

WASHINGTON STATE INVESTMENT BOARD (WSIB) OPEN PROCUREMENT 1: COMMINGLED TRUST FUND (CTF) ACTIVE GLOBAL EQUITY MANAGEMENT SEARCH DOCUMENT

IMPORTANT INTRODUCTORY NOTE

The WSIB values partners that are detail-oriented and respect our processes. This search will be conducted under a new process that the WSIB will be using for most of its active public equity mandates moving forward. Instructions on how to submit questions are contained later in this document. All potential investment managers are politely requested to review this entire document thoroughly. Failure to follow the process laid out in this search document may disqualify a candidate.

SEARCH OBJECTIVE

The WSIB is seeking firms to actively manage global equity portfolios in the CTF. The WSIB is seeking firms with the ability to manage portfolios against a broad benchmark such as the MSCI All Country World IMI Index (MSCI ACWI IMI). Other mutually agreed upon benchmarks may be acceptable. Throughout the remainder of this document, broad global equity portfolios will be referred to as 'global equity strategies'. The WSIB is not at this time interested in strategies that focus on particular countries, sectors, or capitalization segments. This search seeks global equity strategies with a broad universe.

BACKGROUND ON THE WSIB AND THE CTF'S PUBLIC EQUITY PROGRAM

The Washington State Investment Board (WSIB) manages globally diversified portfolios with long-term investment strategies that serve 17 public employee retirement plans, 21 other public trust funds, and more than 500,000 public employee beneficiaries. The WSIB's mandate is to maximize return at a prudent level of risk.

In the CTF, public equity is the largest targeted allocation and is a mix of passive and active mandates. Reference links are provided below for more information:

- Information on the WSIB and its investments can be found on this website: <http://www.sib.wa.gov/>
- Information on the Public Equity program of WSIB can be found here: https://sib.wa.gov/docs/info/pue_opp.pdf
- Information on the investment policy and objectives for the Public Markets equity segment of the CTF can be found here: https://www.sib.wa.gov/docs/policies/2_10_100.pdf

BACKGROUND ON NEW SEARCH PROCESS

Traditionally, most public funds, including the WSIB, have conducted investment manager searches with a beginning date and an end date, and with the searches repeated at semi-regular intervals. However, this is at odds with the real-time continuous nature of managing portfolios of equity holdings or portfolios of external equity managers.

To be clear, the WSIB continues to seek long-term partners and strives to be a long-term patient partner. However, changes – in the market, in organizations, and in the strategies available – can occur at any time and are not limited to the specific and limited time periods during which a search is being conducted, which may be only once every 5-10 years.

Therefore, the WSIB has adopted the rolling open procurement process described in this document to identify active global equity managers for the CTF. Staff will prospect for and evaluate potential managers continuously. This search will remain open until the WSIB staff and the Board determine otherwise.

ELIGIBILITY FOR CONSIDERATION UNDER THIS SEARCH

Potential candidates should review the minimum, desirable and undesirable qualifications set forth further below. The only required steps to be considered under this search are as follows:

- Candidates must offer an active global equity strategy that meets the minimum requirements detailed in this document; and
- Candidates must ensure that the strategy is listed in the eVestment Alliance (“eVestment”) database. For best results in staff’s screening, strategies should ideally be updated quarterly with complete data within one month of each quarter-end. There is no charge for any interested manager to be listed in eVestment. Contact information for eVestment is:
 - eVestment Data Team, at dataoutreach@evestment.com

SEARCH PROCESS

Staff will regularly screen the eVestment database to proactively identify qualifying strategies based on the criteria in this document, will prioritize manager research and due diligence, and will reach out to managers to schedule due diligence meetings as needed.

Potential candidates are not required to reach out directly to the WSIB but are welcome to reach out directly if they wish. Those firms interested in contacting the WSIB directly should carefully review this document in full and review the document “[Public Equity Asset Management Opportunities for Managers](#)” on the WSIB website. If requesting a meeting, please note the following:

- All minimum qualifications noted in this search document must be met.
- Emails requesting a meeting should be sent to SIBDLPublicEquities@sib.wa.gov and must provide:
 - Proposed date and time
 - Proposed agenda
 - A sample presentation from your firm for the proposed strategy
 - Brief bios of each person who will attend the proposed meeting
- Final presentation materials must be received by staff at least two (2) full business days prior to the meeting. Meetings may be cancelled if the materials are not received far enough in advance for staff to review. All performance data in presentation materials must be presented net of fees.

