

**BOARD RESPONSE TO WRITTEN REQUESTS FOR CLARIFICATION**

**RELATING TO:**

**INVITATION TO NEGOTIATE  
FOR**

**LARGE CAPITALIZATION GROWTH DOMESTIC  
EQUITY INVESTMENT MANAGEMENT SERVICES  
FOR**

**THE STANLEY G. TATE FLORIDA PREPAID PROGRAM AND FLORIDA SAVINGS PLAN**

**#17-04**

**September 1, 2017**

**Florida Prepaid College Board  
1801 Hermitage Blvd., Suite 210  
Tallahassee, Florida 32308  
(850) 488-8514**

**MEMORANDUM**

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**To:** Prospective Respondents; ITN 17-04

**From:** Florida Prepaid College Board

**Date:** September 1, 2017

**Subject:** Board Response to Written Requests for Clarification or ITN 17-04 Large Capitalization Growth Domestic Equity Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan

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Any questions concerning conditions and specifications of this ITN must be addressed in the form of written questions submitted by Respondents pursuant to the schedule in Section I.D.

**Company Name:** Eaton Vance Management

Question	Question/Comment
1.	<p>Our firm has a question regarding the Invitation to Negotiate (ITN) Large Capitalization Growth Domestic Equity Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan (ITN# 17-04).</p> <p>Does the mandate have a preference for either a <u>diversified</u> or <u>concentrated</u> Large Capitalization Growth Domestic Equity product?</p> <p>Our team manages two Domestic Large Cap Growth strategies where each meet the required minimum qualifications set forth in the ITN. We manage a diversified strategy which typically holds 65-75 positions with a 5 year tracking error of 265bps vs the FTSE Russell 1000 (as of 6.30.17).</p> <p>We also manage a concentrated strategy which typically holds 25-40 positions with a 5 year tracking error of 400bps vs the FTSE Russell 1000 (as of 6.30.17). Thank you for your time and consideration.</p>
<b>Answer: Please propose the product your firm believes to be the best option to the Board based on the information in the ITN.</b>	

Company Name: Scientific Beta North America

Question	Question/Comment
1.	We currently have a client relationship with the Florida State Board of Administration, which is utilizing our index offering for internal portfolio management purposes. Would the Invitation to bid also encompass index offerings for a Large Cap Growth strategy, this strategy could be managed externally (we would work with an asset manager) or internally depending on your preference.
<b>Answer: This ITN contemplates an active mandate and a separate contractual relationship from any client relationship with the Florida State Board of Administration.</b>	

Company Name: Mellon Capital Management Corporation

Question	Question/Comment
1.	Our SSAE 16 report is quite lengthy. Can we submit this as a separate book instead of including it in tab 5 of one book? If we include it in one book, we may have to break up the book into two parts. Is that acceptable?
<b>Answer: A separate book would be acceptable.</b>	
2.	Similar question for Form ADV. Can that be in a separate book or does it have to be in with the questionnaire?
<b>Answer: A separate book would be acceptable.</b>	
3.	Do you need 4 hard copies of the Form ADV and/or SSAE 16? Or can we send 1 since they are so lengthy
<b>Answer: Please send 4 copies as noted in the ITN Section III B.</b>	
4.	The ITN discusses Submission of Responses and the importance of submitting only one response on page 9. Our firm is 100% owned by a bank and several other investment firms are also owned by our parent. We are independent firms, each with separate names and identities, that are managed separately and we do not share information about mandates for which we are applying. Would common ownership by the bank disqualify us if one of the other wholly-owned investment management firms applied to this ITN?
<b>Answer: Yes</b>	
5.	The total of the two proposed investment mandates is \$236 million. As the request for pricing is for \$175 million, is it the Board's intent to award both mandates to one manager or possibly split the mandate as \$175 million and \$61 million?
<b>Answer: Historically the Board has utilized one investment manager to meet the mandates; however, per Section IV of the ITN, the Board intends to award a contract to the Respondent(s) that provides the best value to the Board.</b>	
6.	With regard to Appendix A, "Invitation to Negotiate Acknowledgement", is that form due back on September 5 <sup>th</sup> or September 22? What time is the form due on the 5 <sup>th</sup> of September. Our understanding is that by signing this form we would be agreeing to all of the terms of the Investment Management Contract. Please confirm.
<b>Answer: Appendix A is due on September 22, 2017, no later than 12 noon Eastern Time. There is no form due on September 5<sup>th</sup>, however if your firm intends to respond, the Board would appreciate an email notice (ITNinfo.Prepaid@myfloridaprepaid.com).</b>	

