



LOS ANGELES FIRE AND POLICE PENSION PLAN
Request for Proposals
Small-Cap Domestic Equity Emerging Managers

The Los Angeles Fire and Police Pension Plan (LAFPP) is a defined benefit public pension plan serving approximately 26,000 active and retired Plan members and beneficiaries. The Plan is directed by the nine-member Board of Fire and Police Pension Commissioners, and is administered by the City of Los Angeles' Department of Fire and Police Pensions.

The Plan's assets are managed externally by investment management firms and advisors under contract to the Board, and monitored by in-house Investment Staff. The current total value of the pension fund is approximately \$23 billion.

The Board desires to retain qualified Emerging Investment Management firms to manage a portion of the Plan's Small-Cap Domestic Equity assets. The account size may be approximately \$25 million - \$50 million per firm. The number of mandates awarded depends on the responses received and their fit with the existing LAFPP Domestic Equity portfolio.

Firms meeting the below listed minimum criteria are invited to complete and return the Request for Proposal (RFP) Questionnaire and supporting documents discussed below.

Minimum Requirements:

Qualifying firms must:

- Have no more than \$2 billion of assets under management.
- Have a minimum of \$30 million of institutional assets under management.
- Have a minimum of \$10 million of assets under management in the strategy being proposed for consideration.
- Have at least one tax-exempt client.
- A minimum of five years of experience for the Portfolio Manager managing the strategy as of June 30, 2019.
- A minimum of one year of operation as an investment management firm as of June 30, 2019.
- The strategy must be available in a separate account vehicle.



Scope of Services

The selected firms will report to the Board of Fire and Police Pension Commissioners of the City of Los Angeles. The firms selected will be expected to provide the following services:

1. Assist in the creation and be responsible for the investment management of a separate account invested in a small-cap domestic equity strategy within the Board's policies and guidelines.
2. Conduct in-depth analysis of securities prior to inclusion in the portfolio.
3. Outperform the stated benchmark of the strategy.
4. Develop and implement rigorous and thorough risk management practices to ensure that risk is managed and measured as appropriate for the goals of the LAFPP.
5. Reconcile to the custodian at least monthly and provide the reconciliation to the LAFPP Staff.
6. Provide monthly, quarterly and annual portfolio performance analysis reports in a style and format requested by LAFPP Investment Staff.
7. Present portfolio performance and analysis reports to the Board and Staff at least annually, and attend Board and/or Board Committee meetings when requested.

In addition, the firms hired will be required to:

- Comply with the Board's Contractor Disclosure Policy
- Comply with the Board's Marketing Cessation Policy
- Act as a fiduciary with respect to the Plan
- Obtain a City of Los Angeles Business Tax Registration Certificate
- Have General Liability, Professional Liability, Fiduciary Liability, Workers' Compensation and Employer's Liability Insurance. Proof of Insurance must be uploaded to kwikcomply.org prior to execution of the contract.

The City of Los Angeles requires its contractors to comply with City policies on Affirmative Action, Americans with Disabilities, Child Support and Minority and Women Business Enterprises. Forms dealing with these issues and the Board's Contractor Disclosure Policy are available on the Department's website adjacent to the RFP Questionnaire. The Contractor Disclosure form must be completed and submitted with the Questionnaire.

The City of Los Angeles and the Board of Fire and Police Pension Commissioners' policies prohibit fiduciaries of the Plan from soliciting contributions and restrict fiduciaries'



participation in the contracting process. Attention is directed to the City's Ethics Commission web site at <http://ethics.lacity.org>, and to the Board's Contractor Disclosure Policy and Marketing Cessation Policy. Questions may also be directed to the Los Angeles City Attorney's Office, Retirement Benefits Division at (213) 978-4400.

Proposers seeking to contract with the City of Los Angeles for goods or services contracts of a value of more than \$25,000 and a term of at least three months acknowledge and agree to comply with the disclosure requirements and prohibitions established in the Los Angeles Municipal Lobbying Ordinance if they qualify as a lobbying entity under Los Angeles Municipal Code Section 48.02.

Bidders must submit CEC Form 50 (provided in Appendix I) to the awarding authority at the same time the response is submitted. Responses submitted without a completed CEC Form 50 shall be deemed nonresponsive. Bidders who fail to comply with City law may be subject to penalties, termination of contract, and debarment. Additional information regarding these restrictions and requirements may be obtained from the City Ethics Commission at (213) 978-1960 or <http://ethics.lacity.org>.

Submission Procedures and Schedule

Please complete all questions in the order they are presented in the RFP. Include all questions and question numbers in your responses. Also, complete and return the "Minimum Qualifications Certification" (provided in Appendix II) electronically to the RFP e-mail address (LAFPP.2019.USSCEM@rvkinc.com) on or before Tuesday, October 1, 2019. Please also include Appendix II in the full RFP response.

