

**Introduction:**

The Employees' Retirement System (ERS) of Milwaukee County ("the Plan") is requesting proposals from investment management firms interested in providing volatility risk premium investment management services to the Plan. ERS will only consider commingled vehicles with monthly or better liquidity terms and at least 3 years of track record.

**Purpose:**

The Plan is soliciting firms to provide volatility risk premium investment management services for a mandate of approximately \$40-65 million. This Request for Proposal ("RFP") is not an offer to contract, but seeks the submission of proposals from qualified, professional firms.

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 an RFP are encouraged to compete so long as the firm and product meet the minimum requirements outlined below. A copy of the RFP may be obtained from the Milwaukee County website:

<https://county.milwaukee.gov/EN/Admin-Services/Bids-and-RFPs>

**Timeline:**

RFP Date of Issue:	September 27, 2021
RFP Due Date:	October 18, 2021, 5:00 PM Central Time
Proposal Evaluation (Tentative):	To Be Determined
Finalists Notification (Tentative):	To Be Determined
Finalists Presentations (Tentative):	To Be Determined

**Submission Process:**

The RFP process will be overseen by the Plan's investment consultant, Marquette Associates. The RFP is available on the Plan's website listed above. Questions concerning the RFP must be submitted via email to [nkellogg@marquetteassociates.com](mailto:nkellogg@marquetteassociates.com). Any responses received after the deadline will not be considered for this search.

**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 requests for information from the Investment Consultant.
- Participate in meetings or conference calls as needed.

The manager shall serve as a fiduciary to the Plan and have independent discretionary authority with respect to the management of the portfolio and subject to the agreed upon objectives and guidelines.

The Respondent, a qualified investment adviser, will directly manage assets for the Board in a commingled fund for an active volatility risk premium portfolio mandate.

**Minimum Qualifications:**

To be qualified to participate in the RFP, all respondents must meet all of the following minimum qualifying criteria. The respondent must:

1. Accept responsibility as a fiduciary with respect to the work performed and investment recommendations made by the Firm.
2. 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.
3. The firm/manager must have an E&O Insurance Policy minimum of \$5 million.

Furthermore, all respondents must meet all of the following minimum qualifying criteria unless the firm is at least 51% minority, women, or disabled owned. Unless qualified as a minority, women, or disabled-owned business, the respondent must:

1. Manage at least \$500 million in total firm assets as of June 30, 2021.
2. Demonstrate historical management of at least \$300 million of assets in the proposed strategy.
3. Provide a verifiable track record for the proposed strategy with at least five years of history.

If respondent does not meet any of the minimum qualification requirements above, respondent should not submit a proposal to the Plan.

**Evaluation Criteria:**

1. Investment Philosophy and Methodology
2. Firm Background, Experience and Reputation
3. Portfolio Management and Client Services
4. Reasonableness of Fees
5. Fit with the Plan's Overall Investment Policy and Allocations Among Existing Investment Advisers
6. Performance

The Pension Board of ERS will make its selection(s) by a majority vote at a public meeting of the Board. The Pension Board will select the Managers(s) it 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 Pension Board 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.

The consultant, with the guidance of the Plan's staff, shall determine how well the proposal meets the review criteria. The consultant shall present a list of higher qualified respondents to the Board.

**Disposition of Proposals:**

All proposals become the property of the Plan and will not be returned to the respondent. The Plan reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance of the conditions contained in this RFP

**Volatility Risk Premium Request for Proposal**

Product Class: Volatility Risk Premium

Product Name:

Data as of:

Marquette Contact: Nat Kellogg

Recipient Email: [nkellogg@marquetteassociates.com](mailto:nkellogg@marquetteassociates.com)

Questionnaire received back via: email

**I. Firm**

- 1) Please provide the year your firm was established and give a brief history of your firm.
- 2) Please provide details on the firm structure.
- 3) 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.
- 4) Please provide the address and website of the firm's headquarters and all branch offices.
- 5) Please comment on the financial solvency of your firm.
- 6) Do you have any firm debt? If yes, 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**

14) Please provide the firm's and product'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 firm's and 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.

	2015	2016	2017	2018	2019	2020
# of Clients Gained						
Assets (\$MM) Gained						
# of Clients Lost						
Assets (\$MM) Lost						

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

	2015	2016	2017	2018	2019	2020
# 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) in the firm.