Company Name: Putnam Investments

Question	Question/Comment
1.	As a private company we do not provide audited financial statements. To meet this requirement would we be permitted to provide the Annual Report of our parent company in place of financial statements?
<b>Answer: Respondents should submit as much information as possible relevant to Section III, C, 5 of the ITN. Please note Evaluators score this information.</b>	
2.	Would the Respondent be permitted to comment on the Investment Manage Agreement (IMA) as part of the process? If so, would the Respondent be able to modify certain requirements of the IMA as part of negotiations?
<b>Answer: The Respondent must expressly and affirmatively agree to execute the contract containing all of the terms in the Investment Management Contract included in Appendix G; however, the Board retains the right to consider any proposed terms or modifications offered by a Respondent. A Respondent may include the proposed terms or modifications in the response, but this is not required.</b>	
3.	Would the Respondent be permitted to provide evidence of insurance upon signing a contract with the 529 Savings Plan?
<b>Answer: Yes</b>	

Company Name: T. Rowe Price

Question	Question/Comment
1.	<p>On behalf of T. Rowe Price, we would be grateful for your guidance on two questions related to your request for a proposal for U.S. Large-Cap Growth Equity asset management services for the Florida Prepaid College Board:</p> <p>Will the Florida Prepaid College Board require two separate accounts, one for the Prepaid Plan and one for the 529 Savings Plan?</p>
<b>Answer: Yes</b>	
2.	With respect to quarterly presentations to the Board, is it acceptable to conduct these presentations via teleconference?
<b>Answer: No, however investment managers typically present only once per year.</b>	

Company Name: Chicago Equity Partners?

Question	Question/Comment
1.	Regarding the mandatory qualifications for assets under management in the proposed product, while Chicago Equity Partners has only \$154 million in assets in its Large Cap Growth product, the firm has over \$2.5 billion in assets across all of its Large Cap products (core, growth and value). It is important for you to note that in addition to the fact that the firm has over \$2.5 billion in assets across all Large Cap products (core, growth and value), all of the Large Cap assets are managed by the same investment team using the same systematic process. Would you consider allowing Chicago Equity Partners to respond to the RFP?
<b>Answer: Please see page 5, Section C for Mandatory Qualifications for Respondents.</b>	

Company Name: AllianceBernstein L.P.

Question	Question/Comment
1.	<p><b>Deadline date for submission of data into Callan Associates database:</b> We see the following two different deadline dates for submitting data into the Callan Associates database. Kindly advise which is the correct deadline date:</p> <p>☐ On page 6, third bullet point, it states the following, <i>“The Respondent has submitted product and organizational information into Callan Associates Inc.’s database at <a href="https://www.callan.com/questionnaire/sign_in/">https://www.callan.com/questionnaire/sign_in/</a>, <b>not later than Noon, Eastern Time on September 15, 2017</b> (Callan Associates Inc., is the Board’s investment consultant.)”</i></p> <p>☐ On page 7, D. Timeline: <i>“Deadline for Submission of data into Callan Associates database, states <b>September 22, 2017</b> no later than 12:00 Noon, Easter Time.”</i></p>
<b>Answer: The deadline for submission is due on September 22, 2017, no later than 12 noon Eastern Time.</b>	
2.	<b>Deadline for Notice of Intent to Respond:</b> Kindly advise where we can locate the instructions for sending a Notice of Intent to Respond and if there is form that we need to complete.
<b>Answer: Please email your intent to respond to <a href="mailto:ITNinfo.Prepaid@myfloridaprepaid.com">ITNinfo.Prepaid@myfloridaprepaid.com</a></b>	

