



**PERA**

Public Employees  
Retirement Association  
of New Mexico

INVESTED IN TOMORROW.

**REQUEST FOR PROPOSALS FOR:  
GLOBAL AND/OR U.S. REIT INVESTMENT MANAGEMENT SERVICES  
RFP NO. NM INV-001-FY17**

**RELEASE DATE:  
NOVEMBER 9, 2016**

**DEADLINE FOR CERTIFICATION OF MINIMUM QUALIFICATIONS:  
NOVEMBER 16, 2016, 5:00 P.M. MT**

**DEADLINE FOR SUBMISSION:  
DECEMBER 12, 2016, 5:00 P.M. MT**

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## **PART I. INTRODUCTION AND GENERAL INFORMATION**

### **A. SUMMARY OF SOLICITATION**

Public Employees Retirement Association of New Mexico ("PERA") invites submittal of sealed, responsive proposals from qualified Offerors for discretionary investment management services for a global and/or domestic REIT portfolio. As explained in more detail in this Request for Proposals ("RFP"), PERA requests that Offerors respond to this solicitation by submitting formal acknowledgements of Minimum Qualifications ("MQs") and a proposal for services in accordance with the deadlines described in the Procurement Schedule that is set forth in Part IV (E) of this RFP. PERA expects to select one or more proposals by no later than February 28, 2017 and execute a Professional Services Agreement ("Agreement") effective March 31, 2017. PERA, in its discretion, may reject all proposals.

### **B. STRUCTURE AND CONTRACTING AUTHORITY OF REQUESTING PARTY**

PERA is the public body of the State of New Mexico that is responsible for administering and managing the investment of all monies constituting the assets of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund (together "the Fund"). PERA is a qualified plan under Section 401(a) of the Internal Revenue Code. The Fund's assets were valued in excess of \$14.5 billion as of September 30, 2016.

PERA is governed by the Public Employees Retirement Board (the "Board"). Article XX, Section 22 of the New Mexico Constitution obligates the Board to administer and invest the Fund for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The Uniform Prudent Investor Act, NMSA 1978, §§ 45-7-601 to 45-7-612, requires the Board to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund.

NMSA 1978, §§ 10-11-130(A) (7), and 10-11-133(E) authorize the Board to make and execute contracts for investment management services. NMSA 1978, § 13-1-98(CC) exempts PERA from compliance with the New Mexico Procurement Code for all contracts for investment advisory services, investment management services or other investment-related services. PERA has adopted its Procurement Policy for Investment-Related Services. *See* Appendix G.

The Board has adopted its Investment Policy (revised April 28, 2016). *See* Appendix F (A). The Investment Policy provides that investment managers are hired by and accountable to the Board through the authority of PERA's Executive Director. The service provider selected under this RFP shall serve in a fiduciary capacity to PERA and the Board and must agree to the indemnification and other provisions set forth in PERA's Professional Services Agreement (*see* Form of Professional Services Agreement attached as Appendix E to this RFP). Copies of pertinent New Mexico statutes are attached at Appendix F. *See also* Part VII, Key Contractual Provisions.

### **C. ETHICAL DISCLOSURES AND CONFLICTS OF INTEREST**

Members of the Board and PERA employees are subject to NMSA 1978, § 10-11-130.1, which prohibits acceptance of anything of value directly or indirectly from a person or organization that has a current contract with PERA, is a potential bidder, Offeror or contractor of services to PERA, or from a person who is authorized to invest public funds pursuant to state or federal law. For purposes of this Policy, potential bidder means any person or entity that may provide services to PERA within the next twelve months.

All Offerors or incumbent providers are required to disclose any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under any contract with PERA. Offerors and incumbent providers shall certify that the requirements of the Governmental Conduct Act, NMSA 1978, §§ 10-16-1 through 10-16-18, regarding contracting with a public officer or state employee have been followed.

### **D. OVERVIEW OF PERA INVESTMENT ACTIVITIES**

PERA invests in global equities, credit and real assets. These mandates are implemented through multiple investment vehicles including separately managed accounts, limited partnerships, funds of one and commingled funds. PERA's investments include active, passive, long-only, private and long-short strategies. All assets are managed externally by firms retained by the Board in accordance with the PERA Investment Policy. The proposed mandate is classified as a Liquid Real Estate strategy, and is considered a sub-asset class within PERA's Real Assets allocation. For Offeror's information, PERA's current Real Assets allocation appears below:

	<b>Weights</b>	
<b>Real Assets</b>	<b>20.0%</b>	<b>Custom Blended Benchmark</b>
Liquid Real Estate	1.0%	Wilshire Global Real Estate Securities Index
Illiquid Real Estate	7.6%	NCREIF ODCE + 1%
Liquid Real Assets	2.0%	Alerian MLP Index
Illiquid Real Assets	8.4%	Cambridge Natural Resources Index
Market Neutral Hedge Funds	1.0%	LIBOR + 2%

### **E. OBJECTIVES OF THIS SOLICITATION**

As further described below, the purpose of this RFP is to invite responsible Offerors to submit competitive sealed proposals to provide discretionary investment management services for a global and/or domestic REIT portfolio. Such services shall conform to PERA's investment rules, Investment Policy, and statutory investment requirements, as they may be amended from time to time.

## **PART II. SCOPE OF WORK**

### **A. DESCRIPTION OF SERVICES SOUGHT**

PERA requests proposals from qualified Offerors for discretionary investment management services for a global and/or domestic REIT portfolio. Proposed products must be primarily focused on public real estate investment trusts and employ a strategy that is clearly articulated and has been

consistently applied over time. PERA's proposed investment strategy benchmark is the Wilshire Global Real Estate Securities Index, but PERA may also select any benchmark deemed more appropriate for the proposed product. A proposal for a separately managed account is preferred, but commingled vehicles will also be considered.

The funding for the product selected by PERA will be set at the levels that PERA, at its sole discretion, sees fit. The estimated target mandate size for such services is between \$140-280 million. PERA reserves the right to make a single or multiple source awards to manage the proposed product(s).

PERA anticipates that the proposed product(s) under this RFP will be funded with cash. PERA may require the Offeror to transition the portfolio, ask the Offeror to work with a specific transition manager or, alternatively, authorize the Offeror to select an independent transition manager, subject to PERA's approval. PERA will supply the successful Offeror with a listing of the assets to be transitioned. PERA makes no guarantee to the successful Offerors as to the amount to be funded, the increments of partial funding or the time frame the funding will begin or be completed.

### **PART III. MINIMUM QUALIFICATIONS**

#### **A. CERTIFICATION REQUIREMENT**

Each Offeror must certify, by no later than the deadline set forth in the Procurement Schedule, that it meets all of the following minimum qualifications as of the date its proposal is submitted to PERA. In order to certify, the Offeror shall complete, sign, and submit all forms required by this RFP. These documents include: Appendix A (Minimum Qualifications Compliance), Appendix B (Signature Page), Appendix C (Questionnaire), and Appendix D (Fee Proposal Form).

**FAILURE TO MEET AND CERTIFY TO THE FOLLOWING SHALL RESULT IN THE REJECTION OF THE PROPOSAL FOR NON-RESPONSIVENESS.**

#### **B. LIST OF MINIMUM QUALIFICATIONS**

1. The Offeror must be an investment advisor registered with the SEC or otherwise exempt from registration. If exempt, the firm must explain the nature of their exemption from registration.
2. The Offeror must be prepared to submit entire Form ADV, including Part 1 and Part 2 brochures and relevant Schedules, if selected as a semi-finalist.
3. The Offeror must update or submit all eVestment Alliance data through September 30, 2016, for all products for which they are submitting proposals by the deadline for submission. If the firm does not already utilize the eVestment Alliance database, they must participate by establishing their firm in the database.
4. As of the date the Offeror's proposal is submitted, the Offeror must:
  - a. Have at least \$2 billion in total assets under management at the firm level;
  - b. Have at least \$1 billion in assets under management in the proposed REIT product(s);

- c. Have at least three major U.S. tax-exempt pension fund clients (public or corporate). This requirement is firm-wide and does not necessarily apply to the proposed product;
  - d. Have at least one separately managed portfolio in this product with a least \$100 million;
  - e. Agree to accept a possible allocation in the amount of \$140-280 million or more in the proposed product;
  - f. Have a minimum five year history of performance for the Offeror's proposed REIT product(s).
5. The investment professionals (i.e.: portfolio managers, analysts, traders, etc.) must have at least three continuous years of performance history in the proposed strategy as of September 30, 2016.
  6. The proposed product must allow redemptions on at least a monthly basis, with no more than 30 day notice effective immediately upon funding.
  7. The Offeror must agree to keep the proposal open for a period of not less than 180 days from the date the proposal is issued.
  8. The Offeror must agree to incorporate the warranties, as stated in Part VII (section H), Contractor warranties and representations, into any contract entered into as the result of a contract award made under this RFP. (See Signature Page, Appendix "B").
  9. The Offeror must agree to submit a fee proposal with the RFP response, attached as Appendix D (Fee Proposal Form).

## **PART IV. THE COMPETITIVE PROCESS**

### **A. GENERAL INFORMATION**

In order to qualify for award of a contract, an Offeror must comply with all of the requirements set forth in this RFP, including without limitation submittal of proposals by no later than the deadlines set forth in the Procurement Schedule.

PERA recognizes that it may be advantageous to select more than one proposed product to fulfill the Scope of Work described in Part II of this RFP. PERA's goal is to hire a manager whose experience can best satisfy its needs.

This RFP is governed by the Public Employees Retirement Association Procurement Policy for Investment-Related Services (attached, Appendix G). This RFP may be canceled and any and all proposals may be rejected in whole or in part when it is in the best interests of PERA. This RFP shall not be modified except by written amendment.

### **B. WRITTEN QUESTIONS**

PERA will accept and respond to written questions about this RFP and the procurement process within the period described in the Procurement Schedule.

Written questions shall be submitted to PERA as follows:

**VIA EMAIL: [NMPERA2016REIT@cliffwater.com](mailto:NMPERA2016REIT@cliffwater.com)**

PERA will only respond to written questions submitted to the email address set forth above by Offerors that submit the Acknowledgment of Minimum Qualifications Compliance (Appendix A) to PERA by the deadline set forth in the Procurement Schedule. Potential Offerors shall clearly identify the subject matter of questions by referring to the appropriate section, paragraph, and page of the RFP. PERA is not obligated to answer inappropriately labeled questions.

No written response to the questions shall be construed as a modification of the RFP unless PERA amends the RFP in accordance with New Mexico PERA's Investment-Related Services Procurement Policy.

PERA will post written questions and responses as soon as reasonably practicable on its website at: <http://www.nmpera.org/investments/rfps>

### **C. COMMUNICATIONS WITH PERA**

PERA will only communicate with Offerors by means of written questions and answers, as explained above. After the deadline for submitting written questions passes, PERA will no longer communicate with Offerors about the substance or process of this procurement.

