

Questions:

Question 1:

(1) Section 30 of Appendix A (Sample Investment Management Agreement) of the RFP issued by the State Treasurer of Iowa (the “Iowa Treasurer”), on behalf of the Iowa Judicial Retirement System and the Iowa Public Safety Peace Officers’ Retirement, Accident, and Disability System for investment management services for Core or Core Plus Fixed Income Portfolios (“Iowa Fixed Income RFP”) states, in part, as follows: “The Manager, its employees, agents, and subcontractors shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations, orders when performing under the Agreement, including without limitation, all laws applicable to the prevention of discrimination in employment (e.g., Iowa Code chapter 216 and section 19B.7) and the use of targeted small businesses as subcontractors and suppliers. Upon the Client’s written request, the Manager shall submit to the Client a copy of its affirmative action plan, containing goals and time specifications, and accessibility plans and policies as required under Iowa Administrative Code chapter 11—121. The Manager, its employees, agents, and subcontractors shall not engage in discriminatory employment practices which are forbidden by federal or state law, executive orders, and rules of the Iowa Department of Administrative Services. ... In the event Manager contracts with third parties for the performance of any of the Manager’s obligations under this Agreement, Manager shall take such steps as necessary to ensure such third parties are bound by the terms and conditions contained in this section.”

Our research regarding Iowa Code chapter 216, Section 19B.7, Iowa Administrative Code chapter 11—121, and other parts of the Administrative Code, leads us to conclude that upon entering into a contract with the Iowa Treasurer, the Manager will be required to have in place what is commonly referred to as an Affirmative Action plan containing a Utilization Analysis. In this area of law, various jurisdictions use differing nomenclature.

- a. Please confirm that Section 30 of Appendix A, and the Iowa regulations that it incorporates by reference, require what is commonly referred to as an Affirmative Action plan containing a Utilization Analysis.
A: A “Utilization Analysis” is not required with the Affirmative Action Plan.
- b. If the answer to (a) above is Yes, please advise if the requirement for an Affirmative Action plan containing a Utilization Analysis is an unconditional requirement or whether there is any flexibility on that issue.
A: Rule 11-121.1(1)(b) may require the contractor or subcontractor to have on file a copy of the Affirmative Action Plan, but providing a copy of the plan is not mandatory.
- c. Please advise if an Equal Opportunity in Employment Plan, that does not contain what is commonly referred to as an Affirmative Action plan containing a Utilization Analysis, would satisfy the requirements of Section 30 of Appendix A,.

A: Rule 11-121.1(1)(b) may require the contractor or subcontractor to have on file a copy of the Affirmative Action Plan, but providing a copy of the plan is not mandatory.

Question 2

Does the state currently have a firm providing these services? If so, could you provide the name of the firm and contract number?

A: Yes, the state does have contracts for fixed income services. Principal is currently providing fixed income services for JRS, and Lord Abbett is providing fixed income services for PORS. We do not have a contract number.

Question 3

If there is a contract in place, could you also provide the total amount spent on that contract (management fees)?

A: Lord Abbett's contract started on August 19, 2013. They have received \$639,872 in fees. Principal's contract began on October 14, 2013. They have received \$713,778 in fees.

Question 4

Completion of contract is listed as June 25, 2020 – would services start on that date?

A: We will work toward funding on June 25, 2020.

Question 5

Are these services likely to be a continual requirement for the state? I see the term will have a 3 year period plus 6 renewals, but will the state eventually need to bid these services out again in the future as this awarded contract nears expiration?

A: Yes, eventually this contract will be bid out again.

Question 6

It is our hope to respond for both our core and core plus strategies to the RFP. To clarify, are you requesting firms submit one RFP detailing both strategies (if applicable) for both pension systems (one total with both core and core plus)? Or separate RFPs for both core and core plus (two total)? Or separate RFPs for both respective pension systems (four total)?

