



MILWAUKEE COUNTY
EMPLOYEE'S RETIREMENT SYSTEM
PENSION BOARD

REQUEST FOR PROPOSAL
NUMBER: 98180037

EMERGING MARKETS DEBT

Issued: NOVEMBER 29, 2018

Response Due Date: DECEMBER 21, 2018
12:00 PM

Request for Proposals (RFP) – Emerging Markets Debt

The Employees' Retirement System (ERS) of Milwaukee County is requesting proposals from interested firms for Emerging Markets Debt management. The Pension Board is seeking to identify one or more firms to manage a long-only Emerging Markets Debt allocation of approximately \$52 million.

Responses are due: 12:00 P.M. on December 21, 2018

The RFP questions can be obtained by e-mailing:

Ben Mohr, CFA
Marquette Associates
E-mail: bmohr@marquetteassociates.com

OR can be downloaded through the ERS web site:

<http://www.county.milwaukee.gov/retirement/requestforproposalrfp.htm>

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A. Purpose

This Request for Proposal ("RFP") has been issued by the Pension Board of the Employees' Retirement System of Milwaukee County ("the ERS" or "System") to identify one or more firms ("Manager") who will be eligible to manage Emerging Markets Debt assets.

The ERS anticipates selecting Manager(s) that it identifies, through the RFP process, that are most likely to successfully outperform the Benchmark with controlled risk. The ERS anticipates funding the Manager(s) with approximately \$52 million.

The ERS's Investment Consultant, Marquette Associates, will be receiving and analyzing all responses from the RFP.

Proposals are being distributed to firms familiar to the ERS and the Investment Consultant known to fit the parameters. However, qualified firms that do not receive a RFP are encouraged to compete so long as the firm and product meet the minimum requirements outlined in section B. A copy of the RFP may be obtained from the Milwaukee County website:

<http://www.county.milwaukee.gov/retirement/requestforproposalrfp.htm>

B. Minimum Qualifications

In order to be considered for selection as a Manager, the Proposer must meet the following minimum qualifications:

- **The manager must have the ability to act as a fiduciary to the ERS.**
- **The firm must be a registered investment advisor with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended, and the registration must be current.**
- **The firm/manager must have an E&O Insurance Policy minimum of \$5 million.**
- **The manager must have an Emerging Markets Debt product with a minimum track record of 10 years.**
- **The product must have a mutual fund, commingled fund, or limited partnership product option. Separate account options will not be considered.**

- The firm must have at least \$10 billion in firm assets under management as of September 30, 2018.
- The manager must have at least \$1 billion of assets in the proposed Emerging Market Debt product as of September 30, 2018.
- The manager must have at least 2 senior members of the investment team that have been in place on the product for at least 5 years.

C. Scope of Services

The ERS is looking to place assets with a Manager that can perform the following services:

- Provide monthly and quarterly reporting to ERS and the Investment Consultant.
- Complete quarterly and/or monthly requests for information from the Investment Consultant.
- Participate in meetings or conference calls as needed.

D. Submission of Proposals

- Proposals should first indicate whether or not the firm meets all the minimum requirements stated in **Part B** and **provide a checklist of each requirement met.**
- Completed responses must include a proposed sample Investment Management Agreement, Form ADV II, and the most competitive cost proposal available.
- RFP must indicate the exact title of the proposed fund and the legal structure.
- Upon completion of **Part F**, submit no later than 12:00 p.m. on December 21, 2018 electronically to:

Ben Mohr, CFA
Marquette Associates
E-mail: bmohr@marquetteassociates.com

E. Evaluation and Selection

Proposals received will be evaluated by a panel that will be composed of some of the members of the Pension Board, with the advice and assistance of the ERS's Investment Consultant, Staff and Legal Counsel. Proposers may be requested to present at an interview or interviews. The evaluation panel will make recommendations to the Pension Board of the System, which will make the final selection of a firm or firms.