### **D. QUALIFICATIONS FOR AWARD**

In order to qualify for consideration, an Offeror must demonstrate that it meets all of the requirements of this RFP including, without limitation, formal acknowledgement that the Offeror meets all of the MQs set forth in Part III, above. PERA will only consider proposals submitted by Offerors that meet the MQs. All formal acknowledgements and proposals shall become the property of PERA.

## **E. PROCUREMENT SCHEDULE**

A proposal may be withdrawn or modified prior to the time and date of the submittal deadline described in the Procurement Schedule. Proposals withdrawn after the submittal deadline may not be reconsidered. PERA may refuse to consider any proposal submitted or modified after the deadline for submittal. Offerors shall bear in mind that PERA will consider solicitations submitted or modified after the submittal deadline only under very limited circumstances.

The following schedule governs procurement under this RFP. In the event of any discrepancy between the dates in the Procurement Schedule and dates listed in other parts of the RFP, those referenced in the Procurement Schedule shall prevail. Please note that the exact dates for items No. 6-9, and the dates for negotiations, if any, shall be set at PERA's discretion without the need to amend the RFP.

<b>Procurement Schedule</b>		
<b>Action</b>	<b>Responsibility</b>	<b>Date Time</b>
1. Release of RFP	PERA	November 9, 2016
2. Return Acknowledgement of Compliance with Minimum Qualifications	OFFEROR	November 16, 2016 5PM MT
3. Deadline for Submission of Written Questions	OFFEROR	November 23, 2016 5PM MT
4. Response to Written Questions	PERA	November 30, 2016 5PM MT
5. Deadline for Submission of Proposals	OFFEROR	December 12, 2016 5PM MT
6. Evaluation of Proposals, Oral Presentations of Finalists	EVALUATION COMMITTEE	December 2016 - January 2017
7. Due Diligence	EVALUATION COMMITTEE	TBD
8. Contract Award	PERA	TBD
9. New Contract Proposed Effective Date	PERA/OFFEROR	TBD

## **PART V. SUBMISSION REQUIREMENTS**

### **A. METHOD FOR SUBMISSION OF PROPOSALS**

All submissions and other communications shall be addressed to PERA as follows:

**VIA EMAIL:** [NMPERA2016REIT@cliffwater.com](mailto:NMPERA2016REIT@cliffwater.com)

Submissions will be accepted in electronic format only via email. **No hard copy submissions or facsimile transmissions shall be accepted.**

Proposals must be submitted and received by the submission deadline set forth in the Procurement Schedule in Part IV above.

## **B. FORMAT AND CONTENT OF PROPOSALS**

Proposals submitted in response to this RFP must be organized and submitted in the format described below, using the forms attached in the appendices to the RFP and following the applicable instructions. Only finalists will be required to submit signed hard copy proposals. Within each section of the proposal, Offeror should address the items in the RFP in the order in which they appear in the RFP. Please make sure that you include headings and page numbers in all deliverables. Proposals should stress completeness, clarity, and succinctness.

**ANY PROPOSAL THAT DOES NOT STRICTLY ADHERE TO THE FOLLOWING FORMAT, AND DOES NOT ADDRESS EACH SPECIFICATION AND REQUIREMENT WITHIN THE RFP AND THE APPLICABLE FORMS MAY BE DEEMED NON-RESPONSIVE.**

1. Each proposal shall contain a cover sheet that clearly identifies the proposed offering.
2. Each proposal shall contain an index or table of contents near the front of the proposal, listing the materials included in the proposal. Please, make sure that you including headings and page numbers in all deliverables.
3. Offerors shall complete, sign and attach to the proposal a completed and signed Signature Page (Appendix B). By signing the Signature Page contained in Appendix B, the Offeror agrees to accept and comply with all the terms and conditions of the RFP.
4. Any proposals not bearing the appropriate signatures on the Signature Page contained in Appendix B, referenced above, will not meet the minimum qualification requirements of the RFP and will not be considered further in the evaluation process.
5. The Offeror may attach such other supplementary material as it sees fit to explain its proposal and any additional contractual terms and conditions that the Offeror may suggest.
6. All proposals submitted will be considered public records. The Offeror may request in writing the nondisclosure of confidential information contained in the proposal. Such data shall be clearly marked and identified as "confidential". If the submission contains material that the Offeror considers confidential, the Offeror shall provide a separate redacted version of the proposal in order to facilitate any eventual public inspection of the non-confidential portions of the proposal. After contract award, each proposal, except those portions for which the Offeror has made a valid written request for confidentiality, shall be open to public inspection. PERA reserves the right to review the appropriateness and validity of a request for confidentiality.

## **PART VI. EVALUATION OF PROPOSALS**

PERA may award multiple contracts under this RFP for the Scope of Work described in Part II, above. The contract award shall be made to the responsible Offeror or Offerors whose proposal is deemed most advantageous to PERA.

The evaluation of proposals will be conducted by an evaluation committee appointed by the Board Chair. However, any Board member will be allowed to attend and participate in any proceedings, meetings, and deliberations of the evaluation committee, including but not limited to oral presentations of the short-listed Offerors and preparation of the final evaluation report.

Proposals that are non-responsive due to failure to meet the MQs (See Part III), or otherwise, shall be eliminated from further consideration. PERA will notify all Offerors of its decision at the time award is made. Also, at its sole discretion, PERA may at any time during the evaluation process eliminate from further consideration proposals whose performance does not rank favorably relative to others responding to the RFP.

As part of the evaluation process, PERA may, in its sole discretion, invite selected Offerors to appear for interviews, discussions, or negotiations, in accordance with the requirements of the PERA Procurement Policy for Investment-Related Services. It should be clearly understood, however, that PERA reserves the right to accept proposals and make contract awards without conducting interviews, discussions or negotiations. Furthermore, as a condition of submitting a proposal, all Offerors shall agree to provide the services required by this RFP and to adhere to all the requirements, specifications, terms, and conditions of this RFP. For these reasons, PERA strongly recommends that Offerors review the RFP with their corporate counsel in advance of submitting a proposal. (*See also* Part V, Submission Requirements, and the Signature Page located in Appendix B.)

If PERA elects to conduct interviews, discussions or negotiations with Offerors, PERA may establish a common date for submissions of best and final fee offers, if appropriate. Offerors shall bear any and all costs incurred by them in the conduct of any discussions or negotiations, including travel to Santa Fe for oral presentations or their costs associated with due diligence visits made by members of the RFP Evaluation Committee. Any additional terms and conditions which may be the subject of interview, discussion or negotiation will be discussed only between PERA and the Offeror who suggests them and shall not be deemed an opportunity to amend the Offeror's proposal in any other respect.

The evaluation committee shall recommend to the Board the one or more Offerors to be awarded the contract. The final contract award shall be made by the Board, subject to such conditions as the Board deems appropriate. PERA is not obligated to award any contract or fund any mandate described in this RFP.

The evaluation committee shall create a record, including but not limited to uniform evaluation sheets, showing the basis for its recommendation to the Board and shall prepare a written report and its recommendation to the Board of the successful Offerors and runners up, if any. The Chief Investment Officer shall retain the scoring sheets and evaluation committee report for at least the stated term of the resulting contract.

Proposals that are deemed responsive to the investment management services requested and the components of Scope of Work described in Part II will be evaluated according to the following evaluation factors:

<b>Evaluation Factors</b>	<b>Points</b>
Offeror's background and experience as an investment manager for the proposed product(s)	20
Offeror's capabilities in research, trading, compliance, reporting, etc.	20
Offeror's investment philosophy and process	25
Performance	25
Fee proposal	10

The procedure for protesting award of a contract under this RFP is set forth in PERA's Procurement Policy for Investment-Related Services at paragraph 15. *See* Appendix G.

## **PART VII. KEY CONTRACTUAL PROVISIONS**

The contract between PERA and the successful Offeror shall contain substantially the same terms and conditions as in the Sample Professional Services Agreement attached to this RFP at Appendix E. The contract shall include a Management Fee Agreement that provides for compensation based on the fee proposed by the Offeror on the Fee Proposal Form attached as Appendix D and as may be negotiated by the parties.

Copies of PERA's current Investment Policy, Investment Statutes, and Investment Policies and Practices Rule (PERA Rule No. 2.80.300 NMAC) (*see* Appendix F), shall be attached to the contract. While Offerors may suggest additional contractual terms and conditions, PERA will not accept any terms and conditions that materially change the terms and conditions set forth by PERA in the sample contract attached hereto at Appendix E. Any additional terms and conditions that PERA may, at PERA's sole discretion, accept will be incorporated into any final contract. Offerors should be aware that PERA will not accept material changes to the indemnification or jurisdictional terms and conditions set forth in the Form of Professional Services Agreement (*see* Appendix E).

Pursuant to the terms of PERA's Investment Policy, the contract between PERA and a successful Offeror for the investment management services as described in this RFP shall incorporate Investment and Operational Guidelines that set the investment guidelines and administrative requirements for the services provided by the Offeror. Key terms of the Professional Services Agreement include the following:

### **A. COMPENSATION**

Subject to the provisions of Paragraphs B (Term of Agreement) and D (Termination), PERA shall pay Contractor for its investment management services an annual fee in accordance with an executed Management Fee Agreement.

One quarter of the applicable Annual Fee shall be paid to Contractor for each calendar quarter for which Contractor renders services under this Agreement. Contractor shall submit to PERA a certified billing statement for each calendar quarter after the end of the quarter for which services have been rendered. Payment shall be made by PERA within a reasonable time following PERA's receipt and approval of a certified billing statement.

#### **Payment of Taxes**

Contractor shall be responsible for paying any and all taxes, including New Mexico gross receipts taxes, assessed on the compensation received under this Agreement and shall identify and pay those taxes under Contractor's federal and state identification number (s).

#### **Waiver of Late Payment Charges**

Contractor waives assessment of any late payment charges.

### **B. TERM OF AGREEMENT**

The initial term of the Agreement shall be for eight (8) years and shall commence when executed by the parties and terminate on March 31, 2025. The Agreement is subject to early termination or

termination for lack of appropriations at any time during the term of the Agreement, notwithstanding the foregoing or any other provision of the Agreement.

### **C. STANDARDS OF PERFORMANCE**

1. All services performed by Contractor under the Agreement must conform to all applicable state and federal laws and regulations, including but not limited to NMSA 1978, Sections 10-11-1 to 10-11-142, NMSA 1978, Sections 10-11A-1 to 10-11A-7, NMSA 1978, Sections 10-12B-1 to 10-12B-19, and NMSA 1978, Sections 10-12C-1 to 10-12C-18, as such acts may be amended from time to time and applicable PERA regulations. All services performed by Contractor under the Agreement must also comply with acceptable industry standards and practices. Contractor shall acquire and hold during the term of this Agreement, including any renewals, all licenses and permits required to perform the services called for in this Agreement.

2. Contractor holds itself out as an expert in discretionary investment management services for a Global and/or U.S. REIT mandate. Accordingly, Contractor acknowledges and agrees that in providing discretionary investment management services, it will use the degree of care, diligence and skill that a prudent investor would use in the in the conduct of an enterprise of like character and with like aims. Contractor further acknowledges that it is a fiduciary to PERA and shall at all times act in a fiduciary capacity to PERA. Contractor is under a duty to exercise reasonable care, skill and caution as set forth in the Uniform Prudent Investor Act, NMSA 1978, §§ 45-7-601 to 45-7-612, and the manner in which investment advice is handled will be evaluated in light of such prudent investor standard.