A: Each strategy will need its own RFP (two total for both core and core plus), but each respective pension system does not need its own (RFP's can be combined for PORS and JRS).

Question 7

Our separate account minimum for our core plus strategy is \$100mm, based on our assessment to achieve prudent diversification for our investors, particularly in 'plus' sectors. We are pleased to offer our Core Plus Fixed Income Strategy at lower account minimums utilizing completion funds as represented by P-share classes of our mutual funds for these plus sectors - Securitized Credit, High Yield and Emerging Market Hard Currency Debt. These are no-fee share-classes and are managed by the same team that would run the plus sleeves of the Core Plus strategy if the full minimum were met. Is this something that this mandate would be comfortable with?"

A: Mutual funds may be used, but we may need a side letter to meet certain requirements that are required by Iowa law and listed in Appendix A.

Question 8

Are we able to use our own RFP template, or are we required to use the RFP template provided?

A: Firms must use the RFP template provided.

Question 9

Outside of the guidelines laid out in the investment policies, are there any other constraints or considerations we need to be aware of in management of these portfolios or types of fixed income securities permissible?

A: An additional constraint is all pension managers must manage in accordance with Iowa Code 12F – Restrictions on Sudan-Related Investments, Iowa Code Chapter 12H – Restrictions on Iran-Related Investments, and Iowa Code Chapter 12J – Restrictions Regarding Companies Boycotting Israel. Each quarter, our office will provide a list of securities that are on these lists (as provided by a third-party vendor).

<https://www.legis.iowa.gov/docs/code/12F.pdf>

<https://www.legis.iowa.gov/docs/code/12h.pdf>

<https://www.legis.iowa.gov/docs/code/12j.pdf>

Question 10

For the question 8(a), our interpretation is that we should provide terminations for like services, which would include Core, Core Plus, Core Plus Universal strategies. If you would like the scope of the contract terminations beyond those similar types, can you clarify the additional scope and we will be happy to provide additional details.

8. Terminations, Litigation, Debarment

- a. Has the Firm had a contract for providing services (of the type contemplated by this RFP) terminated for any reason? If so, provide full details regarding the termination, including present status and resolution

A: Yes, we would like Firms to provide details regarding terminations of Core and Core Plus fixed income (or similar type services).

Question 11

How far back do you want managers to list terminated contracts for like services? 3 yrs? Other?

A: Please list terminated contracts for the past 3 years.

Question 12

With respect to the draft Appendix A, Investment Management Agreement, if a manager has comments/questions related to certain sections or terms, when would you like to receive and review those comments?

A: If a Firm takes exception to any term, condition, requirement or other provision of this RFP (including Appendix A), it must state the reason for the exception and set forth in its proposal the specific contract language it proposes to substitute in place of the excepted provision. If a Firm takes exception to any term or condition contained in Appendix A, the Firm must produce a redlined draft of such appendix, and such redlined draft(s) must clearly reflect all of Firm's exceptions thereto and all alternative language or other changes that Firm specifically proposes to make to such appendix.

Question 13

What is the tracking error sensitivity for this mandate relative to the composite index described as “based on market indices and the durations of a portion of the respective plans’ liabilities.”?

A: We will consider all strategies that meet the core/core plus mandate regardless of tracking error. The Fund does not have a target tracking error or a policy that places a min/max on the tracking error of the fund. We will review each firm individually to determine what will be the best fit for the portfolio.

Question 14

Can you provide more details on the composite index?

A: The composite index is the Barclays Universal.

Question 15

Is there tracking error sensitivity relative to the IPS benchmark (Bloomberg Barclays US Universal)?

A: We will consider all strategies that meet the core/core plus mandate regardless of tracking error. The Fund does not have a target tracking error or a policy that places a min/max on the tracking error of the fund. We will review each firm individually to determine what will be the best fit for the portfolio.

Question 16

Would you consider a mutual fund even though such a fund could not directly consider the duration of the plans’ liabilities?

A: Yes