WSIB staff will prioritize meetings based on availability and evaluation of the global equity strategy proposed using the criteria in this document, as well as portfolio management considerations (e.g., which strategies offer the best diversification benefits to the current portfolio, or if there is a particular role in the portfolio that staff is looking to fill at a particular time). Staff is under no obligation to accept or decline any particular meeting.

WSIB staff will meet on a regular basis and evaluate and prioritize which potential strategies warrant further due diligence.

DESCRIPTION OF EVALUATION PROCESS

The evaluation process on proposed strategies is lengthy and typically includes multiple meetings and extensive data requests. WSIB staff will evaluate at each step whether to continue researching a proposed strategy and will communicate such decisions to the candidate(s). The candidate(s) selected, if any, will be those that in the opinion of the WSIB best meet the requirements and whose selection is in the best interest of the CTF.

The WSIB may use any and all information from any source in selecting the successful candidate(s). Sources of information include, but are not limited to, the following: electronic submittals; consultant material; subsequently requested written materials; site visits; interviews; oral presentations and any other relevant material.

During the evaluation process, the WSIB reserves the right to request additional information or clarification from candidates. At the discretion of the WSIB, either telephonic/video, in-person, or on-site interviews may be requested of candidates.

In the evaluation process, WSIB will, at its sole discretion, select the strategies that are the best fit in awarding the contract. The WSIB reserves the right: (i) to not select any candidate; (ii) to select any particular strategy for further consideration; (iii) to accept a candidate other than the lowest cost provider; (iv) to remove a strategy from consideration at any time for any criteria that is judged not in the best interest of the CTF; or (v) to reject any and all candidates if such action is considered by the WSIB in its sole discretion to be in the best interest of the CTF.

SELECTION CRITERIA/MINIMUM QUALIFICATIONS

Strategies must satisfy the minimum requirements as outlined below in order to be considered for selection:

- Must currently provide an active global equity strategy.
- Must be long only and retain daily liquidity (no lock-ups or gates of any kind will be considered).
- Must meet our contractual requirements (high-level descriptions are described later in this document). We have many non-negotiable contractual requirements including that you must act as a fiduciary when performing these services and certify in writing to that fact. Fiduciary status and duties will be written into all contracts issued under this search. Candidates must be able to accept all contractual requirements specified later in this document without change.
- Must be a U.S. Securities and Exchange Commission (SEC)-registered investment advisor or an advisor exempt from registration (Form ADV, Parts 1 and 2, or disclosure of the exemption must be submitted), and, as applicable, registered with the appropriate foreign regulatory body.
- Must be GIPS compliant for the investment strategy being offered. Firms that are not currently GIPS compliant may submit a written commitment that, should they be awarded a mandate, they will become GIPS compliant within twelve months of contract signature.
- Employees and/or the organization must not have, nor could they potentially have, a material conflict with the WSIB or the WSIB's general consultants.
- Must be willing to provide WSIB staff transparency into all material aspects of the investment process, and must provide reasonable access to the decision maker(s) for the relevant strategy, both during the search process and, if selected for a mandate, during the duration of that mandate.
- Must have adequate fiduciary insurance coverage. At a minimum, each candidate must provide proof of Errors and Omissions/Professional Liability Insurance.
- Must have an independent examination of the organization's controls designed to demonstrate reliability and trust in its services to current and potential customers to include objectives related to information technology controls (including SOC 1, 2, and 3, SSAE18, or ISAE 3402) or have in place an appropriate operational control structure that will be evaluated by the WSIB and judged to be a reasonable alternative.
- Must be able to contract, communicate, and provide all materials and reporting requirements in English.
- Must agree to the data sharing standards described in the IT Security Standard 141.10 (<https://ocio.wa.gov/policy/data-sharing-policy>), as applicable.

DESIRABLE QUALIFICATIONS

The following characteristics are desirable (based on eVestment data as of the most recent quarter end):

- Have a total of at least \$500 million in global equity strategies managed for pension funds, endowments and/or foundations.
- Have at least three (3) years of actual performance history (not combined or simulated) for the investment strategy.
- Have consistently added value over appropriate benchmarks for the strategy over full market cycles.
- Able to offer a separate account, although commingled vehicles may be considered.

UNDESIRABLE QUALIFICATIONS

The following characteristics are undesirable:

- A history (particularly in recent years) of significant client or investment professional turnover.
- Organizational instability, including but not limited to any financial distress.
- Any evidence of legal or regulatory issues.
- Any material changes to the investment process, which would alter future expectations for the return potential of the portfolio.

EVALUATION CRITERIA

The following criteria may be used. The following list is not exhaustive.