3. During the performance of all services by Contractor, PERA will retain all final decision-making authority with respect to the management and administration of retirement plans funded thereby and investments related thereto, subject to Contractor's obligations as provided for in the Agreement.

### **D. TERMINATION**

1. Early Termination. Notwithstanding any other provision of the Agreement, the Agreement may be terminated as follows: by PERA delivering to Contractor a notice of the intent to terminate at least thirty (30) days prior to the intended date of termination and by Contractor delivering to PERA a notice of the intent to terminate at least ninety (90) days prior to the intended date of termination. In the event the termination date does not coincide with the last day of a quarter, Contractor shall be entitled to a prorated portion of the fee for the quarter during which termination occurs. By such termination, neither PERA nor Contractor may nullify obligations, if any, already incurred for performance or failure to perform prior to the date of termination. Termination under this paragraph may be made with or without cause. THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT CONSTITUTE A WAIVER OF ANY OTHER LEGAL RIGHTS AND REMEDIES AFFORDED PERA IN SUCH CIRCUMSTANCES AS DEFAULT OR BREACH OF CONTRACT BY CONTRACTOR.

2. Termination for Lack of Appropriations. The terms of the Agreement are contingent upon sufficient authorizations and appropriations being or having been made by the New Mexico Legislature for the performance of the Agreement. If sufficient authorizations and appropriations are not or have not been made by the New Mexico Legislature, or are discontinued by the New Mexico Legislature, the Agreement shall terminate upon written notice being given by PERA to

Contractor. PERA's decision as to whether sufficient authorizations or appropriations are or have been made, or are or have been discontinued, shall be accepted by Contractor and shall be final.

#### **E. INDEMNIFICATION**

In addition to Contractor's liability as provided for in the Agreement, Contractor shall indemnify, defend, and hold harmless PERA, the PERA Board, and their officers and employees from and against any and all claims, demands, liability, suits, causes of action, losses, damages, fines, fees, attorney fees, penalties, costs, expenses, injuries to property, judgments (including defense costs and attorney fees) that occur or arise out of or in connection with: (1) Contractor's performance or failure to perform under any provision of the Agreement; (2) Contractor's breach of any term, condition, warranty or representation contained in the Agreement; (3) Contractor's provision of services that are not in accordance with any applicable law, rule, regulation, or provision of the Agreement; (4) Contractor's failure to perform in accordance with the standard of care contained in the Agreement; or (5) any error, omission, fraud, embezzlement, theft or negligence of Contractor. It is understood, however, that Contractor's obligations under this Paragraph do not extend to liabilities resulting from causes beyond the control and without the fault or negligence of Contractor, including acts of God, war or civil commotion, fire, earthquake, or other natural disaster, and unforeseeable acts of any federal, state, or local government or agency thereof. Contractor's obligations to indemnify PERA under this Paragraph shall survive the expiration or termination of the Agreement, or any extension thereof.

In the event that any action, suit or proceeding related to the services performed by Contractor under this Agreement Contractor shall, to the extent legally permissible, as soon as reasonably practicable after it receives notice thereof, notify PERA. Contractor shall notify PERA of regulatory and legal actions or proceedings against Contractor with respect to its other advisory clients to the extent required pursuant to the applicable Form ADV amendment requirements.

#### **F. DISCLOSURE OF PLACEMENT FEES/THIRD-PARTY MARKETERS**

The Board is prohibited from making any investment unless the recipient of the investment discloses the identity of any third-party marketer who rendered services on behalf of the recipient in obtaining the investment and also discloses the amount of any fee, commission or retainer paid to the third-party marketer for the services rendered. See NMSA 1978, § 10-11-133.1.

#### **G. CAMPAIGN CONTRIBUTION AND GIFT POLICY**

The Contractor and its officers and employees are prohibited from soliciting or receiving campaign contributions, for or on behalf of any PERA Board member, or any political candidate in the State of New Mexico, from any investment company or brokerage firm, including its officers and employees, which has engaged in any financial transaction with PERA within the preceding twelve (12) months prior to the solicitation or receipt of the contribution or which reasonably expects within the next twelve (12) months to engage in financial transactions with the PERA. In addition, the Contractor shall comply with the prohibitions and restrictions upon making campaign contribution to PERA Board members and candidates for the position of PERA Board member, and giving gratuities to PERA Board members and PERA employees, contained in NMSA 1978, § 10-11-130.1. The Contractor shall annually certify to PERA compliance with NMSA 1978, § 10-11-130.1, regarding restrictions on gratuities to PERA Board members and PERA employees. Violation of this Paragraph constitutes a breach by the Contractor of its Agreement with PERA.

## **H. CONTRACTOR WARRANTIES AND REPRESENTATIONS**

Contractor acknowledges, warrants, and represents to PERA that the following statements are true as of the effective date of this Agreement and agrees that the same are incorporated and made part of this Agreement:

1. Contractor is registered as an investment advisor under the Investment Advisors Act of 1940 and that it shall maintain such registration at all times during the term of the contract (unless exempt and explanation of exemption is attached);
2. Contractor meets or will meet before the award of a contract the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond applicable to Contractor's actions under the Contract (unless exempt, and explanation of exemption is attached);
3. Contractor has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations, required by a government or governmental authority, including the State of New Mexico, for acts contemplated by the Contract;
4. Contractor serves as a fiduciary to PERA as that term is defined by the laws and rules governing the Board;
5. Contractor warrants that it will not delegate its fiduciary responsibilities assumed pursuant to the Contract;
6. Contractor warrants that it has positive net worth as of the effective date of this Agreement and shall maintain a positive net worth for the entire term of this Agreement, including any and all extensions of the Agreement.

**APPENDIX A**

**ACKNOWLEDGMENT AND CERTIFICATION OF  
COMPLIANCE WITH MINIMUM QUALIFICATIONS**

INSTRUCTIONS FOR SUBMISSION:

COMPLETE, SIGN AND SUBMIT AN ELECTRONIC COPY OF THIS FORM AS FOLLOWS:

**VIA EMAIL: [NMPERA2016REIT@cliffwater.com](mailto:NMPERA2016REIT@cliffwater.com)**

**NO LATER THAN NOVEMBER 16, 2016, 5:00 PM MT**

ONLY POTENTIAL OFFERORS WHO MEET THE MINIMUM QUALIFICATIONS SET FORTH IN PART III OF THIS REQUEST FOR PROPOSALS AND RETURN THIS FORM BY THE ABOVE DEADLINE ARE ENTITLED TO RECEIVE COPIES OF PERA'S WRITTEN RESPONSES TO OFFERORS' WRITTEN QUESTIONS.

**ACKNOWLEDGMENT AND CERTIFICATION OF COMPLIANCE WITH MINIMUM QUALIFICATIONS**

THE OFFEROR HEREBY ACKNOWLEDGES AND CERTIFIES THAT:

- It has received, reviewed in its entirety, and understands the text and appendices attached to Request for Proposals No. NM INV-001-FY17 for Global and/or U.S. REIT Investment Management Services, which begins with a cover page and ends with the last page of Appendix G, the PERA Procurement Policy for Investment-Related Services.
- It meets all of the minimum qualifications set forth in Part III of the RFP above as of the date of submission of the RFP response.

RFP #: \_\_\_\_\_ TYPE: \_\_\_\_\_

FIRM: \_\_\_\_\_

REPRESENTED BY (CONTACT PERSON): \_\_\_\_\_

TITLE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP: \_\_\_\_\_

E-MAIL: \_\_\_\_\_ PHONE NUMBER: \_\_\_\_\_

SPECIFIC PRODUCT NAME: \_\_\_\_\_

\_\_\_\_\_

**This page has been signed by an authorized signatory with the authority to certify that the Offeror meets the above-stated minimum qualifications.**

SIGNED BY: \_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX B**

**RFP RESPONSE SIGNATURE PAGE**

INSTRUCTIONS FOR SUBMISSION:

RETURN AN ELECTRONIC COPY OF THIS FORM TOGETHER WITH THE COMPLETE PROPOSAL (INCLUDING EXECUTABLE APPENDICES AND ATTACHMENTS) AS FOLLOWS:

VIA EMAIL: [NMPERA2016REIT@cliffwater.com](mailto:NMPERA2016REIT@cliffwater.com)

SUBMISSION DEADLINE: DECEMBER 12, 2016 AT 5:00 PM MT

**RFP RESPONSE SIGNATURE PAGE**

By signing below Offeror acknowledges and affirms the following:

- Receipt of a complete copy of the RFP for Global and/or U.S. REIT Investment Management Services, beginning with the cover page and ending with Appendix G, PERA Procurement Policy for Investment-Related Services.
- The Offeror hereby certifies that it meets all of the minimum qualifications set forth in Part III of the RFP and incorporated in Appendix A, Acknowledgment and Certification of Compliance with Minimum Qualifications.
- The Offeror has answered all questions in Appendix C, Company Questionnaire, accurately and completely and submitted all attachments requested in the RFP.
- The Offeror has completed and provided a fee proposal that conforms to the guidelines set forth in Appendix D, Fee Proposal Form.
- Any contract for investment management services described in this RFP must incorporate terms and provisions that are materially similar to those included in the Form of Professional Services Agreement attached to this RFP as Appendix E.

OFFEROR NAME: \_\_\_\_\_

SPECIFIC PRODUCT NAME: \_\_\_\_\_

\_\_\_\_\_

STREET ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP: \_\_\_\_\_

E-MAIL ADDRESS: \_\_\_\_\_ TELEPHONE: \_\_\_\_\_

FEIN: \_\_\_\_\_ CONTACT PERSON: \_\_\_\_\_

This page has been signed by a signatory with the authority to bind the Offeror. By signing this Signature Page, Offeror represents that the undersigned representative has the authority to bind the Offeror, and by submitting a proposal in response to this RFP, Offeror agrees to perform the services proposed in accordance with the RFP and to adhere to all requirements, specifications, terms and conditions of the RFP. Offeror further agrees to be bound by this proposal for a minimum of 180 days from the date the RFP was issued.

**SIGNED BY:** \_\_\_\_\_

**Name (print):** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**APPENDIX C**  
**QUESTIONNAIRE**

INSTRUCTIONS FOR SUBMISSION:

OFFERORS MUST COMPLETE APPENDIX C IN ITS ENTIRETY

RETURN AN *ELECTRONIC COPY* OF THIS QUESTIONNAIRE TOGETHER WITH THE  
COMPLETE PROPOSAL (INCLUDING EXECUTABLE APPENDICES AND ATTACHMENTS) AS

FOLLOWS:

VIA EMAIL: [NMPERA2016REIT@cliffwater.com](mailto:NMPERA2016REIT@cliffwater.com)

SUBMISSION DEADLINE: DECEMBER 12, 2016 AT 5:00 PM MT

**OFFEROR MUST COMPLETE A SEPARATE QUESTIONNAIRE FOR EACH**  
**PROPOSED PRODUCT**

## **EVESTMENT ALLIANCE DATABASE**

In addition to the Offeror's responses to the questions listed below, the Offeror's product and performance data will be analyzed through the use of a third party database currently utilized by PERA Staff. The database is provided by eVestment Alliance, which can be located on the web at: [www.evestment.com](http://www.evestment.com).