20) Please provide an org chart for the firm/product. If investment committee members are not clearly identified by the org chart, please list investment committee members

and provide their contact information.

- 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 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/marketers) 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) What is the estimated percentage of time each professional devotes solely to this product?
- 32) Do your investment professionals invest their own assets in this product?
- 33) Does the day-to-day portfolio manager have more than one-third of his or her liquid net worth invested in this product?
- 34) What is the GP commitment or investment in the fund (either \$ amount, or as a % of fund assets)?

## 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: Offshore, OnShore
	2016	2017	2018	2019	2020	

36) What is the minimum account size for a separately-managed portfolio for all your products? Please specify by product.

37) Has the firm terminated any products since inception?

## VI. Compliance

38) Please attach a copy of your firm's Code of Ethics.

39) Is your firm affiliated with a broker dealer?

40) Are you a registered investment advisor? Please attach a copy of your ADV Part II.

41) Please provide a brief description of any past or pending regulatory action, litigation, or other legal proceedings involving the firm or any registered employees and/or principals as defendants in the last 5 years.

42) Are you currently or have you been in the last 5 years out of compliance with the SEC? If yes, please explain thoroughly.

43) Are you currently or have you been in the last 5 years out of compliance with the DOL? If yes, please explain thoroughly.

44) Are you currently or have you been in the last 5 years out of compliance with any regulatory agency? If yes, please explain thoroughly.

45) Has your firm been audited by the SEC, DOL, or any regulatory agency in the past 5 years?

- 46) When was your last audit, please be specific by month and year, by the SEC, DOL or any regulatory agency?
- 47) 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.
- 48) Are you a registered investment advisor? Please attach a copy of your ADV Part II.
- 49) Please describe the firm's anti-money laundering process.
- 50) What is your firm's Errors & Omissions (E&O) Insurance policy limit in millions? Please attach proof of E&O Insurance coverage.
- 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 the 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. Product Investment Process

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

- Number of securities and weighting decisions
- Type/philosophy/style of investments that are attractive
- Leverage, use of cash, shorting methodology, historical drawdowns
- Top-down macro influences on the product
- Sell decisions and average annual portfolio turnover
- Internal decision making structure (team or individual)
- Target return & volatility

66) What market conditions would lead to poor performance for this product?

67) Have there been any changes to the product's investment process over the past five years? If yes, please describe in detail.

68) Are there asset capacity constraints on the product?

69) What are the factors influencing this issue?

70) Explain the process of allocating new client assets.

71) How is cash drag minimized?

72) What is the current cash weighting in the product (% based on total market value)?

73) Please discuss your assessment of the current investment environment outlook for this product and how your firm plans to provide superior performance for clients in the years ahead.

74) What distinguishes your firm from other fund managers with respect to this product?

75) Please list all of your current service providers in the following functions:

Administrator:

Auditor:

Legal Counsel:

Custodian:

Prime Brokers:

Risk Management System (if using an external provider):

## VII. Trading and Soft Dollars

76) Please describe your firm's policy on soft dollar trading.

77) If your firm utilizes soft dollar, please list the top five brokers utilized in the **last calendar year**:

Broker
1)
2)
3)
4)
5)

78) 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)	

79) If a client requests no soft dollars be used in the construction of their separate account, can you comply?

80) If you didn't use soft dollars, what impact would that have on portfolio performance and trading costs?

81) Please describe the trading platforms utilized by your firm's trading desk.

82) Do you utilize minority-owned brokerage firms for trades?

83) Please provide a list of the minority-owned brokerage firms you utilize.

84) Are you conducting step-outs or direct trades with minority-brokerage firms? Please indicate the breakout of step-outs to direct trades.

85) What percentage of your firm's actual trades are with minority-owned brokerage firms?

86) Please discuss your portfolio manager's interaction with your trading desk.

87) How are orders communicated, does the portfolio manager specify price, etc.