The recommendation(s) of the evaluation panel will be made on a consensus basis after reviewing the proposals submitted based on the following criteria:

- Compliance with the Minimum Requirements in Section B
- Overall experience, history, and past performance of the organization
- Manager team experience
- Process and philosophy of Manager
- Return and Risk of the Manager relative to the Benchmark
- Fees

The Pension Board of ERS will make its selection(s) by a majority vote at a public meeting of the Board. The ERS will select the Manager(s) the ERS determines to be fully qualified and best suited among those submitting proposals. ***All proposals received in response to this RFP may be rejected and the ERS may seek new or additional proposals or may decline to select any Manager(s).***

Please note: The ERS is subject to Wisconsin open records law, 19.21 *et seq* of the Wisconsin statutes. All proposals will be deemed open records upon completion of the selection process. If a proposer believes that any portion of its proposal constitutes a trade secret pursuant to 19.36(5), Wis. Stats., the proposal must designate in some fashion those portions that the proposer asserts are trade secrets. In the event an open record request is received by ERS, ERS will make an independent determination of those records that it will release and is not bound by any designations made by proposers.

Candidates will be notified of their status in the RFP process when available.

F. Request for Proposal

Please use data as of September 30, 2018 unless otherwise directed

I. Firm

- 1) Please provide the year your firm was established and give a brief history of your firm.
- 2) Please provide the organization's name, and the name, title, address, phone number, fax number, and email address of the individual who will be our primary contact.
- 3) Please provide the address and website of the firm's headquarters and all branch offices.
- 4) Please comment on the financial solvency of your firm.
- 5) Do you have any firm debt?
- 6) What is the amount of firm debt?
- 7) What are the plans, with timeframe described, to pay off the firm debt?
- 8) What is the minimum asset level required for your firm to remain profitable?
- 9) Please provide a brief description of your firm's plans for growth, such as asset growth, personnel growth, succession planning, over the next 3-5 years.
- 10) Please give succession plans for key employees if retirements are planned within 5 years.

II. Ownership

- 11) Please discuss your general ownership structure, including what percentage of your firm is owned by current active employees.
- 12) Have there been any changes in the ownership structure of your firm in the past five years? If yes, please explain in detail.
- 13) Please explain any known or potential changes in firm ownership or personnel.

III. Client Breakdown

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14) Please provide the firm's breakdown by clients as of the current date (as measured by % of assets under management) using the following format. Please provide a brief explanation as to the contents of "other."

	Corporate	Foundation/ Endowment	HNW/ Family	Insurance/ Financial	Mutual Fund	Public
Firm						
Product						

	Religious	Taft- Hartley	Sub- Advisory	Wrap*	Other
Firm					
Product					

15) Please provide the product's breakdown by clients as of the current date (as measure by # of clients under management) using the following format. Please provide a brief explanation as to the contents of "other."

	Corporate	Foundation/ Endowment	HNW/ Family	Insurance/ Financial	Mutual Fund	Public
Firm						
Product						

	Religious	Taft- Hartley	Sub- Advisory	Wrap*	Other
Firm					
Product					

16) Please provide the approximate client turnover in the *firm* using the format below.

	2012	2013	2014	2015	2016	2017	YTD
# of Clients Gained							
Assets (\$MM) Gained							
# of Clients Lost							
Assets (\$MM) Lost							

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17) Please provide the approximate client turnover in the *product* using the format below.

	2012	2013	2014	2015	2016	2017	YTD
# of Clients Gained							
Assets (\$MM) Gained							
# of Clients Lost							
Assets (\$MM) Lost							

18) Please provide the following information on the product's client breakdown:

	Assets (in Millions)
Average Client Size:	
Largest:	
Smallest:	

IV. Investment Professionals

Firm Specific:

- 19) Please provide brief biographies of the investment professionals (analysts/portfolio managers/traders) in the firm.
- 20) Please list your branch office locations that house investment professionals.
- 21) List ownership and % held by the investment professionals of your firm.
- 22) List directorships or board positions held by investment professionals at other firms.
- 23) Please discuss the compensation plan of the investment professionals. Please distinguish the differences between the portfolio manager's compensation and analyst compensation.
- 24) Please specifically describe whether the bonus plans are based on asset growth, investment performance, or some combination. If any or part of the compensation is based on investment performance, please specifically cite the

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performance measurement (performance vs. peers, vs. benchmark) and the time period involved (1 year, 3 years, or a weighted measurement).

- 25) Are the investment professionals under employment contracts with the firm?
- 26) What are the terms of the employment contracts, including non-compete clauses?
- 27) Discuss all turnover of investment professionals (analysts/portfolio managers/traders) in the firm during the last three years.
- 28) Is your firm represented by any third party firm or individual whose purpose is marketing and/or gathering assets for the firm? If so, list all relationships and compensation structure.
- 29) Are you a registered minority (at least 51% minority owned) investment manager? If so, please attach state or local registration.