Populating the eVestment Alliance database with your firm and product information is essential to the completion of the RFP process. If the database is not fully populated, your firm's response will be considered incomplete and this could be grounds for discontinuing consideration of your firm's product for this search.

The eVestment Alliance database gathers firm and product data including but not limited to:

- Assets under management;
- Qualitative description of firm and product;
- Investment professionals gained and lost;
- Investment professional tenure, work experience and education;
- Product characteristics;
- Holdings;
- Performance for vehicle recommended;
- Composite summary and performance disclosure.

Please be sure to not leave fields blank. Respond as 0, none, or N/A only when necessary. You will not be contacted by our consultant or the PERA to fill in missing fields. Use additional comment fields provided to make qualifying notes as applicable.

In the space provided below, please list the name of the product(s), as it (they) will appear in your entry in the eVestment Alliance database.

**SPECIFIC PRODUCT NAME:** \_\_\_\_\_

If your firm does not already utilize the eVestment Alliance database, you can participate by following the instructions on eVestment Alliance's website at [www.evestment.com](http://www.evestment.com).

**COMPANY QUESTIONNAIRE****A. COMPANY BACKGROUND AND GENERAL DESCRIPTION**

1. Indicate your firm's fiduciary classification:

- Bank  
 Insurance Company  
 Registered Investment Advisor (Investment Advisors Act of 1940)  
 Affiliate of Fiduciary (Name and Classification): \_\_\_\_\_  
 Other: \_\_\_\_\_

2. Regulatory registrations (please check):

- Commodity Pool Operator  
 Commodity Trading Advisor  
 Broker Dealer  
 Futures Commission Merchant  
 Investment Company  
 Registered Investment Advisor (Investment Advisors Act of 1940)  
 Introducing Broker  
 Other: \_\_\_\_\_

If you checked any of the above, please indicate the regulatory authority with whom you are registered and the date of registration.

3. Give a brief history of the firm including:

- a. The month and year of SEC 1940 Act registration
- b. The month and year the proposed product was introduced
- c. Proposed product an off-shore fund or account?  Yes  No
- d. Proposed product a master trust account?  Yes  No
- e. Describe the legal structure of the proposed product. Will the firm guarantee that the maximum loss an investor can experience is limited to the amount of capital invested in the product?
- f. Total # of directors of the offshore fund or account (if applicable)
- g. Total # of independent directors of the offshore fund or account (if applicable)

4. Describe the ownership of the firm, including but not limited to:

- a. Ownership structure, including number of direct owners (if applicable)
- b. Number of shareholders holding greater than 50% of the management company (if applicable)
- c. Number of controlling parties (if applicable)
- d. Affiliated companies or joint ventures
- e. If an affiliate, designate percent of parent firm's total revenue generated by your organization
- f. If the firm is a joint venture partner, identify the percentage of ownership and revenues recognized by each partner to the combined association

5. Provide a detailed organizational chart showing where this proposed product’s professional staff resides in relation to the parent-subsiary, affiliate, or joint venture entities.
6. Provide the total number of direct owners in the proposed product.
7. Provide the names of the following key personnel:

Chief Executive Officer	_____
Chief Operating Officer	_____
Chief Investment Officer	_____
Chief Financial Officer	_____
Chief Compliance (Risk) Officer	_____
General Counsel	_____
Head of Trading	_____

8. Describe the levels (U.S. dollar amounts) of coverage for SEC-required (17g-1) fidelity bonds, errors and omissions coverage and any other fiduciary coverage, which your firm carries. List the insurance carriers supplying the coverage.
9. Over the past five years, has your organization or any of its affiliates or parent, or any officer or principal been involved in any business litigation, regulatory or legal proceedings? Provide a detailed explanation and indicate the current status of any business litigation, regulatory or legal proceedings relating to your institutional investment management activities. Also, provide complete Form ADV (Parts I and II and accompanying schedules).
10. Has your firm ever been audited or investigated by the SEC or any other regulatory agency? If so, when? What was the outcome of the audit or investigation and what changes, if any, were made as a result?
11. Describe in detail any potential conflicts of interest your firm may have in the management of this account. Include any activities of affiliated or parent organizations, brokerage activities, investment banking activities, or any past or current relationships with Board members and investment staff. Include any other pertinent activities, actions, or relationships not specifically outlined in this question. Disclose any business relationship with Cliffwater LLC.
12. Do any of your principals have business involvements outside of the firm? If so, please describe.
13. Describe all outside marketing/sales services (including product design and development) for which your firm has contracted over the last three years for the marketing of your investment services to the institutional, tax-exempt market. Specify any such arrangements as they relate to the proposed product. Indicate whether the fees paid for such services are charged to client portfolio assets. **It should be noted that under state**

**law, third party marketing fees are required to be disclosed pursuant to NMSA 1978, Section 10-11-133.1.**

14. Describe any material developments in your organization (changes in ownership, personnel, business, etc.) over the past three years in detail.
15. Do you have a plan and arrangements in place for an alternative worksite should your facilities become inoperative because of fire, earthquake, etc.? Specifically, does such plan include the following (Please check if “Yes”):
- Computer default system
  - Incapacitated investment decision maker contingency
  - Technical failure at Prime Broker’s location
  - Presence of an in-house computer technician
  - Back-up systems
  - Remote access
  - Internal power generators
  - Back-up location
16. Are the firm’s computer records backed up daily?
17. If a disaster were to occur, how long would it take for your firm to return to normal?
18. Please indicate the jurisdiction of the firm.
19. Do any of your investors in the proposed product have preferential terms or Most Favored Nation rights, including without limitation, with regard to fees or liquidity provisions?
20. Please provide copies of any side letter agreements in effect.
21. Have any investors in the proposed product been granted rebates?

**B. ASSETS UNDER MANAGEMENT**

	<u>9/30</u> <u>2012</u>	<u>9/30</u> <u>2013</u>	<u>9/30</u> <u>2014</u>	<u>9/30</u> <u>2016</u>	<u>9/30</u> <u>2016</u>
1. (a) Total AUM (all products)	—	—	—	—	—
(b) Capital invested in REIT strategies	—	—	—	—	—
(c) Tax-exempt institutional capital invested in REIT strategies	—	—	—	—	—
(d) Number of Clients	—	—	—	—	—

2. Please list the five largest tax-exempt institutional clients currently invested in the firm’s REIT strategies. Please indicate account type in which the client is invested (commingled fund or separate account) and indicate the client type (e.g. Public, Corporate, etc.).

<u>Name</u>	<u>Client Type</u>	<u>(9/30/2016) Capital Invested (Mkt Value)</u>	<u>Account Type</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

3. List each client, capital invested and notional asset amounts, gained in the REIT strategy over the three-year period ended September 30, 2016. Please include totals.

<u>Name</u>	<u>Capital Invested</u>	<u>Notional Amount</u>
xxx	<u>xxxx</u>	<u>xxxx</u>

4. List each client, capital invested and notional asset amounts, lost in the REIT strategy over the three-year period ended September 30, 2016. Please include totals.

<u>Name</u>	<u>Capital Invested</u>	<u>Notional Amount</u>
xxx	<u>xxxx</u>	<u>xxxx</u>

5. Is the proposed product available as a separate account?
6. If so, what is the minimum separate account size that can be accommodated?
7. Is the proposed product available through a commingled fund?
8. If available, what is the ratio of expenses (other than the management and incentive fee) to NAV?
9. Describe the objectives of your firm with respect to future growth in the proposed product, commenting on:
- Additional resources for portfolio management, research, trading, client service and tools/models to enhance the investment process or manage growth
  - Size limitations with respect to capital invested in the proposed product. How did you arrive at those asset limits
10. Provide the client name, address, phone number, contact name, title, and account type (e.g. defined benefit, defined contribution, endowment) of three accounts, who are invested in the REIT strategy that can be contacted as references. Also indicate the length of your relationship and capital invested for each reference.
11. Identify three clients that have terminated your firm for REIT investment management services over the past three years that can be contacted as references. Provide the firm

name, contact person and title, phone number, product name, account value and reason for termination. If they cannot be contacted, explain why.

12. What is the approximate capacity available in the proposed product?
13. What is the projected amount of capital to be raised over the next three years in the proposed product?

**C. PEOPLE/ORGANIZATION**

1. Describe the structure of the team that manages the proposed product.
  - a. Describe the role of economists, portfolio managers, research analysts, traders, etc.
  - b. Who is responsible for investment strategy, portfolio construction, research, trading, etc.
  - c. Provide an organizational chart that diagrams the different functions (research, trading, etc.) dedicated to the proposed product. Professionals should be identified over their areas of responsibility. Please indicate those individuals who are covered by key man provisions
2. Provide a list of the professionals involved in the proposed product in the manner listed below:

**PORTFOLIO MANAGEMENT**

Name	Title/Responsibilities	Yrs. Exp.	Yrs. Exp. in Proposed Product	Yrs. @ Firm	Degrees/Designations	Sponsoring Body/School

**RESEARCH**

Name	Title/Responsibilities	Yrs. Exp.	Yrs. Exp. in Proposed Product	Yrs. @ Firm	Degrees/Designations	Sponsoring Body/School

**TRADING**

Name	Title/Responsibilities	Yrs. Exp.	Yrs. Exp. in Proposed Product	Yrs. @ Firm	Degrees/Designations	Sponsoring Body/School

3. Have any of the portfolio managers involved in the proposed product previously managed any other funds? If so, please describe.
4. Describe your internal training procedures for portfolio managers, traders, and research analysts.

5. Describe the background of professionals directly involved in the proposed product.
  - a. What are the primary criteria for potential hires considered for investment professional positions?
  - b. Are they brought in from the outside or promoted to their positions from within the organization?
  - c. What sort of ongoing education programs (for example, the CFA program) are encouraged or required?
  
6. Provide biographies of one paragraph in length for each of the persons listed in Question C.2.
  
7. What percentage of the proposed product’s capital is committed by all of the employees of the firm?
  
8. Describe the compensation and incentive program for professionals directly involved in the proposed product. How are they evaluated and rewarded? What incentives are provided to attract and retain superior individuals?
  - a. Identify the percentage of compensation which is:
    - Base salary
    - Performance bonus
    - Equity incentives
    - Other
  - b. Do you offer direct ownership, phantom stock, profit sharing, and/or a performance bonus? Who is eligible to participate?
  - c. State whether or not each key employee involved in the management of subject product retains an ownership position in the organization.
  - d. On what basis are these incentives determined – is compensation tied to success factors such as asset growth, performance, or other factors?
  
