

**THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**REQUEST FOR PROPOSAL #515-25-100**  
**Question & Answer Document**

1. Question: Is OPERS willing to consider a SMID Growth strategy benchmarked to the Russell 2500 Growth as part of this search?

**Answer: No, OPERS would prefer the mandate remain benchmarked to the Russell 2000 Growth Index.**

2. Question: Can you clarify if the requirement in Section V.A.2 that "the proposed investment team must have been responsible for at least \$1billion in U.S. small cap equity assets as of December 31st, 2024". Section IX.B.2.b only requests information related to US Equity Small Cap Growth Assets.

Specifically, must the investment team manage over \$1billion on total small cap equity assets across strategies, or does the RFP require that the assets managed in the particular strategy (i.e., small cap growth) are over \$1 billion? Can you clarify the distinction and whether or not the requirement relates to US small cap equity assets or more specifically, US small cap growth equity assets?

**Answer: The proposed investment team must have been responsible for at least \$1 billion in small cap equity assets as of 12/31/24. As this RFP is seeking a small cap growth equity product, the proposed team should emphasize the management of small cap growth equity assets. The AUM chart in section IX provides transparency with respect to the composition of the "at least \$1 billion in AUM" of small cap growth equity assets.**

3. Question: *In Section IX, "Questionnaire", Part B, Question 12, the text mentions historical factor exposures and sector deviations relative to the benchmark. A template is provided for factor exposures, but a template was not provided for sector deviations. Is this something we create ourselves using GICS sectors?*

**Answer: Using GICS sectors to classify exposure is preferred. The following template may be used:**

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GICS Sector Exposure

	Proposed Product	Benchmark (Specify)	Deviation
Communication Services			
Consumer Discretionary			
Consumer Staples			
Energy			
Financials			
Health Care			
Industrials			
Information Technology			
Materials			
Real Estate			
Utilities			

4. Question: What is the preferred method for identifying information that is exempt from production under the Oklahoma Open Record Act?

**Answer: Section VIII.J. states “OPERS is subject to the Oklahoma Open Records Act, 51 O.S. Section 24A.1 et al., and as such must release information contained in its records unless there is a specific exemption covering the information in the Act. Vendors understand that information they transmit to OPERS becomes a public record subject to the Act.**

**All records received by OPERS are subject to the Oklahoma Open Records Act.**

5. Question: We are planning to submit fees, however should we be selected to move forward, will there be an opportunity to negotiate fees?

**Answer: Should the Board accept a proposal from a prospective vendor, an acceptable contract would have to be negotiated. Per Section II.J., OPERS reserves the right to renegotiate for lower fees at any time with any Vendor.**

6. Question: Do you have a target excess return or target level of risk that you are seeking to achieve with this mandate?

**Answer: No. The proposed product’s role and fit within the existing structure of the portfolio is an important consideration. Prospective vendors are to provide an expected excess return and tracking error estimate under Section XI.**

7. Question: Do you expect to hire one or multiple managers for the \$240mn of US SC Growth assets?

**Answer: Section II.K. states “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.”**

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8. Question: Is there a preference for separately-managed accounts or commingled vehicles?

**Answer: Not specifically. However, OPERS is favorably inclined to consider a performance fee from a prospective vendor, which would imply using a separate account vehicle. The preferred performance fee methodology is described in response to Question 10.**

9. Question: Is OPERS open to both asset-based and performance-based fee structures?

**Answer: Yes. However, OPERS is favorably inclined to consider a performance fee from a prospective vendor. The preferred performance fee methodology is described in response to Question 10.**

10. Question: In Section XI. Fee Quote, question C.2. there is a reference to OPERS internal methodology for calculating performance fees. Will you please share this methodology with me as I do not see it in the RFP document.

**Answer: OPERS believes a performance fee structure most appropriately aligns the interests of the investment advisor(s) and the System. As such, OPERS has a strong preference to use the methodology outlined below. The methodology features two broad components: a modest Base Fee and a Performance Fee. The Base Fee is billed quarterly in arrears on the market value of the assets at the beginning of each quarter. The Performance Fee is calculated as a percentage of the account's market value in excess of the hypothetical market value determined as if the same assets in the account at the beginning of each year had been invested in the benchmark. The hypothetical account performance is calculated with adjustments made on a day-weighted basis for client-directed cash flow activity, including the performance fee paid in the previous year. The hypothetical account value will not be adjusted for miscellaneous items such as the quarterly base fee, security litigation proceeds, etc. Any underperformance of the account compared to the hypothetical account is carried over to the next contract period and added to the subsequent beginning hypothetical account value. This carry-over is cumulative over the life of the agreement. The total fee paid (Base Fee plus Performance Fee) is subject to an annual cap. The System's master custodian is the book of record regarding the portfolio's valuation and performance.**

**The current fee structure with the incumbent is as follows: annual Base Fee of 15 basis points (payable quarterly), and an annual Performance Fee featuring a participation rate of 25% of the account value in excess of the hypothetical amount invested in the benchmark. The maximum annual fee is 150 basis points.**

**For the past ten fiscal years ending June 30, 2024, the average annual fee for those years when a performance fee has been earned was 110 basis points. The average fee for those years when no performance fee was earned was 15 basis points (equivalent to the Base Fee). The average annual fee for the entire 10-year period was 63 basis points. The performance of the incumbent has been satisfactory.**

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11. Question: Would you please provide the internal methodology for calculating performance fees per: “If an investment management fee is proposed in the form of a performance fee, provide the fee structure in a narrative form. OPERS has historically used our internal methodology for calculating performance fees, which can be provided using the process under Section II Part G”

**Answer: See the answer regarding the performance fee methodology in response to Question 10.**

12. Question: *Section XI of the RFP, “Fee Quote”, references an internal methodology historically used by OPERS for calculating performance fees. Could you kindly share the aforementioned methodology?*

**Answer: See the answer regarding the performance fee methodology in response to Question 10.**