Product Specific:

- 30) Please provide brief biographies of the investment professionals (analysts/portfolio managers/traders/operational due-diligence personnel) on this product.
- 31) Please list branch office locations that house investment professionals that work on this product.
- 32) What is the estimated percentage of time each professional devotes solely to this product?
- 33) Do your investment professionals invest their own assets in this product?
- 34) Does the day-to-day portfolio manager have more than one-third of his or her liquid net worth invested in this product?

V. Products Offered

35) What are the total assets for the various investment products offered by your firm using the following table:

Product	Assets Under Management (in millions)					Availability: CF, SA, or MF
	2014	2015	2016	2017	YTD	

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any other regulatory agency? If yes, please explain thoroughly.

- 46) Has your firm been audited by the SEC, DOL, or any other regulatory agency in the past 5 years?
- 47) When was your last audit, please be specific by month and year, but the SEC, DOL or any other regulatory agency?
- 48) Are you a registered investment advisor? Please attach a copy of your ADV Part II.
- 49) What is your firm's Errors & Omissions (E&O) Insurance policy limit in millions? Please attach proof of E&O Insurance coverage.
- 50) Please explain any and all findings on your most recent SEC audit, including minor deficiencies. Please attach a copy of the SEC Review findings and firm responses.
- 51) Do you have a dedicated compliance officer?
- 52) Does this person serve other roles within the firm? If so, please describe.
- 53) Who is the firm's independent auditor?
- 54) How long has firm's independent auditor been serving in this capacity?
- 55) Who is the firm's legal counsel or do you use an in-house legal team?
- 56) Please provide brief biographies for your legal counsel, indicating how long they have been serving in this capacity.
- 57) Please describe your firm's disaster recovery and business continuity plans,
- 58) Please address the most recent date and the numbers of times you have practiced and tested your procedures in the past 5 years, and the results of those exercises.
- 59) Please provide a copy of your firm's disaster recovery and business continuity procedures.
- 60) Please address your back-up capabilities and/or offsite location, particularly related to your trading desk, in the event your primary office location was inaccessible.
- 61) What is your firm's personal trading policy?

- 62) What are your procedures for personal trading policy violations?
- 63) How many violations of your personal trading policy have occurred in the past 12 months? Please describe the nature of each violation.
- 64) What software, systems and/or processes ensure client-specific guidelines and regulations are adhered to?

VII. Trading and Soft Dollars

- 65) Please describe your firm's policy on soft dollar trading.
- 66) If your firm utilizes soft dollar, please list the top five brokers utilized in the **last calendar year**:

Broker
1)
2)
3)
4)
5)

- 67) If your firm utilizes soft dollars, please rank by dollar value, in descending order, your top-five soft dollar relationships within the last year:

Item/Vendor	Dollar Value (\$)
1)	
2)	
3)	
4)	
5)	

- 68) If a client requests no soft dollars be used in the construction of their separate account, can you comply?
- 69) If you didn't use soft dollars, what impact would that have on portfolio performance and trading costs?
- 70) Please describe the trading platforms utilized by your firm's trading desk.
- 71) Do you run a 24-hour desk to trade internationally? Please describe how your break out these duties among your trading staff.

- 72) Do you utilize minority-owned brokerage firms for trades?
- 73) Please provide a list of the minority-owned brokerage firms you utilize.
- 74) Please discuss your portfolio manager's interaction with your trading desk.
- 75) How are orders communicated, does the portfolio manager specify bids, etc.

VIII. Product Investment Process

76) Please provide a complete review of your firm's investment methodology for the product and the decision making process. Please comment specifically on:

- Top-down versus bottom-up analysis, if appropriate
- Initial bond universe/benchmark
- Liquidity criteria
- Credit Research
- Security selection criteria
- Buy/sell decision
- Sector weightings
- Number of portfolio holdings
- Duration positioning
- Yield Curve positioning
- Currency decisions

77) Please provide the closest estimate of the decision making process of the product by weighting the following factors:

	Percent
Country	
Currency	
Yield Curve Positioning	
Sector Selection	
Security Selection	
Total	100%

- 78) Against what benchmark is the product evaluated?
- 79) Do you think this is the appropriate benchmark or would you prefer an alternate benchmark? If so, please discuss.
- 80) Do you invest in out of benchmark securities? If so, please list the out of benchmark sectors you invest in (e.g. US high yield etc.), as well as the

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maximum weight to these sectors in the table below.