9. Discuss the causes and impact of any turnover (departures or hiring/promotions) of any professionals directly involved in the proposed product you have experienced in the past five years. Indicate when and why any professional directly involved in the proposed product left or joined the firm in the past five years. What were/are their job responsibilities? For personnel who have left, indicate job titles and years with the firm and who replaced them.

**JOINED**

Date	Name/Title	Strategy or Product Responsibility

**DEPARTED**

Date	Name/Title	Responsibilities	Yrs. in Proposed Product	Yrs.@ Firm	Reason for Leaving	Replaced by (name/title)

**D. PHILOSOPHY/PROCESS**

1. What is your expected annualized return, risk, and dividend yield for the proposed product?
2. Describe your firm's investment philosophy for the proposed product.
  - a. How would you characterize your strategy (qualitative, quantitative, technical, etc.)?
  - b. What market anomalies or inefficiencies are you trying to capture?
  - c. Why do you believe this philosophy will be successful in the future? Provide any evidence or research that supports this belief.
  - d. How has this philosophy changed over time?
  - e. In what market environments would you expect your approach to out/underperform relative to a similar REIT strategy?
3. Please check all of the underlying strategies that the proposed product employs:
 

<input type="checkbox"/> Special Situations	<input type="checkbox"/> Short Bias (or Short Only)
<input type="checkbox"/> Convertible Arbitrage	<input type="checkbox"/> Domestic Long/Short Equity
<input type="checkbox"/> Global Macro	<input type="checkbox"/> Global Long/Short Equity
<input type="checkbox"/> Merger Arbitrage	<input type="checkbox"/> Emerging Markets Equity
<input type="checkbox"/> Statistical Arbitrage	<input type="checkbox"/> Credit Arbitrage
<input type="checkbox"/> Quantitative Long/Short	<input type="checkbox"/> Even Driven
<input type="checkbox"/> Long Only Equities	<input type="checkbox"/> Distressed Securities
<input type="checkbox"/> Capital Structure Arbitrage	<input type="checkbox"/> Commodities
<input type="checkbox"/> Other (Explain)	
4. Describe the firm's investment strategy and process.
  - a. Are you seeking unique sources of information?
  - b. Are you applying unique methods to process the information?
  - c. What is the time horizon for your view of a particular investment?
  - d. What approaches are used in evaluating relative valuations?
  - e. What percentage of the investment process is driven by top down analysis? Bottom up analysis?
  - f. How many unique sources of alpha are used within this product?
5. Describe the firm's portfolio construction process.
  - a. What specific factors are integral to the portfolio construction process? What is the relative importance of these factors?
  - b. Discuss the quantitative and qualitative processes utilized.
  - c. What latitude is given to portfolio managers within the proposed team? Are portfolio buy/sell decisions made on a team basis or by an individual portfolio manager?
  - d. In which countries and/or markets do you invest?
  - e. What exchanges are utilized?
  - f. Specify any circumstances under which the firm would deviate from the portfolio construction process.

6. Describe your firm's competitive advantage. How sustainable is this competitive advantage? Why does your firm believe you offer a superior service in this style of investing versus your peers?
7. Please comment on the following proposed product features (if applicable):
  - a. Lock-up period
  - b. Minimum and maximum subscription or account size
  - c. Frequency of allowable investor redemptions
  - d. Required notice period for redemption requests
  - e. Is there an advisory committee? If so, please describe the composition.
8. Please articulate what makes your information gathering process unique relative to other strategies that rely on quantitative models or fundamental processes which are likely accessing the same data sources. This discussion can include your approach to warehousing, data scrubbing, additional processing, incorporation of qualitative signals, etc.
9. How do you define the investable REIT universe for your strategy?
10. What are the permissible investments for this strategy?
11. What criteria do you use to determine if a specific security is included in the investable universe?
12. Please provide the following as applicable to the proposed product:
  - a. Number of securities in the investment universe
  - b. Number of securities covered by the investment team
  - c. Number of securities on your approved/buy list
  - d. Target number of securities in the product
  - e. Current number of securities in the product
  - f. Minimum number of securities in the product over the last 3 years
  - g. Maximum number of securities in the product over the last 3 years
13. Please explain how an allocation to REITS would fit into a portfolio with an existing allocation to unlisted (e.g. private) real estate, including core real estate.
14. What are the greatest risks inherent in the REIT asset class? How do you seek to mitigate those risks?
15. What are your philosophies/strategies for individual market sectors within the REIT universe?
16. What is the current cash position of the proposed product? What is the maximum allowable cash position?

17. How has the proposed product changed in the past five years? Describe the future objectives of your firm with respect to future growth in the product.
18. Explain why this proposed product and/or strategy should add alpha. Is the value added coming from stock selection or another source?
19. What is the internal benchmark typically used for the proposed product? Why do you believe that benchmark is most appropriate for your product?
20. What is your expected active return (alpha)? What is the expected tracking error of this product?
21. Regarding the investment process:
  - a. Explain its shortcomings or limitations
  - b. Describe the market environments in which your product will have difficulty outperforming
  - c. What would cause you to reevaluate the process?
  - d. Explain any enhancements you have made, and/or are being worked on but not yet implemented, to the investment process in the last five years
22. Does your product perform differently in periods of high market volatility versus periods of low volatility? If so, please explain how and why.
23. Please describe how your product has performed or is expected to perform under various inflation environments.
24. Can shorting strategies be utilized in the proposed product? If so, describe the approach to shorting securities (i.e. hedging, alpha generation) and if there are limits on the amount of shorting that can be done within the proposed product.
25. What is the proposed product's most important characteristic, skill, or resource which will allow you to add value to the PERA account?
26. To what extent is currency hedging utilized in the proposed product?
27. Are futures contracts utilized in the proposed product? If so, are they used for speculative and/or hedging purposes? What percentage of your future positions are US vs. foreign exposure?
28. Are option contracts utilized in the proposed product? If so, are they used for speculative and/or hedging purposes? What percentage of your option exposure is exchange listed vs. over-the-counter?
29. Are swaps utilized in the proposed product? If so, please describe the types of swaps utilized (i.e. total return, equity, interest rate, commodity, asset, volatility, etc.).

**E. RISK MANAGEMENT**

1. Describe your risk management process:  
Which of the following risks are material to the proposed product?
  - Business risk
  - Operational leverage risk
  - Financial leverage risk
  - Liquidity risk
  - Interest rate risk
  - Commodity price risk
  - Currency risk
  - Regulatory risk
  - Valuation risk
  - Fraud/accounting risk
  - Legal risk
  - Litigation risk
  - Managerial risk
  - Technology risk
  - Systematic risk
  - Basis (spread) risk
  - Equity market risk
  - Other: \_\_\_\_\_

How are these risks managed?  
How are these risks measured?
2. Does the firm have a risk committee? If so, please describe its composition. Who is primarily responsible for risk management? If the person responsible for risk is also the Chief Investment Officer or another investment person, please explain how the risk function can remain independent.
3. Does the firm employ an independent risk advisor?
4. Regarding position-level risk calculations, check those that you employ:
  - \_\_\_ Value at Risk analysis
  - \_\_\_ Capital at Risk analysis
  - \_\_\_ Back-testing analysis
  - \_\_\_ Formalized risk limits
5. If you employ formalized risk limits, please comment on the following concentration limits:
  - a. Geographic
  - b. Sector
  - c. Issuer
6. What is the maximum amount of capital you risk at the position level in the proposed product?

7. Does your firm conduct scenario analysis with regards to the proposed product?
8. Does your firm conduct correlation analysis at the position level in the proposed product?
9. Does your firm back-test your risk models with regards to the proposed product?
10. How many days would it take to liquidate 100% of the positions in the proposed product?
11. Does your firm have written stop loss limits? If so, what is the stop loss in both percentage and dollar terms?
12. Describe your risk management systems / technology (e.g. in-house vs. purchased systems). How are they used?
13. Describe how risk is managed on an ex-ante basis? Are all active risks allocated within a proactive risk budgeting framework? If so, please describe the process. Please also describe how performance attribution, on an ex-post basis, is used to monitor active risk decisions.
14. What are your policies for managing counterparty risk? Do you utilize any of the following when assessing counterparty risk: formal concentration limits, regular on-site due diligence or financial statement review? If your firm trades in OTC instruments, how many counterparties do you utilize? Please ensure your answer also addresses diversification of counterparty risk and credit requirements of counterparties.

#### **F. RESOURCES/RESEARCH**

1. Describe the internal research capabilities that are dedicated to the proposed product.
  - a. What percentage of the research effort is conducted internally?
  - b. Where is research carried out?
  - c. What are the sources of research?
  - d. What are the outputs of the research?
  - e. How is this information incorporated into the portfolio construction process?
  - f. What percentage of your research staff is dedicated to the proposed product?
2. Describe any external research capabilities that are utilized in the management of the proposed product.
  - a. What are the sources of external research?
  - b. What specific research is acquired from external sources?
  - c. How is this information incorporated in the portfolio construction process?
3. Describe the quantitative models and tools you utilize for research, portfolio construction and trading. What enhancements are being contemplated?

4. What resource constraints exist within the firm? What is the basis for obtaining additional resources to support each function for this particular proposed product?

## **G. TRADING**

1. Provide a description of your trading platform, including systems (proprietary and off-the-shelf) for execution and processing.
2. How many traders are employed by your firm in aggregate and how many are dedicated to the proposed product and what is their experience?
3. What steps have you taken to automate the trade flow process? What areas are still handled manually?
4. How do you leverage your infrastructure to ensure firm-wide collaboration in execution (broker/dealer relationships) and capital market conditions (liquidity)? How does your firm manage and monitor market liquidity?
5. Describe how you measure trading costs.
6. What is the average annual turnover in the proposed product?
7. What is the average trading commission per share for your tax-exempt clients?
8. Discuss your internal monitoring process for final price determination and trade order management. Do you have dedicated committees overseeing these functions? If so, please list the members.
9. Is there a single person or persons with sole authorization to place orders on behalf of the proposed product? If yes, how many people are authorized?
10. Are the following functions allocated to the back office (Please check if “Yes”):
  - Clearing and settlement
  - Accounting and records
  - Trade reconciliations
11. What processes do you have in place for ensuring pre- and post-trade guideline compliance? What functions are automated? What process do you have in place for human verification? Who signs off on final trading?
12. Please describe the oversight procedures that would minimize the risk of traders acting outside of their given latitude in executing trades.
13. How often is the trade reconciliation process performed (i.e. Daily, Weekly, Monthly, or Other)? How often are cash positions reconciled? How often are non-cash positions reconciled?

14. Is trade reconciliation segregated from the trading function?
15. Does your firm maintain reconciliation reports?
16. When are trades allocated to accounts? (i.e. End of trading day, immediately after execution, or prior to or at the time of order entry)
17. Is judgment required to mark your book?
18. Have there ever been any problems determining the NAV of your firm's products?
19. Are trades allocated among different products?
20. Do you have a written trade allocation policy? If so, please provide.
21. Does the firm have a written policy governing employee personal account trading? If yes, does such policy restrict trading in securities owned by the firm's products? Who monitors such activity at your firm? How often does such monitoring occur?
22. What is the average daily trade volume in number of tickets for the proposed?
23. If you have soft dollar relationships with broker-dealers, please disclose the following:
  - a. Soft dollar policy and when last reviewed
  - b. Percent of trades executed tied to soft dollar relationships
  - c. List of resources funded by soft dollars that would normally be funded with hard dollars
  - d. Are all such dollar arrangements disclosed in the Offering Memorandum and/or Form ADV?