Responding firms must provide two completed copies of the RFP Questionnaire, an electronic version of the completed Questionnaire on a CD, and an original completed set of the City's contract compliance forms on or before 4:00 p.m. Tuesday, October 1, 2019 to:

Department of Fire and Police Pensions
Investments Section, Attn: Emerging Managers Search
701 E. 3rd Street, Los Angeles, CA 90013

Additionally, one completed electronic copy of the RFP Questionnaire on a CD must be delivered on or before 4:00 p.m. Tuesday, October 1, 2019 to:

RVK, Inc.
Attn: Ryan Sullivan
1211 SW 5th Avenue
Suite 900
Portland, OR 97204

Questions concerning the RFP Questionnaire or the Pension Plan may be directed to Nathaniel Chang, Adam Perez and/or Miki Shaler at (213) 279-3020 or Ryan Sullivan



at (503) 221-4200 or emailed to Nathaniel.Chang@lafpp.com, Adam.Perez@lafpp.com and/or Miki.Shaler@lafpp.com, and LAFPP.2019.USSCEM@rvkinc.com.

The steps in the RFP process are as follows:

RFP posted for public distribution

October 1, 2019: Deadline for submission of proposals

Quantitative and qualitative review of RFP responses by RVK, Inc. and LAFPP Investment Staff

Semi-finalist firms identified for further due diligence

Semi-finalist review by RVK, Inc. and LAFPP Staff

Finalist firms identified and approved by LAFPP Board

Finalists interviewed by LAFPP Board and selection of firms

Contract negotiations between selected firms and LAFPP

Investment contracts signed by Board President

Investment accounts funded



Request for Proposals Questionnaire

A. Please describe in detail how the Scope of Work will be accomplished.

B. Organization

1. Please provide the name of the firm and the name, address, telephone number, and email address of the firm's primary contact for the RFP response.
2. Firm Background and Direction:
 - a. Provide a short history of the company, highlighting your most important milestones.
 - b. Please describe your future growth plans.
3. Briefly outline your succession plans, if any.
4. Firm Structure:
 - a. What is your firm's legal business structure?
 - i. If owned by another firm, what percentage of the parent company's revenue does your firm contribute? Please indicate how the percentage of revenue has changed over the life of the arrangement or the last 10 years.
 - ii. Include any affiliated companies, joint ventures, and other entities that contribute in some way to your firm's investment and operational management.
 1. Does the firm manage money for the parent or affiliate?
 2. Does the parent or affiliate manage money for the firm?
 - iii. List all firm owners, whether they are individuals, employees, or partnerships and percentage ownership held by each.
 - iv. What are the criteria for an employee to become an owner?
 - v. Please provide an organizational chart.
 - vi. Can the firm be classified as minority or woman owned? If yes, please explain.



5. Are you registered under the SEC Investment Advisory Act of 1940?
 - a. If so, what is the month and year of registration? If not, please explain why your firm is exempt.
 - b. Please submit form ADV (Parts I and II) as an appendix to this questionnaire.
6. What is your firm's competitive advantage? Is it sustainable? Why or why not?
7. Describe any material developments in your organization (changes in ownership, personnel, business, etc.) over the past five years in detail.
8. Are there any structural or financial engineering changes contemplated in the next year (e.g., ownership, merger and acquisitions, products, etc.)? If yes, please explain.
9. State whether, during the last ten years, any regulatory agency has conducted an audit or review of the firm. If such an audit or review was conducted, what were the findings?
10. Is there any pending or threatened litigation against the firm or any of its officers, directors, principles or investment personnel? If so, please explain.
11. Is there any pending or threatened regulatory action, or any past regulatory action, against the firm or any of its officers, directors, principles or investment personnel? If so, please explain.
12. Have any of your firm's officers, directors, principles or investment personnel ever been convicted of a felony?
13. Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct, or does it have a written code of conduct or set of standards for professional behavior? If so, how is employee compliance monitored?
14. What potential conflicts of interest are posed by other activities undertaken by the organization, if any? How are these addressed?
15. How does the firm identify and manage conflicts of interest?
16. Please list and describe any relationships and/or contacts the firm has had with any Board member, any LAFPP Staff member or consultant (RVK, Inc.) within the last two years.