Question	Question/Comment
1.	<p>This has been issued as an Invitation to Negotiate (ITN), and the ITN describes in great detail the negotiation process. However, there appears to be a requirement to agree to the Appendix G proposed contract terms in advance. This approach seems incompatible with “negotiation” as we understand that term. <b>Question:</b> Would any portion of the proposed contract be negotiable? If so, at what point would it be appropriate to suggest amendments to the proposed contract?</p>
<p><b>Answer: The Respondent must expressly and affirmatively agree to execute the contract containing all of the terms in the Investment Management Contract included in Appendix G; however, the Board retains the right to consider any proposed terms or modifications offered by a Respondent. A Respondent may include the proposed terms or modifications in the response, but this is not required.</b></p>	
2.	<p>Some of the information requested in the ITN is highly confidential (e.g., an SSAE 16 audit report) and could cause grave damage to a respondent’s business or clients if made available to the public in unredacted form. <b>Question:</b> Is it possible to prepare a redacted version of a response for the public record, along with a non-redacted response that will remain confidential?</p> <p>If it would not be possible to maintain confidentiality of any submitted information, please confirm whether it would be acceptable to submit redacted versions of certain documents where confidential information has been removed.</p>
<p><b>Answer: Please see Section V.F of the ITN.</b></p>	
3.	<p>Regarding Section III.6 of the ITN: <b><u>For those statements not already including a look-back period, do the statements refer only to current or pending activity?</u></b> If not, what is the look-back period for each of those statements?</p>
<p><b>Answer: Unless otherwise stated in section, there is no timing restrictions on the request.</b></p>	
4.	<p>Regarding Section III.6(e) of the ITN: <b><u>What would be considered “contact” or “non-compliant”?</u></b> For example, registered investment advisers regularly undergo routine examinations by the Securities and Exchange Commission (SEC). These examinations often result in letters identifying potential deficiencies in an adviser’s compliance processes, which are then subsequently and promptly corrected to the SEC’s satisfaction. Would this process count as a “contact” for “non-compliant” activities?</p>
<p><b>Answer: This request includes all contact regarding any of the listed activities. If there were subsequently corrected the Board would like to know about it and the corrections.</b></p>	

Company Name: Federated Investors, Inc.

Question	Question/Comment
1.	<i>On page 6 of the Invitation to Negotiate, it requires that the respondent has submitted product and organizational information into Callan Associates Inc.'s database not later than Noon, Eastern Time on September 15, 2017, while on page 7 it states that the deadline for submission of data into Callan Associates database is September 22 at 12:00 noon. Could you please confirm which is the correct deadline?</i>
<b>Answer: The deadline for submission is due on September 22, 2017, no later than 12 noon Eastern Time.</b>	

Company Name: Jennison Associates

Question	Question/Comment
1.	Can you please specify the frequency at which the Board would like the selected Contractor to report R <sup>2</sup> to comply with the Investment Guidelines described on pages F11 and E14?
<b>Answer: Monthly</b>	
2.	With regard to the Independent Contractor clause in Section 14 of the Investment Management Agreement on page G8, can the Contract Manager be an employee of our firm (i.e. a relationship manager) or is a third party required to serve in this role?
<b>Answer: The Independent Contractor clause refers to the relationship between the Board and the Investment Manager. It does not require the contract manager to be an independent contractor.</b>	
3.	Is the 1% eProcurement System transaction fee, described in Section 14 of the General Contract Conditions on page H6, applicable to payments made to the Contractor under the proposed Investment Management Agreement?
<b>Answer: No.</b>	
4.	Can you please confirm that the Notice of Intent to Respond should be addressed to this email address: <a href="mailto:ITNinfo.Prepaid@MyFloridaPrepaid.com">ITNinfo.Prepaid@MyFloridaPrepaid.com</a> ?
<b>Answer: Yes</b>	

