

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT

Equipment and Procurement Division

REQUEST FOR PROPOSALS

RFP-15-005P

Investment Management Firm Services

Proposals must be submitted
no later than 4:30 p.m.
April 15, 2015

No submissions or modifications
will be accepted after this deadline.

To constitute a valid submission, proposal must:

- (1) Be submitted by the prescribed date and time,
- (2) Address all the requirements set forth herein;
- (3) Contain Proposal Form completed as indicated.

For further information regarding this RFP contact
Danny Keene, Division Head
AHTD Equipment and Procurement Division
at (501)569-2672 or
by email at
danny.keene@arkansashighways.com

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT
EQUIPMENT AND PROCUREMENT DIVISION
11302 BASELINE ROAD
LITTLE ROCK, ARKANSAS 72209

NOTICE TO BIDDERS

REQUEST FOR PROPOSAL NUMBER 15-005P

March 26, 2015

The Arkansas State Highway Employees Retirement System will receive sealed proposal for services of an Investment Management Firm from companies to manage up to \$40 Million.

Documents concerning this proposal may be obtained or examined at the above noted address.

Request for Proposal documents should be addressed to:

Arkansas State Highway and Transportation Department
Equipment and Procurement Division
Attn: Mr. Danny Keene, Division Head
P.O. Box 2261 – Little Rock, AR 72203

Telephone Number is: (501)569-2672.

Deadline for bidders Letter of Intent is April 8, 2015.

Schedule of Events

- | | | |
|----|----------------------------------------------|----------------|
| A. | Release of Notice to Bidders | March 26, 2015 |
| B. | Deadline for letter of Intent | April 8, 2015 |
| C. | Deadline for Bidder Inquiries | April 7, 2015 |
| D. | Request for Proposal Amendments (if any) | April 13, 2015 |
| E. | Deadline for Receipts of Proposal – 4:30p.m. | April 15, 2015 |

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT
EQUIPMENT AND PROCUREMENT DIVISION
11302 BASELINE ROAD, LITTLE ROCK, ARKANSAS 72209
PROPOSAL FORM

REQUEST FOR PROPOSAL NUMBER 15-005P

Page 1 of 1 Page

Please provide your fee quote in basis points for an annual fee for your particular style. The amount of funds to be allocated as identified in the candidate criteria is up to \$40 million.

BASIS POINTS

The fees shall be based upon the successful manager's portion of the Plan as of the beginning of each quarter. The fee shall be paid in arrears within 30 days of a true and correct billing. The contract will be awarded for a twelve (12) month term.

We (or) I affirm that this proposal is made on behalf of the undersigned and is made without any collusion on the part of any person, firm, or corporation, and that by submission of the proposal, we agree to the conditions as specified under this proposal and further agree that, if the proposal is found acceptable by the Arkansas State Highway Employees Retirement System, shall consider the conditions binding under this Request for Proposal.

DATE: _____

COMPANY NAME: _____ NAME: _____

ADDRESS: _____ TITLE: _____

CITY: _____ ZIP: _____ TELEPHONE: _____

SIGNATURE: _____

(MUST BE SIGNED IN INK) (UNSIGNED PROPOSAL WILL BE REJECTED)

ACCEPTANCE

Accepted as to _____

Date _____ BY: _____

NAME: _____ TITLE: _____

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT
EQUIPMENT AND PROCUREMENT DIVISION
11302 BASELINE ROAD
LITTLE ROCK, ARKANSAS 72209

REQUEST FOR PROPOSAL NUMBER 15-005P

March 26, 2015

The Arkansas State Highway Employees Retirement System (hereinafter called “ASHERS”) will receive sealed proposals for services of an Investment Management Firm using the Core Fixed Income Manager Investment Discipline in accordance with criteria attached to and made a part of this proposal.

It shall be understood that the Request for Proposal, General Information and Requirements, Candidate Criteria, Investment Policies and Proposal Form are an integral part of this Request for Proposal and by this reference are incorporated herein as fully and effectively as if set forth in detail and; that by submission of proposal, the bidder agrees to these conditions and that all things shall be governed by the Laws of the State of Arkansas.

