts used for the purpose of qualification should reflect (or very closely reflect) the mandate sought by the RFP. The benchmark is the Bloomberg Aggregate Index and it is expected the mandate will contain all of the sectors included in the index. Different benchmarks or duration profiles would not meet the criteria for qualification of the mandate.

Q: Questionnaire Section A, question 8: please advise if the scope for year 2023 is 12 months ending on 6/30 (i.e., 7/1/22 – 6/30/23) or YTD 2023 (i.e., 1/1/23 – 6/30/23)? Also, is the scope for 2019 – 2022 each full calendar year or the trailing 12 months ending on 6/30?

A: For Section IX, Part A.8., the “Year Ending June 30” refers to the 12-month period ending on June 30 of each year listed on the table.

Q: Questionnaire Section B, question 11: please confirm whether the as-of-date for years 2020 – 2022 should be 6/30 or 12/31?

A: In Section IX, Part B.11., the table specifies that characteristics be stated as of June 30 for each year in the table.

Q: For the allocation to US Core Fixed Income in the Uniform Retirement System for Justices and Judges (URSJJ) plan of approximately \$56 million, would a collective investment trust or mutual fund vehicle be held to the same standards of divestment or prohibition of investment in the debt of financial or investment companies based on the inclusion of those companies in the Oklahoma State Treasurer’s Restricted Financial Companies List?

A: OPERS is open to separately managed accounts or commingled vehicles for this mandate. The OPERS and URSJJ portfolios shall be managed in a consistent manner, including the exclusion of Restricted Financial Companies from account/fund holdings should the Board prefer. This could potentially apply to commingled funds as well.

Q: Does the mandate allow derivatives? If so, are they restricted in any way?

A: The usage of derivatives is contained in the guidelines found in the Statement of Investment Policy. Please see that document for a full discussion regarding guidelines. Briefly, derivatives may be used if the usage is consistent with the overall investment guidelines but at no time shall result in a leveraged position, and usage, including the market value and notional value, is reported to the Board in quarterly and annual reports.

Q: Will investment assets for the constrained core fixed income mandate be custodied with Oklahoma Public Employees Retirement System’s master custodian or with the investment manager's custodian?

A: Custody of the mandate will depend on the vehicle the Board selects. If the Board chooses a separate account, the assets shall be custodied with the System’s custodian. If the Board chooses a commingled vehicle, custody of the assets of the fund will reside with the fund’s custodian but information (unit values, cash flows, etc.) must be reported to the System’s custodian.

Q: Will you provide the name of the current investment management firm for this mandate?

A: The mandate is currently advised by BlackRock Financial.

Q: Will you provide the current fees that are being charged for this mandate?

A: The current fee paid by OPERS for this mandate is a flat asset-based fee of 8.075 basis points applied to all assets.

Q: Will you provide a list of current portfolio holdings?

A: No.

Q: As it relates to Section XI. Fee Quote, is our understanding correct that we are only allowed to submit a flat fee for the aggregated asset values listed in section IV (OPERS - \$1,625,850,462 and URSJJ - \$56,474,406)? For example, no tiered fee schedules are allowed?

A: OPERS is open to either an asset-based fee structure or a performance-based fee structure. Historically, OPERS has found successful alignment in performance-based fee structures with other mandates. The asset-based fee structure may be presented as a flat rate or with a tiered structure. Fee proposals should consider the account values of OPERS and URSJJ in aggregate. Any tiered fee schedule should be clearly described in narrative form, including how the account assets are considered in aggregate (i.e., order of aggregation).

Q: Will OPERS accept proposals from an independent asset management firm which has a non-affiliate, minority, non-controlling, non-voting ownership stake (i.e. less than 9% ownership), by one of the 13 financial institutions listed in Oklahoma's Energy Discrimination Act of 2022?

A: The mandatory requirements for submitting a proposal, as well as the criteria and qualifications of the investment advisory firms, are listed in the RFP document and exceptions will not be granted. Prospective vendors must not be named as a "Restricted Financial Company" on the Oklahoma State Treasurer's Restricted Financial Company List.