Company Name: INTECH

Question	Question/Comment
1.	"Item D of the Qualifications Questionnaire states: "The Respondent expressly and affirmatively agrees to execute the contract containing all of the terms in the Investment Management Contract included in Appendix G." Does this mean the Board will not consider any changes to the Investment Management Contract?"
<p><b>Answer: The Respondent must expressly and affirmatively agree to execute the contract containing all of the terms in the Investment Management Contract included in Appendix G; however, the Board retains the right to consider any proposed terms or modifications offered by a Respondent. A Respondent may include the proposed terms or modifications in the response, but this is not required.</b></p>	

Company Name: Amundi Pioneer?

Question	Question/Comment
1.	<p><b>Under Authorized Investment Vehicles:</b>            #4: Commercial paper of prime quality of the highest letter and numerical rating established by a nationally recognized rating service. <i>What about split rated? Where one rating service will have it high and another may have it lower?</i></p>
<p><b>Answer: The Comprehensive Investment Plan provides an extensive list of authorized investment vehicles that Board may utilize. This mandate involves equity securities.</b></p>	
2.	<p><b>Under Authorized Investment Vehicles:</b>            #11: Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government. – <i>is there a term limit on repo? Can we invest in more than overnight?</i></p>
<p><b>Answer: The Comprehensive Investment Plan provides an extensive list of authorized investment vehicles that Board may utilize. This mandate involves equity securities.</b></p>	
3.	<p><b>IMA (Appendix G) Sections 21 A. through 21 D. (Approval of Work) and Section 25.C.</b> <i>These sections (referring to the "prior approval" requirement) set out various conditions under which the Investment Manager must seek and obtain approval in advance by the Board or its representative to act. Can you clarify how this may apply to the proposed separate account mandate? What types of activities may require prior approval? Are you referring to the below?</i></p> <p><b>Section II - Scope of Services</b>            3. <i>Assist with information and descriptive statements needed concerning the Large Capitalization Growth Domestic Equity investment product and the investment strategy used for the management of such product as may be periodically required by the Board for inclusion in any prospectus or disclosure booklet for the Prepaid Plan or the 529 Savings Plan</i></p>
<p><b>Answer: The investment manager is responsible for performing services under the contract. Prior approval of work includes such items as the monthly and quarterly performance and compliance reporting.</b></p>	



Question	Question/Comment
1.	<p>As it relates to the “Investment Management Agreement”, Westfield would like to confirm that “#26 – Audit of Contract Procedures” (page G13) would be in reference to only the Florida Prepaid College Program and the Florida 529 Savings Plan accounts as opposed to all Westfield client accounts. Specific language from the ITN is copied below for your reference:</p> <p><i>26. AUDIT OF CONTRACT PROCEDURES.</i></p> <p><i>The Board shall have the right to audit or inspect the Manager’s, and any subcontractors’, procedures and financial and accounting records, including, but not limited to, records, reports, and documents and such other supporting evidence necessary to verify compliance with the terms of this Agreement, using Board employees, its designees or other state agencies as provided by law. The Manager shall include a provision substantially similar to the preceding sentence in all agreements between the Manager and its subcontractors that are related to or for the provision of goods or services under this Agreement. If the Board exercises its right to audit, the Manager and its subcontractors shall provide the Board or its auditors, adequate and appropriate work space as well as access to photocopy machines and the right to interview current employees and contact information for former employees. The provisions of this Paragraph shall survive the termination of this Agreement.</i></p>
<b>Answer: Yes</b>	
2.	<p>We assume that the “Investment Guidelines” for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan, would allow domestic equity managers to invest in ADRs (American Depository Receipts) and BDIs (Benefit Driven Incorporations) as they are both traded on U.S.-based exchanges. Specific language from the ITN is copied below for your reference:</p> <p><i>3. Equity investments shall be made only in securities listed on a United States stock exchange or traded on NASDAQ in the United States or in other, recognized domestic markets</i></p>
<b>Answer: The Comprehensive Investment Plan provides an extensive list of authorized investment vehicles that Board may utilize. Investment Managers may utilize the authorized investment vehicles to meet this mandate.</b>	