17. Does your firm have errors and omissions, fiduciary liability, or any other relevant insurance?
 - a. If yes, please list the names of the insurance companies, the dollar amount of the coverage, and the coverage period. If no, please explain why not.
 - b. Has your firm ever made a claim against its fiduciary liability or errors and omissions or similar insurance policy? If so, please explain.
 - c. Has the firm or any of the key principals, including any board or managing members, ever been denied coverage for errors and omissions, directors and officers, or fiduciary liability insurance? If so, please provide a detailed explanation of the reasons given by the carrier(s) for such denial.
18. Has your firm conducted a recent SSAE 18, SOC 1 or similar review?
 - a. If not, when was the last SSAE 18, SOC 1 or similar review conducted?
 - b. Please provide the latest results of the SSAE 18, SOC 1 or similar review.
19. Other revenue, fees, loans/borrowings:
 - a. Do you derive revenue from any other line of business not directly associated with the Advisor business?
 - b. Describe your anti-money laundering policy and who has ultimate responsibility.
 - c. Does the Firm or any of its employees have any contractual or business arrangements with any other securities, brokerage, custodial, auditing or investment management firms that may lead to a conflict of interest? How do you handle any potential conflicts of interest?
20. Office Locations
 - a. How many offices does your firm maintain?
 - b. If more than one office, identify the locations, number of employees, and describe the functions performed at each location.
 - c. What is the primary location for the proposed strategy?
21. Describe your firm's compliance procedures/legal oversight structure including but not limited to the following:



- a. What measures does your firm take to ensure compliance with relevant regulations and stated policies? Please provide details if you use any external compliance managers, including names and roles.
- b. What is the frequency of the compliance checks?
- c. What systems are in place for ensuring that portfolio managers are within client guidelines?
 - i. Has a client guideline ever been violated?
 - ii. If so, please describe the violation and the resolution.
- d. Has your firm ever found any violations of internal compliance procedures? If so, what were they and what steps were taken to remedy the situation?

C. Professional Staff

22. Please provide (as of June 30, 2019) the total number of firm employees, the total number of firm investment professionals and the number of investment professionals involved in each of the firm's investment management products.
23. Provide biographies of all key investment professionals at your firm.
24. Describe the structure of the investment management team and provide the following information for the personnel responsible for the product under review (economists, portfolio managers, analysts, traders). Be specific regarding the lead portfolio manager and the portfolio manager's backup.
 - a. Name
 - b. Title
 - c. Product responsibility
 - d. Years working at firm
 - e. Years working on product
 - f. Other products individual works on
 - g. Other responsibilities
25. Provide the names and titles of all investment professionals for the whole firm as well as members affiliated with the proposed strategy that have resigned, been terminated, or transferred/rotated to another department within the past three years and the reasons for each employee's departure.
26. Disclose the investment professionals that have joined the firm in the last three years. Provide detailed information about each new professional including their name, role, educational background and previous investment experience.



27. Describe the compensation structure for your firm's portfolio managers and research analysts, including incentives, bonuses, performance-based compensation, and equity ownership.

D. Assets Under Management

28. At what asset level will this strategy be closed to new investors? Please provide the rationale for this capacity limit.
29. Are there past examples of strategies which have been closed due to stated capacity limits or re-opened due to declining asset levels? If so, please provide detail for these examples.
30. What types of investment management products does your firm offer?
31. Provide the firm's total assets under management and number of accounts, by product type (including the proposed strategy) at the end of each calendar year from 2013 through 2018.
32. Please provide three client references for the product(s) being proposed, including at least one tax exempt client.

E. Investment Philosophy and Process

33. What strategy are you proposing for LAFPP and what is its preferred benchmark?
34. What timeframe is built into your investment philosophy?
35. What are the excess return and tracking error targets of the strategy over a full market cycle? Over what time horizon would you expect your strategy to meet performance objectives?
36. Please describe your investment philosophy. What makes the firm and its investment approach unique? What elements do you believe contribute most heavily to your investment success?
37. Describe your investment process. What is the process by which investment decisions are made and implemented, and who is involved in the decision making process?
38. With regard to portfolio construction; outline the specific process used to determine market-cap exposure, sector allocation, industry allocation and style exposure.



39. Discuss your firm's research capabilities, where do you get investment ideas for the portfolio, please list common characteristics you seek in purchase candidates.
40. What personnel are involved in the research process and what is their background and level of experience?
41. Please describe your firm's sources of any external research if any.
42. Provide a description of all top down or macro decisions or influences and those persons responsible for developing them.
43. What percent of the process is:
Top-Down - %
Bottom-Up - %
44. What percent of the process is:
Quantitative - %
Qualitative - %
45. What is the current cash position of the fund or product? What is the maximum allowable range for the cash position?
46. Please describe your sell discipline.
47. What portfolio management tools and systems are used in managing the proposed strategy?
48. Please provide copies of the firm's marketing materials for the proposed product(s).