Schedule of Events

- | | | |
|----|---------------------------------------------|----------------|
| A. | Release of Notice to Bidders | March 26, 2015 |
| B. | Deadline for Letter of Intent | April 8, 2015 |
| C. | Deadline for Bidder Inquiries | April 7, 2015 |
| D. | Request for Proposal Amendments (if any) | April 13, 2015 |
| E. | Deadline for Receipt of Proposal – 4:30p.m. | April 15, 2015 |

CONTRACT TIME PERIOD: Contract will be in effect for a twelve-month term from July 1, 2015 through June 30, 2016.

SECTION 1 – GENERAL INFORMATION AND REQUIREMENTS

1.1 INTRODUCTION

The purpose of this Request for Proposal (RFP) is to solicit proposals from candidate firms for an Investment Management Service for the Arkansas State Highway Employees Retirement System.

To be considered, a bidder must respond to all sections of this RFP. In addition to the specific requirements of the RFP, vendors are encouraged to supply any other relevant information they deem necessary to the proposal content. Responses must be in sufficient detail to permit a understanding and comprehensive evaluation of each vendor's proposal. Submitting a proposal shall be deemed an intent to accept to contractual obligations set forth in this document. The bid must be signed by an official authorized to bind the bidder to the resultant contract. If the bidder submits terms and conditions with the bid, and if any section of those terms and conditions are in conflict with the Laws of the State of Arkansas, the State Laws shall govern.

At no time prior to award of the bid will any information submitted by any bidder be available to another bidder. Only Retirement System personnel directly associated with the bid or evaluation procedures will have access to the information. ASHERS Board Personnel will form the Selection Committee.

1.2 RFP TERMINOLOGY

Certain language or terminology is used within this document that has distinct meaning. In order to remove any doubt about certain words, the following must be considered by any reader.

Mandatory requirements – Whenever the terms “must”, “shall”, “will”, “is required”, or “are required” are used in this RFP the subject referenced is to be considered a mandatory requirement of this RFP.

Candidate Firm, Bidder and Vendor – The words “Candidate Firm”, “vendor”, “proposer”, and “contractor” are used interchangeably throughout the RFP, and from a purchasing context, are intended to mean “proposer”.

Bid, Proposal and Contract – The words “Bid”, “Proposal”, and “Contract” are used interchangeably throughout this RFP, and from a purchasing context, are intended to mean “Proposal”.

“AHTD” – the “Department” – terminology used interchangeably refers to the Arkansas State Highway and Transportation Department.

“ASHERS” – terminology used to refer to the Arkansas State Highway Employees Retirement System.

1.3 BID FORMAT

All bidders are requested to submit one original and three copies of their bid. Any statement in this document which contains the word “must”, “shall” or “will” means that compliance with the intent of the statement is mandatory, and failure by the bidder to satisfy that intent will cause the bid to be rejected. It is required that bidders respond to each item and section of this RFP. Partial proposals will not be accepted. Vendor response must precisely state the vendor’s ability to meet all requirements. Items not requiring a specific vendor statement may be responded to by concurrence or acknowledgment.

The vendor must agree, in writing, that information contained in all materials submitted is valid and will remain so for at least ninety (90) days after the due date of this RFP.

The vendor’s proposal shall be submitted as follows:

- 1.3.1 The proposal shall be typed and signed in ink.
- 1.3.2 Four copies of the proposal shall be submitted, one original and three copies.
- 1.3.3 Alterations or erasures must be crossed out and the corrections thereof printed in ink or typewritten adjacent thereto. The corrections must be initialed in ink by the person signing the bid proposal.
- 1.3.4 All proposals must comply with and not deviate from provisions of the specifications and/or other bid or contract documents, if any.
- 1.3.5 Revisions, or interpretations, made by the Department shall be addenda issued prior to the date set for the proposal opening.
- 1.3.6 Changes to the language on the proposal may be cause for rejection of the proposal.