## VIII. Fees, Structure, Security, and Other

- 88) Please list all of the fee and liquidity options for this product. Please detail the different share classes associated with the different fee and liquidity terms. Please be specific around liquidity terms (days notice, investor level gate, etc.).
- 89) What is the current Most Favored Nations Policy?
- 90) How do you ensure compliance with this policy?
- 91) Describe the firm's security environment. Specifically cover the physical, digital security, and policy measure safeguards that you have put in place to control access to portfolio reporting systems and client account information.
- 92) Describe your firm's approach to securing email and web communications.
- 93) How does your firm defend against cyber attacks?
- 94) How does your firm secure mobile devices such as phones, tablets, and laptops?
- 95) Have you had your security assessed by a third party? If so, when was this last completed and by which provider?
- 96) Has your firm ever had a data security breach? If so, please describe the incident as well as the corrective actions.
- 97) Please provide three references, including contact phone number and email address. Please include, at least, one current and one former client in your references.
- 98) Please list all of operating expenses charged to the fund.
- 99) What were total operating expenses charged to the fund (as a % of total fund assets) for the last fully audited calendar year (i.e. 2013)?
- 100) Please detail the fund structure and why this structure was chosen (list onshore and offshore vehicles, master feeder or side-by-side structure, etc.)
- 101) What are the tax implications for both taxable and non-taxable clients associated with this structure?
- 102) Are you open to side letters to address client legal concerns?
- 103) Do you act as an ERISA fiduciary?
- 104) If this is not an ERISA fund, what is your current ERISA capacity?
- 105) Please complete the following table for each vehicle associated with this product.

Please put an (X) where applicable

Fund/Vehicle	Onshore	Offshore	3c1	3c7	ERISA Fiduciary?	ERISA Capacity	QPAM?

106) For off-shore vehicle, please list the board of directors and compensation

107) 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. Diversity and Inclusion

108) Diversity is important to the Pension Board of the MCERS. The Board believes that racial, ethnic, and gender diversity amongst both leadership and staff within an investment organization can translate into diversity of thought and augment the decision-making process, ultimately leading to better outcomes for investors. Please comment on your organization's commitment to building a diverse workforce. Please quantify these efforts.

109) The Pension Board of the MCERS is dedicated to expanding exposure to top performing fund managers that demonstrate exceptional potential and are committed to diversity in their investment decision-making process, ownership structure and compensation and profit-sharing policies. As such the Pension Board of the MCERS shall make a good faith effort to invest with qualified emerging managers who fit this definition. Please comment on your organization's efforts to invest in emerging managers or companies across your investment platform and quantify these efforts. As a general guideline, MCERS defines emerging managers as newer, independent private investment management firms or companies that manage less than \$2 billion, and/or have performance track records shorter than five years.

110) Since the closing of the Firm's most recent prior fund, please describe the development/implementation of and/or any significant changes to the Firm's Diversity and Inclusion policy, Code of Conduct, and Family Leave policy.

111) Describe the development/implementation of and/or any significant changes to the Firm's Diversity and Inclusion policy, Code of Conduct, and Family Leave policy that are expected in the next year.

112) Describe the Firm's process for recruiting new employees to the investment team? Operations team? Administrative team?

- 113) If applicable, describe the Firm’s formal mentorship program.
- 114) What percentage of the Firm’s female employees were promoted in the last year?  
What percentage of the Firm’s minority employees were promoted in the last year?
- 115) What percentage of the Firm’s female employees departed in the last year? What percentage of the Firm’s minority employees departed in the last year?
- 116) If any claims of sexual or general harassment, misconduct, or discrimination have been made against any of the current and/or former Firm employees (while employed by the Firm) within the last 5 years, please provide details for each claim, including the charges, investigative process, and outcome, including disciplinary action. *Note: Individual names should not be provided and are not being solicited in the questionnaire.*

**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.

<b>Required</b>	<b>Included?</b>
ADV Part II	_____
SEC Review Findings Letter	_____
Disaster Recovery and Business Continuity Plans	_____
Code of Ethics	_____
PPM	_____
LPA	_____
Monthly performance since inception in Excel	_____
Three prior years audited financials for the fund	_____
Marketing/Investor Presentation	_____
Proof of E&O Insurance Coverage	_____

<b>Include, if Applicable</b>	<b>Included?</b>
State or Local Registration for M/WBE	_____
GIPS Verification Letter	_____

**Chief Compliance Officer Signature**

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.

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Signature

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Print Name