## **H. PERFORMANCE/PRICING**

1. If applicable, what is the most appropriate measure of excess return for the proposed product? How is this determined?
2. Describe how you analyze and evaluate the performance of the proposed product. Include a discussion of your performance attribution analysis.
3. Describe how you conduct performance attribution analysis, indicating any models or tools used.
4. How do you incorporate the results of the performance attribution analysis in the management of the proposed product?
5. Please elaborate on the returns for this proposed product over the past five years. Describe any periods of exceptionally strong or weak returns; any reasons for exceptionally high or low volatility.

6. Would full transparency of positions and portfolio holdings be available to PERA, should the proposed product be selected? If no, please describe what type of information would be provided. Would top positions be provided? If so, how many top positions would be provided and would both the name and size of position be provided for each or in aggregate?
7. If your composite complies with Global Investment Performance Standards (“GIPS”), include a copy of your GIPS report disclosure that you include in your marketing presentations. Reference the Global Investment Performance Standards report located on CFA Institute’s website at [www.cfainstitute.org](http://www.cfainstitute.org).
8. If the proposed product’s composite does not comply with GIPS, provide a brief description on why the composite does not comply with GIPS.
9. Consistent with Section 4.B. – Disclosures Recommendations of the GIPS, please respond to the following requests:
  - a. Portfolio valuation sources and methods used by the firm. Please provide a copy of the firm’s valuation procedures.
  - b. Any significant events within the firm (such as ownership or personnel changes) that would help a prospective client interpret the performance record.
10. If applicable, list the largest withdrawal from the proposed product including the date, % of capital invested and the reason for the withdrawal.
11. Who internally prices the proposed product? (CFO, Controller, Internal Accountant or Other?)
12. Who internally calculates the NAV of the proposed product? (CFO, Controller, Internal Accountant or Other)
13. How often is the proposed product priced/reconciled to the custodian? (i.e. daily, weekly, monthly, other) Is a signoff required and documented on the pricing/reconciliation review? In the case of a pricing dispute, does your firm have the authority to override the administrator’s mark?
14. Does an outside vendor price the exchange traded portion of the proposed product?
15. Identify the name of your external auditor. Does there exist a prior relationship between your firm, and/or any of its principals, and the external auditor? Does your firm suggest or refer the auditor to clients?
16. Other than as part of the year-end audit, how often is the proposed product priced by an independent third party? Are intermediate estimates available?

17. Does the proposed product trade in non-exchange traded positions? If yes, do you use internal pricing models or an external valuation service?
18. Does the proposed product trade options? If yes, do you use the Black-Scholes pricing model or other internal pricing model?
19. Who performs the day-to-day accounting functions? (CFO, Controller, internal fund accountant, third party or other?)
20. How frequently may an investor receive an estimated NAV for the proposed product (i.e. daily, weekly, monthly, or other)?
21. How long after the end of each month does it take to produce a final NAV?
22. Are the assets of the proposed product held in the name of the fund at the Prime Broker?
23. Are all or any of the assets (including cash) segregated from the Prime Broker's assets?
24. Can the assets of the proposed product be pledged or in any other manner used to support another affiliated entity's liabilities?
25. Does the proposed product or any affiliate ever take "custody" of client assets?
26. Does the Prime Broker provide trade exception reports on a client website?
27. Does the Prime Broker conduct background checks on clients?
28. Does the Prime Broker provide research to your firm in addition to execution and trading?

## **I. FEE PROPOSAL**

Once a manager has been selected, negotiations of the fee may become necessary in order to account for the size of funding, the increments of funding, and any clarification. In no case will the negotiations result in a fee that is higher than the fee contained in the proposal.

1. What are your proposed fee schedules for the proposed product based upon both a \$140 million and a \$280 million notional account? List separate schedules for commingled/separate account management. Include custody and all additional charges where appropriate.
2. Do you offer alternative fee arrangements (flat fees or performance fees)? Please describe such arrangements.
3. Is there any fee recapture or "high watermark"?

**J. COMPLIANCE**

1. Please provide an organizational chart showing where your compliance staff resides in relation to the portfolio management staff.
2. Who is the primary person responsible for compliance issues and whom does he/she directly report to?
3. Does your firm maintain a code of ethics and/or a written compliance manual? If so, has either/or been distributed to all employees?
4. Does your firm have regular compliance monitoring programs? If so, please describe.
5. What are the compliance policies in place with respect to investment professionals (i.e.: guidelines, procedures, ownership and trading personal assets and accounts, etc.)?
6. Does the firm have a Drug Testing Policy? If so, please provide. If not, how does the firm monitor this potential issue?
7. Does the firm have a Diversity Policy? If so, please provide. If not, how does the firm discourage discrimination and promote diversity?
8. Does the firm have an ESG (Environmental Social Governance) Policy? If so, please provide. Please explain how the firm follows this policy and the practices pursued. Is the firm a signatory of the United Nations' PRI (Principles for Responsible Investing)?
9. Does your firm have any arrangements, either verbal or written, where it is paid cash or receives some other economic benefit from a non-client in connection with giving advice to clients?
10. Provide copies of the firm's most recent audited financial statements related to the proposed product and auditor management letter.
11. Have you ever violated a client guideline? If so, please describe the violation and the resolution.
12. How many signatures are required for transfer of funds at your firm? Please indicate the names of authorized signers. Which of the following types of transfers require signature? (Please check if required)
  - Purchase of securities
  - Sales of securities
  - Shorting of securities
  - Management expenses
  - Service Provider fees
  - Petty cash
  - Other: Please describe \_\_\_\_\_

**K. CLIENT SERVICE**

1. Which of your firm's offices would service this account? What services would specifically be provided by which office?
2. Who will be the client service officer? How often could the person be available for client meetings? How often could the portfolio manager, chief investment officer and/or firm president be available for client meetings?
3. Please provide samples of client reports and indicate their frequency. What other communication is provided to clients (include descriptions and or samples of newsletters, research, seminars, etc.)?

**L. REFERENCES**

1. Please provide references to the following (if applicable):
  - a. Accounting firm (Both onshore and offshore, if applicable)
  - b. Prime broker
  - c. Legal counsel (Both onshore and offshore, if applicable)
  - d. Administrator (Both onshore and offshore, if applicable)

**M. SAMPLE PORTFOLIO**

Please submit a sample portfolio (preferably an actual portfolio), which would reflect the investment style of the proposed product for this account.

**N. EXHIBITS****1. Investment Process Flow Chart**

Illustrate the investment process in a flow chart identifying the decision-making steps, decision makers and outcomes.

**2. Trading Process Flow Chart**

Provide an organizational chart of your trading functions. Provide a process flow diagram between the portfolio management groups entering a trade order to final implementation in client portfolios.

**3. Performance**

Provide performance on a quarterly and annual basis for the history of the proposed product.

**APPENDIX D**  
**FEE PROPOSAL FORM**

INSTRUCTIONS FOR SUBMISSION:

RETURN AN *ELECTRONIC COPY* OF THIS FORM TOGETHER WITH THE COMPLETE  
PROPOSAL (INCLUDING EXECUTABLE APPENDICES AND ATTACHMENTS) AS FOLLOWS:

VIA EMAIL: [NMPERA2016REIT@cliffwater.com](mailto:NMPERA2016REIT@cliffwater.com)

SUBMISSION DEADLINE: DECEMBER 12, 2016 AT 5:00 PM MT

**APPENDIX D****FEE PROPOSAL FORM****OFFEROR'S NAME:** \_\_\_\_\_**SPECIFIC PRODUCT NAME:** \_\_\_\_\_

PERA utilizes both asset based fees and performance fees for investment management services, as such, both fee structures will be considered. Once the manager has been selected, refinements to the proposed fee may be necessary to determine the size of the funding increments, the timing of the funding and benchmark clarification. In no case will the refinement result in a fee that is higher than the fee contained in the proposal.

The benchmark will be as follows: Wilshire Global Real Estate Securities Index; but PERA may also select any benchmark deemed more appropriate.

Offeror proposes to charge PERA for the investment management services described in RFP NO. NM INV-001-FY17 an annual fee in accordance with the following schedule:

**PERFORMANCE BASED FEE CALCULATION:**

The proposed performance fee will be used in the formula described below.

- |      |             |   |                                      |
|------|-------------|---|--------------------------------------|
| I.   | Annual fee  | = | BF + PF                              |
| II.  | PF          | = | $(NF - BF) / (RER) \times (PR - MR)$ |
| III. | Maximum Fee | = | $BF + PF = 2(NF - BF) + BF$          |

(The Maximum Fee should be symmetrically balanced, i.e., the sum of the BF and the PF should equal the BF plus two times the sum of the NF minus the BF. In no event can the MF (PF plus the BF) exceed the BF plus two times the sum of the NF minus the BF)

Where:

- |     |   |                        |
|-----|---|------------------------|
| BF  | = | Base Fee               |
| PF  | = | Performance Fee        |
| NF  | = | Normal Fee             |
| RER | = | Required Excess Return |
| PR  | = | Portfolio Return       |
| MR  | = | Benchmark              |

For the initial three quarters, the manager will receive a fee equal to the Base Fee. After the end of the fourth quarter under management, an annualized fee calculation will be computed to award a performance fee due to the initial twelve-month period. For the fifth through twelfth quarters, the annualized performance fee calculation will be made each quarter on a cumulative,

annualized, basis. Thereafter, the performance fee calculation will be based on the cumulative, annualized returns for the immediately preceding twelve quarters.

**PROPOSED PERFORMANCE BASED FEE:**

Please include below your best and final offer for the four components of the performance based fee:

Base Fee	_____	%
Normal Fee	_____	%
Maximum Fee	_____	%
Required Excess Return	_____	%

**PROPOSED ASSET BASED FEE:**

Please include below your best and final offer for an asset based fee. Include the total basis points charged for \$140-280 million separate account as well as the tiered fee structure. Include the total basis points charged for \$140-280 million invested in your commingled fund, if applicable, as well as the tiered fee structure.

Please indicate if this is reduced from your standard pricing:

\_\_\_\_\_ Yes, Reduced                      \_\_\_\_\_ No, Not Reduced

**APPLICABLE CONTRACT TERMS:**

One quarter of the applicable Annual Fee shall be paid to Contractor for each calendar quarter for which Contractor renders services under this Agreement. Contractor shall submit to PERA a certified billing statement for each calendar quarter after the end of the quarter for which services have been rendered. Payment shall be made by PERA within a reasonable time following PERA’s receipt and approval of a certified billing statement.

Payment of Taxes

Contractor shall be responsible for paying any and all taxes, including New Mexico gross receipts taxes, assessed on the compensation received under this Agreement and shall identify and pay those taxes under Contractor’s federal and state identification number (s).