1.4 OFFICIAL DEPARTMENT CONTACT

All inquiries concerning this RFP shall be limited to the official contact:

Danny Keene, Division Head
Equipment and Procurement Division
Arkansas State Highway and Transportation Department
P.O. Box 2261 – Phone (501)569-2672
Little Rock, Arkansas 72203

Who may refer inquiries to other Department personnel. Oral communication shall not be binding, nor be cause for protesting any language of the RFP, nor in any way excuse the vendor from his obligations.

1.5 COSTS FOR DEVELOPING PROPOSALS

This RFP does not commit the Department to award a contract, to pay any cost incurred in the preparation of a bid in response to this request, or to procure or contract for services.

1.6 CAUTION TO BIDDERS

The Department reserves the right to accept or reject in part or in its entirety any bid received as a result of this RFP if it is in the best interest of the Department to do so. The Department may reject any proposal which is incomplete or which contains conditional, conflicting, false or misleading statements or unsubstantiated facts which are being represented to enhance the candidate firm.

- 1.6.1 Failure of the vendor to submit his bid in the format specified in Section 1.3.
- 1.6.2 Failure of the vendor to submit his bid on or before the deadline established by the Equipment and Procurement Division as stated on the bid cover sheet.
- 1.6.3 Failure of the vendor to adhere to generally acceptable ethical and professional principals during the bidding and selection process.
- 1.6.4 Failure to adhere to Section 1.4 pertaining to agency contact.
- 1.6.5 Failure of the vendor to respond to a request for oral or written clarification or presentation.
- 1.6.6 Failure of the vendor to comply with the intent of any statement in this document which has the word “must” or “shall” in it.

1.7 LETTER OF INTENT

Vendors are requested to send the Equipment and Procurement Division a letter of Intent- To-Bid. Failure to submit this document will not disqualify a bidder; however, bidders are advised they may not receive subsequent RFP information if they fail to do so. All subsequent RFP information will be maintained on file in the Department.

1.8 CLARIFICATION OF RFP AND QUESTIONS

If additional information is necessary to enable bidders to better interpret the information contained in the RFP, written or “faxed” questions will be accepted until the close of the business as of the date indicated in the Schedule of Events. Postmarks will not be accepted for this purpose. Questions from all bidders and responses will be consolidated and mailed to bidders who submitted a letter of intent and/or submitted questions. Answers to verbal questions may be given as a courtesy, and must be evaluated at bidder’s own risk.

1.9 EVALUATION CRITERIA AND SELECTION PROCESS

The evaluation criteria will be applied to each candidate firm beginning with the lowest fee quote in basis points; and further

- 1.9.1 Meeting the mandatory requirements as set forth in this RFP.
- 1.9.2 Emphasis will be placed on the clarity and conciseness of bidders proposals. Deviation from responding in the established format may result in disqualification.
- 1.9.3 In addition to the criteria noted above, the skills, facilities, capacity, experience, ability, responsibility, previous work, the financial standing of the bidder, the amount of other work being carried on by the bidder will be considered. Also considered will be the bidder's reliability, based on vendor responses and other sources available to "ASHERS".
- 1.9.4 The selection process will be based on a pre-determined methodology by comparison of qualified candidate firms and Merrill Lynch Index in combination with the Investment Policy Objectives of ASHERS.

1.10 ETHICS

"It shall be a breach of ethical standards for a person to be retained, or to retain a person, to solicit or secure a State contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except for retention of bona fide employees or bona fide established commercial selling agencies maintained by the Proposer for the purpose of securing business." Ark.Code.Ann. § 19-11-708(a).

SECTION 2.0 CANDIDATE CRITERIA

2.1 CORE FIXED INCOME MANAGER

The candidate firm must have a demonstrated history of at least two years as a core fixed income manager. This core style must be demonstrated by the characteristics of the firm's portfolios. The primary source of value added in the investment discipline should be through sector, security selection or long term interest rate forecast. Long term interest rate forecast is defined to mean anything greater than 5 years. The firm should be able to document the duration of their portfolios for the past 5 years.