RFP #515-24-003: U.S. LARGE CAP EQUITY ENHANCED INDEX INVESTMENT MANAGEMENT SERVICES

Q: Section V. A.2. asks that the investment team must have been responsible for at least \$10 billion in U.S. large cap equity assets as of June 30, 2023. Does the \$10bn requirement apply for dedicated Large Cap Equity Strategy assets only, or the summation of "U.S. Large Cap" assets across a firm regardless of mandate (Large Cap Growth, Large Cap Value, etc.)?

A: The mandatory requirements for submitting a proposal, as well as the criteria and qualifications of the investment advisory firms, are listed in the RFP document and exceptions will not be granted. OPERS is seeking a Large Cap Equity Enhanced Index mandate consistent with guidelines found in the Statement of Investment Policy. The Russell 1000 index is the preferred benchmark. The composite of accounts used for the purpose of qualification should reflect (or very closely reflect) the mandate sought by the RFP. Dedicated Large Cap Growth or Value mandates likely do not use the Russell 1000 index as a benchmark, therefore, do not appear to meet the criteria for qualification of the mandate.

Q: What is an acceptable range for tracking error for the enhanced index mandate?

A: A range for tracking error has not been specified in the RFP. However, as the RFP is seeking proposals for a Large Cap Equity Enhanced Index mandate, it is implied that the tracking error exhibited by the product will likely be in a range considered very low for actively managed products. The Statement of Investment Policy denotes an excess return target of 80 basis points with a tracking error target of 200 basis points (at the mandate level) for the Enhanced Index portion of the portfolio.

Q: Is there any flexibility around the criteria/requirement to manage \$10B in large cap equity assets? Is there flexibility to look at broader firm AUM instead of large cap equity assets specifically?

A: The mandatory requirements for submitting a proposal, as well as the criteria and qualifications of the investment advisory firms, are listed in the RFP document and exceptions will not be granted.

Q: Section V-A, Question 2 states, "The proposed investment team must have been responsible for at least \$10 billion in U.S. large cap equity assets as of June 20, 2023."

Our Public Equity platform currently stands at ~\$129 billion and is wholly supported by our Research Equity investment team. We will be proposing our Research Opportunities Equity strategy, the composite of which currently totals ~\$1 billion in assets, up from \$577 million given a recent win and funding post 6/30/23 reporting. Please confirm if we are qualified to submit a response.

A: The mandatory requirements for submitting a proposal, as well as the criteria and qualifications of the investment advisory firms, are listed in the RFP document and exceptions will not be granted. OPERS is seeking a Large Cap Equity Enhanced Index mandate consistent with guidelines found in the Statement of Investment Policy. The Russell 1000 index is the preferred benchmark. The composite of accounts used for the purpose of qualification should reflect (or very closely reflect) the mandate sought by the RFP. Despite organizational support for the entire platform, the composite AUM for the preferred mandate does not appear to meet the minimum qualification.

Q: Question B.2.b. requests client turnover data for the proposed product from 2019 – 2022. Can we add a column to show client turnover as of July 31, 2023?

A: OPERS would prefer that respondents not alter the RFP in any way aside from answering the questions in the order asked. As stated in the RFP, the Vendor's Affidavit and all questions must be identically reproduced in the submitted proposal. Any alterations to the contents of the RFP document will be grounds for rejection from consideration or termination of a resulting contract.

Q: Question B.11 requests 1, 2, 3, 4, 5, 7, and 10-year annualized returns. Will you consider strategies with less than a 7 and 10 year track record? The team has experience in excess of 10 years managing Large Cap equity mandates but not for this specific composite. If not, can we substitute such time periods with the mutual fund track record to which the strategy is currently managed to?

A: Yes, OPERS will consider strategies with a track record of less than 7 years, provided the firm meets the criteria and qualifications of the investment advisory firms listed in the RFP document, including the minimum composite asset size. Exceptions will not be granted.

Q: Does OPERS have a preference between separately managed accounts or commingled vehicles for this search?

A: OPERS is open to separately managed accounts or commingled vehicles for this mandate.

Q: Does OPERS have a preference between flat fee structures or performance-based fee structures?

A: OPERS is open to either an asset-based fee structure or a performance-based fee structure. Historically, OPERS has found successful alignment in performance-based fee structures with other mandates. The current mandate features a performance-based fee structure.