Waiver of Late Payment Charges

Contractor waives assessment of any late payment charges.

**APPENDIX E**

**FORM OF PROFESSIONAL SERVICES AGREEMENT**

FOR REFERENCE ONLY

SUBMIT ANY QUESTIONS REGARDING THIS  
FORM OF PROFESSIONAL SERVICES AGREEMENT AS FOLLOWS:

**VIA EMAIL: [NMPERA2016REIT@cliffwater.com](mailto:NMPERA2016REIT@cliffwater.com)**

**SUBMISSION OF WRITTEN QUESTIONS DEADLINE:**

**NOVEMBER 23, 2016 AT 5:00 PM MT**

**Contract No. XXXXXXXXXXXX**  
**Term: XXX, through XXX**

**STATE OF NEW MEXICO**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF NEW MEXICO**

**[SERVICES RENDERED]**

**PROFESSIONAL SERVICES AGREEMENT**

This Agreement ("Agreement") is made and entered into by and between the Public Employees' Retirement Association of New Mexico ("PERA" or "Client"), and [CONTRACTOR] ("Contractor" or "Investment Manager"). PERA and Contractor are referred to herein singularly as a "Party" and collectively as the "Parties."

The Parties agree as follows:

**1. SCOPE OF SERVICES**

Contractor shall provide discretionary investment management services with respect to certain assets allocated to the Contractor by PERA (the "Assets") for a [STRATEGY] portfolio (the "Client Account") in accordance with the Investment and Operational Guidelines entered into by and between PERA and the Contractor.

**2. COMPENSATION**

A. Contractor's Fee: Subject to the provisions of Paragraphs 3 (Term of Agreement) and 4 (Termination) of this Agreement, PERA shall pay Contractor for its management services an annual fee in accordance with an executed Management Fee Agreement. One quarter of the applicable Annual Fee shall be paid to Contractor for each calendar quarter for which Contractor renders services under this Agreement. Contractor shall submit to PERA a certified billing statement for each calendar quarter after the end of the quarter for which services have been rendered. Payment shall be made by PERA within a reasonable time following PERA's receipt and approval of a certified billing statement.

B. Payment of Taxes: Contractor shall be responsible for paying any and all taxes, including New Mexico gross receipts taxes, assessed on the compensation received under this Agreement and shall identify and pay those taxes under Contractor's federal and state identification number(s).

C. Waiver of Late Fees: Contractor waives assessment of any late payment charges.

**3. TERM OF AGREEMENT**

The initial term of the Agreement shall be for eight (8) years and shall commence when executed by the Parties and terminate on [DATE]. Notwithstanding the foregoing or any other provision of this Agreement, at any time during the term of the Agreement, this Agreement is subject to early termination or termination for lack of appropriations in accordance with Paragraph 4(A) or Paragraph 4(B), below.

#### 4. TERMINATION

A. Early Termination. Notwithstanding any other provision of this Agreement, this Agreement may be terminated as follows: by PERA delivering to Contractor a notice of the intent to terminate at least thirty (30) days prior to the intended date of termination and by Contractor delivering to PERA a notice of the intent to terminate at least ninety (90) days prior to the intended date of termination. In the event the termination date does not coincide with the last day of a calendar quarter, Contractor shall be entitled to a prorated portion of the fee for the calendar quarter during which termination occurs. By such termination, neither PERA nor Contractor may nullify obligations, if any, already incurred for performance or failure to perform prior to the date of termination. Termination under this Paragraph 4(A) may be made with or without cause. THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT CONSTITUTE A WAIVER OF ANY OTHER LEGAL RIGHTS AND REMEDIES AFFORDED EITHER PARTY IN SUCH CIRCUMSTANCES AS DEFAULT OR BREACH OF CONTRACT BY THE OTHER PARTY.

B. Termination for Lack of Appropriations. The terms of this Agreement are contingent upon sufficient authorizations and appropriations being or having been made by the New Mexico Legislature for the performance of this Agreement. If sufficient authorizations and appropriations are not or have not been made by the New Mexico Legislature, or are discontinued by the New Mexico Legislature, this Agreement shall terminate upon written notice being given by PERA to Contractor. PERA's decision as to whether sufficient authorizations or appropriations are or have been made, or are or have been discontinued, shall be accepted by Contractor and shall be final.

#### 5. CONTRACTOR'S ACKNOWLEDGEMENTS, WARRANTIES, AND REPRESENTATIONS

Contractor acknowledges, warrants, and represents to PERA that the following statements are true as of the effective date of this Agreement and agrees that the same are incorporated and made part of this Agreement:

1. Contractor is registered as an investment advisor under the Investment Advisors Act of 1940 and that it shall maintain such registration at all times during the term of the contract (unless exempt and explanation of exemption is attached);
2. Contractor meets or will meet before the award of a contract the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond applicable to Contractor's actions under the Contract (unless exempt, and explanation of exemption is attached);
3. Contractor has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations, required by a government or governmental authority, including the State of New Mexico, for acts contemplated by the Contract;
4. Contractor serves as a fiduciary to PERA as that term is defined by the laws and rules governing the Board;
5. Contractor warrants that it will not delegate its fiduciary responsibilities assumed pursuant to the Contract;
6. Contractor warrants that it has positive net worth as of the effective date of this Agreement and shall maintain a positive net worth for the entire term of this Agreement, including any and all extensions of the Agreement.

## **6. STANDARDS OF PERFORMANCE**

A. All services performed by Contractor under the Agreement must conform to all applicable state and federal laws and regulations, including but not limited to NMSA 1978, Sections 10-11-1 to 10-11-142, NMSA 1978, Sections 10-11A-1 to 10-11A-7, NMSA 1978, Sections 10-12B-1 to 10-12B-19, and NMSA 1978, Sections 10-12C-1 to 10-12C-18, as such acts may be amended from time to time and applicable PERA regulations. All services performed by Contractor under the Agreement must also comply with acceptable industry standards and practices. Contractor shall acquire and hold during the term of this Agreement, including any renewals, all licenses and permits required to perform the services called for in this Agreement.

B. Contractor holds itself out as an expert in discretionary investment management services for a [STRATEGY] mandate. Accordingly, Contractor acknowledges and agrees that in providing discretionary investment management services, it will use the degree of care, diligence and skill that a prudent investor would use in the in the conduct of an enterprise of like character and with like aims. Contractor further acknowledges that it is a fiduciary to PERA and shall at all times act in a fiduciary capacity to PERA. Contractor is under a duty to exercise reasonable care, skill and caution as set forth in the Uniform Prudent Investor Act, NMSA 1978, §§ 45-7-601 to 45-7-612, and the manner in which investment advice is handled will be evaluated in light of such prudent investor standard.

C. During the performance of all services by Contractor, PERA will retain all final decision-making authority with respect to the management and administration of the retirement plan(s) funded thereby and investments related thereto, subject to Contractor's obligations as provided for in this agreement.

## **7. INDEMNIFICATION**

A. In addition to Contractor's liability as provided for in the Agreement, Contractor shall indemnify, defend, and hold harmless PERA, the PERA Board, and their officers and employees from and against any and all claims, demands, liability, suits, causes of action, losses, damages, fines, fees, attorney fees, penalties, costs, expenses, injuries to property, judgments (including defense costs and attorney fees) that occur or arise out of or in connection with: (1) Contractor's performance or failure to perform under any provision of the Agreement; (2) Contractor's breach of any term, condition, warranty or representation contained in the Agreement; (3) Contractor's provision of services that are not in accordance with any applicable law, rule, regulation, or provision of the Agreement; (4) Contractor's failure to perform in accordance with the standard of care contained in the Agreement; or (5) any error, omission, fraud, embezzlement, theft or negligence of Contractor. It is understood, however, that Contractor's obligations under this Paragraph do not extend to liabilities resulting from causes beyond the control and without the fault or negligence of Contractor, including acts of God, war or civil commotion, fire, earthquake, or other natural disaster, and unforeseeable acts of any federal, state, or local government or agency thereof. Contractor's obligations to indemnify PERA under this Paragraph shall survive the expiration or termination of the Agreement, or any extension thereof.

B. In the event that any action, suit or proceeding related to the services performed by Contractor under this Agreement Contractor shall, to the extent legally permissible, as soon as reasonably practicable after it receives notice thereof, notify PERA. Contractor shall notify PERA of regulatory and legal actions or proceedings against Contractor with respect to its other advisory clients to the extent required pursuant to the applicable Form ADV amendment requirements.

**8. STATUS OF CONTRACTOR**

Contractor and its agents and employees are independent contractors performing professional services for the PERA and are not employees of PERA or the State of New Mexico. Contractor and its agents and employees shall not, by virtue of this Agreement, accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of PERA or the State of New Mexico. Contractor acknowledges that all sums received hereunder are reportable by Contractor for income tax purposes as self-employment income or business income.

**9. ASSIGNMENTS**

Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without prior written approval of PERA. No such assignment or transfer shall relieve Contractor from its obligations and liabilities under this Agreement.

**10. SUBCONTRACTING**

Contractor shall not subcontract any portion of the discretionary investment management services to be performed under this Agreement to a non-affiliated third party without prior written approval of PERA. No such subcontracting shall relieve Contractor from its obligations and liabilities under this Agreement.

**11. RECORDS AND AUDIT**

Contractor shall maintain detailed time records that indicate the date, time and nature of services rendered. Contractor shall maintain such time records for a period of three (3) years from the date of the final payment under this Agreement. Such records also shall be subject to inspection by PERA, the New Mexico Department of Finance and Administration, and the State Auditor. PERA, the New Mexico Department of Finance and Administration, and the State Auditor shall have the right to audit billings both before and after payment; payment under this Agreement shall not foreclose the right of PERA to recover excessive or illegal payments.

**12. RELEASE**

Contractor's acceptance of payment of the final amount due under this Agreement shall operate as a release of PERA, the State of New Mexico, and their officers and employees, from all liabilities, claims and obligations whatsoever arising from or under this Agreement, provided that the obligation to pay fees for services rendered prior to the termination of this Agreement, and the confidentiality provisions under Paragraph 13 shall survive the termination of this Agreement. Contractor agrees not to purport to bind the State of New Mexico or PERA to any obligations not assumed herein by the State of New Mexico or PERA, unless Contractor has express written authority from PERA to do so, and then only within the strict limits of that authority.

**13. CONFIDENTIALITY**

A. Confidential Information (as defined below) given to or developed by either Party in the performance of this Agreement shall be kept confidential and shall not be made available by such Party to any individual or organization by such Party without the prior written approval of the other Party, except as required by law or as otherwise permitted herein.