The candidate firm's performance history must be at least 5 years. It must be shown gross of fees and on a July 30th Fiscal Year basis. It must be compiled by professionals who are currently at the firm. It must be certified by an independent firm, and submitted with the Candidate Firm's Proposal.

When funded by ASHERS, it is desired that the ASHERS portfolios should not comprise more than 20% of the candidate's total assets under management. The candidate firm would be responsible for the management up to \$40 Million of the ASHERS portfolio.

The candidate firm must have the ability to professionally service the ASHERS account. It is expected that the portfolio manager assigned to the ASHERS account would make a quarterly presentation of the firm's actions regarding the ASHERS portfolio and the firm's outlook for the bond market.

ASHERS current trustee is State Street.

The firm selected will be required to comply with all provisions of the ASHERS Investment Policy and Guidelines attached and the Laws of the State of Arkansas.

2.2 ORGANIZATION

- 2.2.1 Describe the history, structure and current business plans of your firm.
- 2.2.2 Please provide biographies of key investment professionals who would be assigned to this account.
- 2.2.3 Please describe professional personnel turnover (gained or lost) for each of the past three years ending December 2014.
- 2.2.4 What is the current and expected account load of your portfolio managers?
- 2.2.5 Has your firm or its principals ever been involved in litigation with a client? The SEC? If yes, please describe actions and findings.
- 2.2.6 Please list your account structures by type of plan sponsor, portfolio assignment, (stocks, bonds, balanced, etc.) and also show the value of the underlying security holdings as of December 2014.
- 2.2.7 Please provide a list of all accounts over \$5 million gained in the past one year including name and account of placement.
- 2.2.8 Please provide a list of all accounts over \$5 million lost over the last two years including name, amount and reason.
- 2.2.9 Please provide a list of your accounts that are of a similar assignment to the proposed ASHERS assignment for which you are bidding.
- 2.2.10 Describe any other business affiliation (subsidiaries, joint ventures, "soft dollar" arrangements with brokers). Describe your firm's policy on soft dollars.
- 2.2.11 Does your firm act as a broker or as a primary dealer in securities or receive any other form of additional compensation (including soft dollars) for the client transactions aside from the direct fee paid by clients?

- 2.2.12 Describe your buy/sell discipline: (a) What size, quality and liquidity criteria meet the requirements of your buy/sell discipline? (b) What factors dictate your sell decision? (c) Under what circumstances would your firm deviate from these disciplines? Have you ever deviated? If so, Please describe.
- 2.2.13 How is portfolio risk managed and monitored? Describe all risk management functions and tools utilized.

2.3 POLICIES

- 2.3.1 Please describe your investment philosophy, your strategy and your process. Special emphasis is requested on how your firm employs its strategy to carry out its philosophy.
- 2.3.2 Please describe your decision making process and structure.
- 2.3.3 Are your portfolios managed on an individual or a team basis?
- 2.3.4 Please describe the characteristics of your firm's portfolio in absolute and relative terms compared to your normal benchmark.
- 2.3.5 Provide a description of what your firm sees impacting your investment decisions over the next 12 months.
- 2.3.6 Indicate whether your firm has been in active or passive manager and describe your philosophy in regards to these styles.

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT

NOTICE OF NONDISCRIMINATION

The Arkansas State Highway and Transportation Department (Department) complies with all civil rights provisions of federal statutes and related authorities that prohibit discrimination in programs and activities receiving federal financial assistance. Therefore, the Department does not discriminate on the basis of race, sex, color, age, national origin, religion or disability, in the admission, access to and treatment in the Department's programs and activities, as well as the Department's hiring or employment practices. Complaints of alleged discrimination and inquiries regarding the Department's nondiscrimination policies may be directed to Joanna P. McFadden Section Head - EEO/DBE (ADA/504/Title VI Coordinator), P. O. Box 2261, Little Rock, AR 72203, (501) 569-2298, (Voice/TTY 711), or the following email address: Joanna.Mcfadden@arkansashighways.com.

Free language assistance for Limited English Proficient individuals is available upon request.

This notice is available from the ADA/504/Title VI Coordinator in large print, on audiotape and in Braille.