CANDIDATE EVALUATION CRITERIA

Organizational Review	(e.g., ownership, firm structure, stability, resource allocation, etc.)
People	(e.g., qualifications, experience, roles, responsibilities, and skills, etc.)
Business Profile	(e.g., assets, existing and potential strategies, clients, business plan, financial and operating strength, alignment of interests, etc.)
Philosophy and Process	(e.g., clarity, flexibility, competitive advantages, buy/sell discipline, resources, etc.)
Portfolio Construction	(decision process, weighting methodology, risk management, etc.)
Portfolio Characteristics	(risk exposures, allocations, etc.)
Performance Profile and Characteristics	(e.g., up/down market analyses, attribution, style analyses, risk analyses, stress tests, diversification benefits and/or correlation with other managers, etc.)
Operational Due Diligence	(e.g., IT security and appropriate control structures, etc.)
Communication, Client Service, and References	
Other relevant factors	(e.g., proxy voting/corporate governance and integration of financially material environmental, social, and governance (ESG) factors, etc.)
Additional Requested Material	
Fees	

USE OF CONSULTANTS

The WSIB does not use a single retainer consultant; the WSIB has contracted with a set of general consultants, any of whom can be hired for specific projects.

Staff will make final decisions on all aspects of this search but may request assistance from any or all consultants to source potential managers or to assist with due diligence, or any other search-related tasks as required. While inclusion in the eVestment database is required for this search, inclusion in the consultants' databases is not a prerequisite for consideration in this search. However, potential candidates who would like their global equity strategies included in the various consultant databases may contact the following people to obtain the necessary questionnaire/requirements for the submission of information into the respective consultant's database:

- Mercer Investments LLC (Mercer) database, Christopher Tauber, at christopher.tauber@mercer.com



- Aon Investments USA, Inc. (Aon) database, John Lee, at john.j.lee@aon.com
- Callan LLC (Callan) database, at database@callan.com
- Meketa Investment Group (Meketa) database, Hayley Tran, at htran@meketa.com
- RVK, Inc. (RVK) database, Joe Ledgerwood, at Joe.Ledgerwood@RVKInc.com
- Wilshire Advisors, LLC (Wilshire) database, at compassportal@wilshire.com

RECOMMENDATION

If, after extensive research and due diligence including all steps conducted under the previous search process, WSIB staff decide to recommend a strategy for the CTF, staff will prepare a recommendation to the WSIB Public Markets Committee. The candidate firm will be notified well in advance and will be expected to present at the Public Markets Committee meeting at which the recommendation is presented. Currently, all Committee meetings are virtual. While candidates may be expected to travel to Olympia during the due diligence process, their presence in person is not expected to be required at the Public Markets Committee meeting. However, this may be subject to change in the future. If approved, the Public Markets Committee will bring the strategy to the Board for review and a vote to approve. The candidate investment manager will not be required to attend or present at the Board meeting.

CONTRACT

Successful candidates will be required to sign a WSIB contract that contains a number of provisions required by Washington state law and/or WSIB practice. The full terms, conditions and approach to the contract will be based on a sample contract that will be provided during due diligence to candidates who progress to the later stages of the review process. Some of the high-level contractual requirements are as follows:

FIDUCIARY STATUS AND DUTIES

Contract will specify that the manager is a fiduciary and will perform duties under its contract as a fiduciary with a fiduciary standard of care to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert investment professional, acting in like capacity and familiar with such matters, would use in the performance of similar services, all in accordance with the applicable federal and state laws as well as WSIB policies, guidelines, and procedures.

LIABILITY AND INDEMNIFICATION

The contract must also contain broad liability and indemnification protections for the WSIB. This will include language that the manager is liable to and will indemnify and hold the WSIB, the CTF, and the state harmless from all loss incurred resulting from or occurring due to negligence, willful misconduct, wrongful act or omission, breach of fiduciary duty, the failure to comply with the terms of the contract or applicable law, or any errors on the part of the manager in operating the account. Please note that the WSIB cannot accept “gross negligence” language and cannot provide indemnification.

GOVERNING LAW AND VENUE

The contract will be governed by the laws of the state of Washington and venue will be specified as only the Superior Court of the State of Washington, in, and for, Thurston County, located in Olympia, Washington. Please note that the WSIB cannot agree to any other jurisdiction.

DATA POLICIES

The contract must comply with applicable state policies regarding IT, security, access, data protection, and privacy, for example OCIO Policy No. 141.10.

Candidates must be willing to accept these contractual requirements without change.

COMPENSATION AND PAYMENT

The compensation resulting from a signed contract with the WSIB shall be subject to negotiation based on the firm's fee proposal. Once the successful firm is selected, the fee may be further negotiated. In no event shall the fee exceed that set forth in the firm's fee proposal.