Sector	Current Weight	Max Weight

- 81) Can this product be managed to a custom benchmark?
- 82) What would you consider the Emerging Market Debt team's expertise?
- 83) If this strategy was completely unconstrained (e.g. best ideas) would it be managed differently? If so, how?
- 84) What is the product's separate account minimum?
- 85) Will there ever be a time when a sector is not represented?
- 86) What part(s) of your process add the most value? Please provide backup data on your answer.
- 87) Has there been a time when the product significantly underperformed its benchmark over a consecutive three-quarter period? If so, please explain.
- 88) Has there been a performance time period that best highlights your investment style? If yes, please explain in detail.
- 89) Have there been any changes to the product's investment process over the past five years? If yes, please describe in detail.
- 90) Please discuss your risk analysis and control methodology.
- 91) Please discuss your assessment of the current market outlook and how your firm plans to provide superior performance for clients in the years ahead.
- 92) What distinguishes your firm from other investment managers with respect to this product?
- 93) Country and Currency Allocations:

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	Minimum (% Market Value)	Maximum (% Market Value)
Single Issuer		
Single Issue		
Sectors <i>EMD-Local Currency</i> <i>EMD-Hard Currency</i> <i>EMD-Sovereign</i> <i>EMD-Corporate</i> <i>EMD-Structured Product</i> <i>High Yield</i> <i>Non-US\$Developed</i> <i>Other (Please Specify)</i>		
Country		
Currency		

94) Sector Allocations:

	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
	Portfolio	Index: _____	Portfolio	Portfolio	Portfolio	Portfolio
Sector Break-outs	%	%	%	%	%	%
Government						
US						
Developed Market (Hard)						
Developed Market (Local)						
Emerging Market (Hard)						
Emerging Market (Local)						
Corporate						
US						
Developed Market (Hard)						
Developed Market (Local)						
Emerging Market (Hard)						
Emerging Market (Local)						
Structured						

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Product						
US						
Developed Market (Hard)						
Developed Market (Local)						
Emerging Market (Hard)						
Emerging Market (Local)						
Other						
Cash						
Total Portfolio (%)	100%		100%	100%	100%	100%
Index (%)		100%				

IX. Fees, Security, and Other

95) What is your standard fee schedule for this product? Please list "Marquette client" fees, including minimum account sizes and breakpoints, for all vehicles (separate account, CIT, LP, LLC, mutual fund) available for this strategy. Please complete the following table for all commingled funds for this strategy.

Fund/Vehicle Name & Type (CIT, LP, etc.)	Onshore/Offshore	3c1/3c7	ERISA Eligible?	ERISA Capacity	DB Eligible?	DC Eligible?	Non-ERISA Eligible?	Liquidity

96) What is the current Most Favored Nations Policy?

97) How do you ensure compliance with this policy?

98) Please provide three references, including contact phone number and email address. Please include, at least, one current and one former client in your references.

99) Describe the firm's security environment. Specifically cover the physical,

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digital security, and policy measure safeguards that you have put in place to control access to portfolio reporting systems and client account information.

- 100) Describe your firm's approach to securing email and web communications.
- 101) How does your firm defend against cyber attacks?
- 102) How does your firm secure mobile devices such as phones, tablets, and laptops?
- 103) Have you had your security assessed by a third party? If so, when was this last completed and by which provider?
- 104) Has your firm ever had a data security breach? If so, please describe the incident as well as the corrective actions.
- 105) Please provide three references, including contact phone number and email address. Please include, at least, one current and one former client in your references.

X. Attachments and Disclosure

Please check off items included as attachments. If any **required** items are excluded, please indicate an alternate means for our review of requested items.

Required	Included?
ADV Part II	_____
SEC Review Findings Letter	_____
Disaster Recovery and Business Continuity Plans	_____
Code of Ethics	_____
Proof of E&O Insurance Coverage	_____
 Include, if Applicable	 Included?
State or Local Registration for M/WBE	_____
GIPS Verification Letter	_____

Chief Compliance Officer Signature

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I, chief compliance officer of _____, have reviewed all of the aforementioned statements and documents. To the best of our ability, we believe all statements and documents to be accurate, truthful and timely.

Signature

Print Name