



LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

EMERGING MARKET SMALL CAP EQUITIES MANDATE SEARCH

Initiation: June 10, 2019

Response deadline: July 22, 2019, 4:00 p.m. Pacific Time

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A. INTRODUCTION

The Los Angeles City Employees' Retirement System (LACERS) administers an investment portfolio with approximately \$17.1 billion in assets. This investment manager search seeks one or more qualified investment management firms to actively manage up to approximately \$230 million in an Emerging Market Small Cap Equities investment strategy. LACERS may elect to hire more than one firm. The proposed strategy must be benchmarked to the MSCI Emerging Markets Small Cap Net Dividend Index. LACERS will consider separately managed accounts and fund-of-fund options.

Emerging Managers (as defined by LACERS' Emerging Investment Manager Policy) are encouraged to participate in this search, subject to LACERS investment policies (including LACERS' Emerging Investment Manager Policy) and any provisions specifically stated in this search document that pertain only to Emerging Managers. LACERS will consider Emerging Manager mandates based on the criteria outlined in the search document.

LACERS will retain sole discretion to determine the appropriate number of managers and mandate sizes based on the aggregate pool of non-emerging and emerging manager finalists.

This document details the requirements and instructions for interested firms who meet the minimum qualifications as outlined below.

B. MINIMUM QUALIFICATIONS

A proposing firm (Proposer) must fulfill **all** of the minimum qualification requirements to LACERS' satisfaction to be given further consideration. The Proposer must complete the *Minimum Qualification Certification (Exhibit 1)* substantiating that the Proposer satisfies all minimum qualifications and requirements. Failure to satisfy each of the minimum qualifications may result in the immediate rejection of the proposal.

1. The Proposer is a registered investment advisor under the Investment Advisors Act of 1940 or possesses a bank exemption.
2. The Proposer must be directly responsible for the management of the account, and all personnel responsible for the account must be employees of the firm or a legal joint venture partner.
3. The senior members of the Proposer's investment team must have worked together at the firm for at least one year as a legal entity.
4. The Proposer must have a minimum of \$50 million under management in the proposed product as of March 31, 2019.

5. The proposed product's assets under management must be of sufficient size such that LACERS' expected mandate size would not comprise more than 25% of the proposed product assets inclusive of LACERS assets.

6. The Proposer must have a minimum of five years of verifiable GIPS-compliant performance history actively managing the proposed product for institutional clients. Emerging Managers (as defined by the LACERS Emerging Investment Manager Policy) with a GIPS-compliant track record of less than five years for the proposed strategy may submit this track record and a supplemental track record established at a prior firm when performance can clearly be attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.

7. The Proposer must be willing to accept the MSCI Emerging Markets Small Cap Net Dividend Index as the mandate benchmark consistent with the style of the proposed strategy, along with an objective of outperforming the benchmark by 150 basis points (net-of-fees), annualized over a full market cycle (normally three-to-five years).

8. At least 50% of rolling four quarter information ratios (i.e., excess return divided by excess risk) must be positive versus a mandate-appropriate benchmark, gross of fees, for the last five years (10 of 20 quarters) ended March 31, 2019.

9. The Proposer must submit their monthly and quarterly product composite returns and quarterly portfolio characteristics since inception through March 31, 2019 to NEPC's designated product database, eVestment. LACERS staff reserves the right to request more recent returns and portfolio information from candidates subsequent to receiving RFP responses.

10. The composite performance history submitted to eVestment must be actual results (not simulated or back-tested).

11. The Proposer must carry the following insurance coverage or must have applied for it by contract execution:

a. General Liability	---	min	\$ 1,000,000
b. Error and Omissions (Professional Liability)	---	min	\$ 1,000,000
c. Fiduciary Liability	---	min	\$ 1,000,000
d. Workers' Compensation and Employer's Liability	---	min	\$ 1,000,000

LACERS reserves the right to require a higher insurance coverage, if it deems necessary.

Please see the LACERS' *General Conditions*, No. 33, *Bonding, Insurance and Indemnification* for evidence of insurance coverage requirements.



All minimum qualifications, except for No.14 – insurance coverage, must be met as of, **July 22, 2019, 4:00 P.M. Pacific Time (PT)**.