SEARCH QUESTIONS AND MODIFICATION

The WSIB reserves the right to modify any part of the search by issuance of an addendum which will be posted to the WSIB website. Candidates are advised to check the site regularly.

Candidates may submit questions on this search process via the contact information at the end of this document. WSIB staff will compile questions from candidates and post answers as an addendum to the search document on the WSIB website from time to time.

QUIET PERIOD

The WSIB's quiet period requirements for its Board members are outlined in its [Service Provider Policy 2.00.230](#). Candidates must not discuss any matters pertaining to a procurement with a Board member, except during Board or Committee meetings. Candidates must not discuss their desire to seek business with the WSIB or the WSIB's public equity active management search process with WSIB Board members. WSIB Board members are required to report manager contact referrals to staff.

No contact regarding this procurement or the evaluation is permitted with any WSIB staff except as outlined in this document. While candidates may contact public equity staff to set up an introductory meeting following the process outlined earlier in this document, all questions about the search and/or the process must be addressed to the Search Coordinator as per instructions at the end of this document. When in doubt, only direct the communication to the Search Coordinator.

After a candidate is asked to conduct an all-day, in-person meeting in Olympia, contact with WSIB staff regarding this search is only allowed if it goes through or is authorized by the Search Coordinator identified below. **Please note that any violation of the quiet period may disqualify the candidate from any further consideration.**

PROTEST PROCESS

The WSIB is committed to ensuring a fair and open competitive process through this search. To that end, it will accept two types of procurement protests throughout the process.

The first procurement protest is for complaints asserting that the search unnecessarily restricted competition, the process is unfair or flawed, or the search requirements as stated prevented preparation of a meaningful response. The goal of this revised search process is the opposite; to allow greater and more open competition (e.g., a newer investment manager will not have to wait until the next search or rebid is launched to potentially be considered or evaluated).

Staff will inform managers if, after an initial meeting, staff determines that the strategy is not what the staff believes is a correct fit for the WSIB in its current form at the current time. Candidates may submit the first type of protest regarding the process being unfair or flawed or unnecessarily restricting competition at that time. Any such protest should be submitted to the Search Coordinator as described at the end of this document.

The second procurement protest is for managers that are invited to meet with WSIB staff and undergo additional due diligence but that are not selected for recommendation. Such managers will be informed by staff that a

recommendation is not being brought to the Public Markets Committee. They may at that time submit a protest to the Search Coordinator as described at the end of this document.

In addition, WSIB Public Markets Committee and full Board meetings are open public meetings, and notice will be posted as required by Washington law. Any recommendations regarding hiring an investment manager will include a presentation in an open public meeting. Anyone can make public comment at those meetings.

PUBLIC DISCLOSURE

Candidates are advised that the WSIB is a public agency of the state of Washington, and thus subject to the Washington Public Records Act, RCW 42.56. Records provided to the WSIB may be subject to public disclosure, though WSIB has some limited, strictly construed exemptions from such disclosure. Candidates wishing to claim portions of any materials submitted to the WSIB as confidential and exempt from public disclosure are advised to carefully mark such portions; however, only truly proprietary and confidential sections or portions should be marked as such. Materials marked entirely as confidential containing clearly non-proprietary information will not be treated as confidential by the WSIB. If the WSIB receives a public records request for materials submitted as part of a procurement, the practice is to, after the candidate has presented to the Public Markets Committee and hiring has been approved by the Board, send the candidate a redacted copy of the materials the WSIB intends to disclose, and allow the candidate the opportunity to raise additional confidentiality concerns before the WSIB sends the materials to the records requester; for the avoidance of doubt, the WSIB is only allowed to redact confidential information that is by law exempt from public disclosure.

SMALL & DIVERSE BUSINESSES

The WSIB, in accordance with Washington law, encourages small and diverse businesses to compete for and participate in state procurements.

WSIB BOARD CONTACT

The Search Coordinator is the primary point of contact for this procurement and will be the SOLE point of contact for any manager except as described in this document (e.g. reaching out to SIBDLPublicEquities@sib.wa.gov to request a meeting.) Throughout the duration of this search, all communications are to be directed, in writing, to the contacts listed below.

Washington State Investment Board
2100 Evergreen Park SW, P.O. Box 40916
Olympia, WA 98504-0916
ATTN.: WSIB Contracts Unit, Public Equity Active Manager
E-MAIL: contracts@sib.wa.gov

Contact by candidate's staff or by anyone on behalf of the candidate with WSIB staff or Board members regarding this search and not previously authorized by this document or the Search Coordinator, may disqualify the candidate.