Question	Question/Comment
1.	As it relates to fees, is it acceptable to submit both a tiered fee schedule and a flat fee schedule?
<b>Answer: Please submit one fee proposal which you believe to be the best value for the Board.</b>	
2.	<p>In general, are Respondents permitted to include edits clarifying provisions of the Investment Management Agreement in their RFP response? If so, may we submit the following:</p> <p>We are a Delaware LLC and SEC registered investment adviser headquartered in Los Angeles. As part of our submission, can we submit a clarification to Section 1C, p. G1, of the Investment Management Agreement to state that we are a "...limited liability company duly organized..."?</p>
<b>Answer: The Respondent must expressly and affirmatively agree to execute the contract containing all of the terms in the Investment Management Contract included in Appendix G; however, the Board retains the right to consider any proposed terms or modifications offered by a Respondent. A Respondent may include the proposed terms or modifications in the response, but this is not required.</b>	
3.	In addition, will we be required to register or qualify to do business in the State of Florida for this mandate, should we be selected?
<b>Answer: Yes.</b>	
4.	<p>Can we submit the following edits to clarify the MFN provision in Section 10, p. G7, of the IMA to more closely mirror our standard wording?</p> <p>If the Manager <b>in the future</b> enters <b>into</b> any agreement or contract with any <del>other</del> <b>similar</b> customer by which the Manager agrees to provide equivalent services <b>for an account utilizing similar investment objectives and guidelines for an account of similar size</b>, for a lower fee or price, or additional services for a comparable fee or price, the Manager will provide written notice thereof to the Board within thirty (30) days of the date the Manager enters such agreement or contract with another <b>similar</b> customer and will agree to amend the Agreement, resulting from the ITN to provide the equivalent fee or price or additional service to the Board. <b>For purposes of this section, subadvisory or multi-manager accounts, and accounts with performance-based fee schedules are excluded.</b></p>
<b>Answer: The Respondent must expressly and affirmatively agree to execute the contract containing all of the terms in the Investment Management Contract included in Appendix G; however, the Board retains the right to consider any proposed terms or modifications offered by a Respondent. A Respondent may include the proposed terms or modifications in the response, but this is not required.</b>	

Company Name: Voya Investment Management

Question	Question/Comment
1.	Would a signed copy of the “Notice of Intent to Respond” be sent to you (Casey) via email?
<b>Answer: Please email your intent to respond to <a href="mailto:ITNinfo.Prepaid@myfloridaprepaid.com">ITNinfo.Prepaid@myfloridaprepaid.com</a></b>	
2.	Is this ITN issued for an active large cap growth manager only? Or the board is open for a passive large cap growth manager?
<b>Answer: This ITN contemplates an active mandate.</b>	
3.	Public access to submission information – are certain confidential information (fee proposal, client names, etc) redacted from public access?
<b>Answer: See section V.F of the ITN.</b>	

Company Name: MFS Investment Management

Question	Question/Comment
1.	Can the IMA be modified/ Is the IMA negotiable?
<b>Answer: The Respondent must expressly and affirmatively agree to execute the contract containing all of the terms in the Investment Management Contract included in Appendix G; however, the Board retains the right to consider any proposed terms or modifications offered by a Respondent. A Respondent may include the proposed terms or modifications in the response, but this is not required.</b>	
2.	Could we propose a tiered fee in addition to a flat fee in the event that the mandate is split between managers?
<b>Answer: Please submit one fee proposal which you believe to be the best value for the Board.</b>	

Company Name: AGF Investments

Question	Question/Comment
1.	The RFI states “Pursuant to Section 1009.971(5)(d), F.S., the Respondent’s principal place of business and corporate charter are located and registered in the United States.” Our question is as follows: AGF Investments America is an SEC registered investment adviser with a sales and client service office in Boston; however our principal place of business is Toronto, Canada and we are incorporated in the province of Ontario. Would that disqualify us from your search?
<b>Answer: Yes.</b>	