C. SCHEDULE

- 1. Search Document Available to Prospective Proposers June 10, 2019

Should a firm need further clarification on the specifications contained in this document, the Proposer may e-mail questions to lacers.invest@lacers.org and LACERSRFPPResponse@NEPC.com. The subject line of the e-mail should show the name of your firm and 'Emerging Market Small Cap Equities Mandate Search Questions'. Responses to questions will be posted at: lacers.org and NEPC.com

- 1. Written Questions Submission by e-mail June 24, 2019 – 4:00 P.M. PT
- 2. Response to Written Questions posted on LACERS website: July 8, 2019
- 3. Final Date for Proposal Submission July 22, 2019 – 4:00 P.M. PT
- 4. Interviews of Finalists TBD
- 5. Contract Start Date TBD

D. SUBMISSION REQUIREMENTS

- 1. **Response Format.** To be eligible for evaluation, a proposal must adhere strictly to the format set forth below. Failure to do so may result in disqualification. Proposers must address each of the required sections indicated below. Completeness, clarity and brevity are stressed in the responses. All forms provided in this response must be completely filled out. If a question does not apply to you, please write in “not applicable” and then state the reason why the question does not apply to your firm.

The content and sequence of the proposal will be as follows:

<u>Section</u>	<u>Title</u>
I	Cover Page
II	Table of Contents
III	Letter of Transmittal
IV	Required Documents

- I. Cover Page
Title for cover page: “Emerging Market Small Cap Equities Mandate Search”.
- II. Table of Contents
Immediately following the cover page, there must be a comprehensive Table of Contents of the material included in the proposal. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.

III. Letter of Transmittal

A letter of transmittal must accompany all responses and be placed as the first page of this search document. The letter of transmittal must further state that the response to this search is valid for six (6) months subsequent to the proposal due date. The letter of transmittal MUST:

1. Identify the search as “Emerging Market Small Cap Equities Mandate Search”;
2. Identify the submitting organization;
3. Identify the name and title of the person authorized by the organization to contractually obligate the organization;
4. Identify the names, titles, telephone and fax numbers, and e-mail addresses of persons to be contacted for clarification;
5. Certify that your firm has fully complied with all provisions of this document and that all statements are true and accurate, and that the firm has not knowingly made any false or misleading statements in its proposal; Emerging Managers must certify that their firm qualifies as an Emerging Manager pursuant to the Minimum Qualifications listed in Section B.
6. Be signed by a person authorized to contractually obligate the organization.

IV. Required Documents

1. Minimum Qualification Certification (*see Exhibit 1*)
 2. Fee Proposal (*see Exhibit 2*)
 3. Clients and References (*see Exhibit 3*)
 4. Standards of Conduct (*see Exhibit 4*)
 5. Scope of Services (*see Exhibit 5*)
 6. Questionnaire (*see Exhibit 6*)
 7. City Requirements (*see Exhibit 7 – General Conditions and Compliance*)
2. Responses including all Required Documents must be e-mailed to lacers.invest@lacers.org and LACERSRFPResponse@NEPC.com no later than **July 22, 2019 – 4:00 P.M. PT.**

E. EXHIBITS

EXHIBIT 1 MINIMUM QUALIFICATION CERTIFICATION

Firm Name & Proposer Product: _____

The Proposer warrants that it will meet **all** of the Minimum Qualifications presented in Section B by July 22, 2019 – 4:00 P.M. PT.

If submitting proposal as an Emerging Manager according to the LACERS' definition, the Proposer certifies that the firm meets this definition.

Check this box if Proposer is submitting as an Emerging Manager

Authorized Signature

Print Name

Title

Date

EXHIBIT 2
FEE PROPOSAL

Firm Name & Proposer Product: _____

Provide the fee schedule for this Product as disclosed in the firm's ADV (if applicable). Under the firm's published fixed fee schedule, what would the annual cost (expressed in basis points per annum) be to LACERS if the mandate size is assumed to be to approximately \$75 million to \$230 million.

Asset Based Fee:

	(A) Mandate Size	(B) Fee on Mandate (BPs)	(C) Fee (A)*(B)
Fee Tier 1			
Fee Tier 2			
Fee Tier 3			
Fee Tier 4			
Fee Tier 5			
Fee Tier 6			

Total Mandate Size	
Total Fee (Dollars)	
Total Fee (BPs)	

Emerging Managers should also submit a fee proposal based on a mandate size that is 25% of their small cap equity product AUM as of March 31, 2019, if that calculation results in a mandate size less than \$75 million.

EXHIBIT 3
CLIENTS AND REFERENCES

1. Provide references of five (5) largest public pension plans (by portfolio asset size) using the format below. Please secure advanced permission to contact at least three (3) of these references. If there are fewer than three references, then include all.