F. Trading

49. Please provide the average commission cost per share during 2018.
50. How do you monitor trading costs (market impact plus commissions)? How are transaction costs managed to reduce their negative impact on performance?
51. Please list the broker/dealers your firm uses. How are they selected?
52. How are brokers monitored and compensated? What standards or requirements in trade execution has your firm set which must be met by brokers?
53. Discuss your trading process. What aspects do you feel are unique? Do you employ an internal cost monitoring system?



54. Please list your trading systems.
55. Once a trade is made, how are trades allocated amongst accounts?
56. How are account restrictions addressed?
57. Does your firm have an affiliated brokerage firm? If so, would your firm ever direct trades through the affiliated brokerage firm? Under what circumstances and for what reasons would your firm do so?

G. Performance

58. Please provide the performance of each of the firm's separate account investment product(s) on a calendar year basis since inception through 2018. Please also show the performance compared to an appropriate benchmark for each time period.
59. Please provide the performance of each of the firm's separate account investment product(s) on a quarterly- and monthly-basis since inception through June 30, 2019. Please also show the performance compared to an appropriate benchmark for each time period.
60. Is your firm and the proposed strategy currently in the eVestment database? If so, please list the specific strategy name as it appears in the database. Note, entering product information into the eVestment database is not a requirement of this RFP.
61. Please describe the market conditions in which you would expect the portfolio to outperform and the market conditions in which the portfolio may underperform.
62. Please provide the annualized tracking error of the strategy since inception. What is the expected tracking error range for the proposed strategy?
63. Have performance numbers been audited? If so, please provide the name of the auditing company and the dates for which the performance numbers have been audited.
64. What percentage of accounts using this product is included in the composite?
65. Are terminated accounts included in the composite?
66. Is any account excluded from your composite? If so, please detail.
67. Has the composite ever been altered for any reason?



68. Does the product have a stated benchmark or performance objective? If so, please identify and explain why it is relevant.
69. Do you utilize any internal or third party performance and/or attribution software/systems? If yes, please provide a list of the systems used and their purposes.

H. Reports

70. Which of your firm's offices would service this account? What services would specifically be provided by which office?
71. Who would be the client service officer? How often could he/she be available for client meetings?
72. How often could the investment advisory professional, portfolio manager, chief investment officer and/or firm president be available for client meetings?
73. Provide samples of client reports and indicate their frequency. What other communication is provided to clients (include description and/or samples of newsletters, seminars, research, etc.)?
74. What distinguishes your firm's client service program for a retirement board, which is comprised of non-investment professionals? Please be specific.
75. Can you provide trade date accounting? Do you regularly reconcile your returns with the custodian or client?
76. Are you able to provide accurate, audited asset and transaction statements within 2 - 3 weeks of month's end, in dollar denominated values? By trade date, settlement date, or both? Please provide a copy of your most recent transaction statement.
77. Please describe any on-line information or reporting capabilities that you make available for client use.

I. Operations

78. Who is responsible for your back office operations and to whom do they report?
79. Who has access to back office systems within the firm and how is access controlled?



80. Please list all major software systems used in your accounting or back office operations and their purpose. Please indicate whether the maintenance of these programs is done internally or outsourced.
81. What is your firm's plan regarding the backup of computer files and systems? Please provide a copy of your firm's written backup plan if available. Please include the following information.
 - a. How often do you perform a complete backup of all files?
 - b. In the event of a disaster, how long would it take to become fully functional?
82. Please describe where your primary network resides and the physical security surrounding it.
83. Describe any electronic interfaces with clients, brokers, and custodians.
84. How quickly are you able to provide accurate, audited asset and transaction statements after month-end?
85. Reports
 - a. Provide copies of any monthly and quarterly portfolio/market/economic reports that your firm has prepared. Include copies of all relevant monthly and quarterly reports for the last 12 months.
 - b. Will your firm provide customized monthly and quarterly performance and holdings summary reports?
86. Please provide a representative client list and the five largest clients for this strategy. Include contact, length of relationship, email address, and phone number for the proposed product.

J. Binding Fee Proposal

LAFPP will consider only asset-based fees for the proposed mandate(s). Once the manager has been selected, refinements to the fee may be necessary to determine the size of the funding increments and the timing of the funding. In no case will the refinement result in a fee that is higher than the fee contained in the proposal.

87. Please include your asset-based fee. Include the total basis points charged for both a \$25 million and \$50 million separate account as well as the tiered fee structure.
88. Please indicate if this is reduced from your standard pricing listed in eVestment.



89. Do you currently offer the same product to any entity based on a reduced fee scale? If yes, explain.

K. Minimum Qualifications Certificate

90. Complete the attached Minimum Qualifications Certificate.