Client Name	Mandate	Relationship since (month/year)	AUM (US\$ million)	Contact Name	Title	Telephone#	E-mail
1.							
2.							
3.							
4.							
5.							

2. Provide a list of all accounts that have been lost from your Emerging Market Small Cap Equities product within the last five (5) years using the format below:

Client Name	Mandate	Size of Fund (US\$ million)	Reason(s) for Termination
1.			
2.			
3.			
4.			
5.			

EXHIBIT 4
STANDARDS OF CONDUCT

STANDARDS OF CONDUCT

1. a. Disclose any financial or other relationship you have or have had with any LACERS Board member, consultant, or LACERS employees. If there are no conflicts of interest, please state, "There are no conflicts of interest to report."

- b. Disclose any gifts (meals, tickets, anything of value over \$50, etc.) that you have given to any LACERS Board member, consultant, or LACERS employee in the last 12 months using the format below:

No.	Date (mm/dd/yy)	Given to	Description of Gifts ¹	Value (US\$)

¹ Gifts could be in the form of meals, tickets, paid travel, anything of value over \$50, etc.

2. Do you have any written policies or procedures to address conflicts of interest? If so, please provide as part of this exhibit.

3. What potential conflicts of interest are posed by other activities undertaken by the organization, if any? How are these addressed?

4. For the past 10 years has the firm, its officers or principals or any affiliate ever:
 - a. been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization,

 - b. been a party to or settled any litigation concerning breach of fiduciary responsibility or other investment related matters, or

 - c. submitted a claim to your errors & omission, fiduciary liability and/or fidelity bond insurance carrier(s)?

If 'yes' to any, please provide details and the current status or disposition.

5. Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct? Does the firm have a written code of conduct or set of standards for professional behavior? If so, how is employee compliance monitored?



EXHIBIT 5
SCOPE OF SERVICES

Firm Name & Proposed Product: _____

LACERS estimates approximately up to \$230 million will be allocated to the Emerging Market Small Cap Equity mandates. The selected firm(s) retained under contract by LACERS must be responsible for providing investment management of LACERS' Emerging Market Small Cap Equity strategies. LACERS retains the right to award and to withdraw from the strategy to and from the selected firms, as it deems necessary. The selected firms will be expected to comply with LACERS' Investment Policy and investment-related policies, which can be found at:

<http://www.lacers.org/aboutlacers/board/LACERS%20Board%20Governance%20Policies.pdf>

The selected firms will also be expected to comply with the City of Los Angeles' Standard Provisions for City Contracts (Appendix B).

EXHIBIT 6
QUESTIONNAIRE

Firm Name & Proposed Product: _____

Please complete the NEPC Questionnaire (see *separate document, Exhibit 6. NEPC Emerging Market Small Cap Equities Questionnaire*) and submit as part of this search as Exhibit 6.

EXHIBIT 7
GENERAL CONDITIONS AND COMPLIANCE

All Proposers are to review the following documents:

1. Appendix A - General Conditions
 - Attachment 1 - Confidentiality & Non-Disclosure of Member Information
 - Attachment 2 - RFP Warranty/Affidavit
 - Attachment 3 - Marketing Cessation Policy
 - Attachment 4 - Marketing Cessation Proposer Disclosure Form
 - Attachment 5 - Bidder Certification – City Ethics Commission Form 50
 - Attachment 6 - Bidder Certification – City Ethics Commission Form 55
 - Attachment 7 - Form 700 Filers
2. Appendix B - Standard Provisions for City Contracts
3. Appendix C - Additional Forms
 - a. Attachment 1 - Workforce Composition
 - b. Attachment 2 - Gender Equity Disclosure Form
4. Appendix D - Sample of LACERS Investment Management Agreement

All Proposers are to provide completed **City Required Forms** (see below) and include as Exhibit 7:

1. Warranty/Affidavit (Appendix A, Attachment 2). The document must be signed and notarized.
2. Proposer Disclosure Form (Appendix A, Attachment 4).
3. Bidder Certification – City Ethics Commission Form 50 (Appendix A, Attachment 5). Please leave BAVN number section blank.
4. Bidder Certification – City Ethics Commission Form 55 (Appendix A, Attachment 6). Please leave BAVN number section blank.
5. Insurance Requirements (See Section B Minimum Qualification #14 and Appendix B)
6. Workforce Composition (Appendix C, Attachment 1)
7. Gender Equity Disclosure Form (Appendix C, Attachment 2)

FAILURE TO COMPLETE THESE DOCUMENTS MAY DEEM YOUR PROPOSAL AS NON-RESPONSIVE.