B. For the purposes of this Agreement, “Confidential Information” shall mean all written information of any kind, type or nature, together with all documents whether created or maintained by electronic means, which relate to (a) financial information, (b) any proprietary, intellectual property or trade secret which PERA or any of its Board members, officers, employees or agents identifies as confidential at the time of disclosure and (c) all investment advice and information furnished with respect to the Client Account by Contractor. Confidential Information shall not include any data or Confidential Information that is (i) publicly known or becomes publicly known through no unauthorized act of Contractor, (ii) rightfully received from a third party without being identified as confidential, (iii) disclosed by PERA to a third party without restrictions on use or disclosure similar to those contained herein (such disclosure not to include inadvertent disclosure of Confidential Information and reasonable efforts to correct the disclosure) or (iv) approved by PERA for disclosure to the public. Notwithstanding the foregoing, the Client consents to the disclosure by Contractor of the Client’s identity as a client of Contractor, and the Client authorizes the disclosure by Contractor of Client’s Confidential Information to (A) brokers and dealers and other intermediaries necessary in order to facilitate Contractor’s trading activities for the Client Account, (B) affiliates of Contractor, or Contractor’s or its affiliates’ legal, accounting or other professional advisors, in each case, for legal, compliance and business supervisory purposes, (C) affiliates of Contractor and/or third parties, on a confidential basis, solely in order to perform certain middle- and back-office functions or other administrative, systems or support services in relation to the performance of the services hereunder with respect to the Client Account or (D) any governmental or regulatory agency or other self-regulatory organization which has regulatory or supervisory authority over Contractor or its affiliates. In addition, Contractor may use Client’s performance in its composite performance.

#### **14. PRODUCT OF SERVICES AND COPYRIGHT**

All materials or products developed or produced by Contractor solely for PERA under the terms of this Agreement (excluding any proprietary information, method or materials independently developed by Contractor) shall become the property of PERA and shall be delivered to PERA no later than the termination date of this Agreement. Nothing produced or developed, in whole or in part, by Contractor under this Agreement shall be the subject of an application for copyright, or any other claim of ownership, by or on behalf of Contractor.

#### **15. CONFLICT OF INTEREST AND ACTING FOR OTHER ACCOUNTS**

Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required under this Agreement. With respect to the Client Account, Contractor shall not engage in transactions with either itself, including any affiliates or parent companies of Contractor, or other firms that provide investment management services to PERA except upon prior written approval of PERA. Contractor certifies that the requirements of the Governmental Conduct Act, NMSA 1978, §§ 10-16-1 to 10-16-18, regarding contracting with a public officer or state employee, have been followed, if applicable.

#### **16. GRATUITIES AND CAMPAIGN CONTRIBUTIONS**

Contractor and its officers and employees are prohibited from soliciting or receiving campaign contributions, for or on behalf of any PERA Board member, or any political candidate in the State of New Mexico, from any investment company or brokerage firm, including its officers and employees, which has engaged in any financial transaction with PERA within the preceding twelve (12) months prior to the solicitation or receipt of the contribution or which reasonably expects

within the next twelve (12) months to engage in financial transactions with the PERA. In addition, Contractor shall comply with the prohibitions and restrictions upon making campaign contribution to PERA Board members and candidates for the position of PERA Board member, and giving gratuities to PERA Board members and PERA employees, contained in NMSA 1978, § 10-11-130.1. Contractor shall annually certify to PERA compliance with NMSA 1978, § 10-11-130.1, regarding restrictions on gratuities to PERA Board members and PERA employees. Violation of this Paragraph constitutes a breach by Contractor of its Agreement with PERA.

**17. AMENDMENT**

This Agreement shall not be altered, changed or amended except by instrument, in writing, executed by the Parties hereto.

**18. MERGER AND SCOPE OF AGREEMENT**

This Agreement incorporates all of the agreements, covenants and understandings between the Parties hereto concerning the subject matter hereof. No prior agreement or understanding, oral or otherwise, of the Parties or their agents shall be valid or enforceable unless embodied in this written Agreement or written amendment to this Agreement.

**19. APPLICABLE LAW**

This Agreement shall be governed by the laws of the State of New Mexico.

**20. WAIVER**

No waiver of any breach of this Agreement or any terms or conditions hereof shall be held to be a waiver of any other or subsequent breach; nor shall any waiver be valid, alleged or binding unless the same is in writing and signed by the Party alleged to have granted the waiver.

**21. EQUAL OPPORTUNITY COMPLIANCE**

Contractor agrees to abide by all applicable Federal and State laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, pertaining to equal employment opportunity. In accordance with all such laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If Contractor is found not to be in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct these deficiencies.

**22. NOTICE OF PENALTIES**

The Procurement Code, NMSA 1978, §§ 13-1-28 through 13-1-199, as amended, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

**23. MISCELLANEOUS****A. Custody.** In connection with the Client Account:

(i) the Client has or shall open or utilize a custodian account with: Bank of New York Mellon (the “**Custodian**”). Client further represents that the Custodian is a qualified custodian as defined in Section 206(4)-2 of the Advisers Act and exclusive responsibility for the custody and safekeeping of the assets constituting the Account shall remain with the Custodian, except with respect to collateral which shall be covered by other agreements. Client agrees to be responsible for all custodial fees, if any. To the extent that the Custodian selected by the Client uses an affiliate of the Investment Manager as a local subcustodian, the Client hereby consents to any transaction effected as a service with such local subcustodian necessary to invest and hold assets in such local market, on the same terms and conditions as other similarly situated clients of such Custodian;

(ii) Client hereby appoints Investment Manager as Client’s agent and attorney-in-fact with full power, authority and discretion to buy, sell and trade in all Assets held from time to time in said custodian account in the Client’s name. All transactions authorized by this Agreement shall be transacted through the Custodian and Investment Manager shall not be liable to Client for any action or omission of the Custodian. Client shall execute a limited trading authorization in a form acceptable to the Custodian, together with all other forms required for the proper establishment of the Plan Account with the Custodian, which will empower Investment Manager to manage the Client Account as specified herein and to act on Client’s behalf. The Investment Manager shall provide the Custodian with such documents and information, including certification of the Investment Manager’s duly authorized representatives, as the Custodian may reasonably request. All directions given by the Investment Manager to the Custodian shall be in writing, and signed by an authorized representative of the Investment Manager; provided, however, that the Custodian may accept oral directions from the Investment Manager, subject to confirmation in writing. In the event the Investment Manager effects a purchase or a sale of a security on behalf of the Client Account and the relevant security is not available in the Plan Account for delivery to the purchaser of such security or sufficient cash is not available in the Client Account for payment to the seller of such security, as applicable, because such security or cash was transferred out of the Plan Account pursuant to the Client’s instructions and without prior reasonable notice to the Investment Manager, the Investment Manager shall not be liable for and shall be indemnified and held harmless by the Client against any suit, claim, loss, liability, cost or expense (including, but not limited to, reasonable counsel fees and expenses) resulting from such a transaction; and

(iii) The Client Account shall at all times remain the property of the Client, but the Client acknowledges that Investment Manager has full discretion and authority with respect to any and all investment decisions made on behalf of the Client Account, and Client shall not give the Custodian any instructions regarding the investment or reinvestment of the Client Account, provided, however, Investment Manager will comply with the Investment Guidelines. The Investment Manager shall at no time receive, retain nor physically control any Assets forming any part of the Client Account. Client shall instruct the Custodian to mail to Investment Manager duplicate confirmations of transactions and monthly asset statements of the Client Account.

**B. Proxy Voting.** Subject to the PERA Proxy Voting Policy, or as otherwise required by law, Investment Manager shall be authorized to vote or direct the voting of proxies solicited by or with

respect to the issuers of securities held in the Client Account and shall keep such records as may from time to time be required. Proxies will be voted and elections made in accordance with the PERA Proxy Voting Policy or such provisions of Investment Manager's written policy in effect from time to time that are not inconsistent with the PERA Proxy Voting Policy. The Client shall instruct the Custodian to forward promptly to the Investment Manager or to the Investment Manager's third party proxy service provider (currently Institutional Shareholder Services) , as indicated by the Investment Manager from time to time, receipt of such communications, and shall instruct the Custodian to follow the Investment Manager's instructions concerning the same. The Investment Manager shall not be responsible for voting proxies or for responding to any shareholder actions not timely received by the Investment Manager. The Investment Manager will make available to the Client information concerning the voting of proxies and shareholder actions as required by law.

C. Legal Proceedings. The Investment Manager may, but is not required to, exercise options, conversion privileges, rights to subscribe to additional shares or other rights acquired with respect to the Client Account and may, but is not required to, consent to or participate in dissolutions, bankruptcies, reorganizations, consolidations, mergers, sales, leases, mortgages, transfers or other changes affecting the Client Account. The Investment Manager will not advise or act for the Client Account in any other legal proceedings, including class actions, involving the Client Account or issuers of securities held by the Client Account or any other matter, but shall continue to monitor, and provide advice with respect to the continued holding or selling of the Assets of the Client Account.

D. Broker-Dealer Selection; Affiliated Broker-Dealers; Aggregation of Order; Cross-Trading:

(i) Subject to Client's written instructions to the contrary, Investment Manager shall have complete discretion to designate brokers or dealers, including brokers or dealers that are affiliated with Investment Manager (collectively, "**Brokers**"), to engage in any transactions involving the Client Account Assets. In Investment Manager's selection of such Brokers, it is understood and agreed that Investment Manager shall seek best execution and may take into consideration the Broker's commission rates or principal spreads, research capabilities, executions, reliability, efficiency and other factors. Investment Manager may use soft dollars subject to compliance with Section 28(e) of the Securities Exchange Act of 1934. The Client shall be responsible for all direct expenses incurred pursuant to this Agreement, including but not limited to brokerage and transactional fees and costs.

(ii) To the extent permitted by law, Investment Manager may purchase securities from an unaffiliated syndicate member in an underwriting in which an affiliated broker-dealer participates in the management activities of the syndicate.

(iii) Where Investment Manager believes that it is in the best interest of the Client Account and other clients or accounts, and where permitted by law, Investment Manager may aggregate orders, occurring at approximately the same time, for the Client Account with its own orders, those of any affiliated company, or any client orders, provided, that over time no more favorable terms will be given to any single account or other client. Such aggregation of orders may on some occasions operate to the disadvantage of the Client Account.

(iv) On occasion, the Investment Manager may find it beneficial to engage in "cross-trading", which cross-trading may involve the Client Account. For purposes of this Agreement, "cross-trading" shall mean the purchase and sale of securities between the

Client Account, on one hand, and one or more other unrelated, discretionary clients managed or advised by the Investment Manager or its affiliates, on the other hand. The Investment Manager will only engage in cross-trading if each of the following conditions is met: (A) such crossing of trades is beneficial for all client parties involved, (B) the Investment Manager achieves best execution for all client parties involved, (C) the proposed cross-trade is priced on the basis of Rule 17a-7(b) under the U.S. Investment Company Act of 1940, as amended from time to time and the rules and regulations promulgated thereunder (the "Investment Company Act"), (D) the proposed cross-trade is in compliance with the Investment Company Act in the event that a registered investment company is involved in the transaction, (E) the Investment Manager and its affiliates will not receive any compensation, either directly or indirectly, for affecting any such cross-trade, other than the fees charged in accordance with this Agreement and any management or advisory fees paid with respect to the other advised account(s), and (F) the Investment Manager will not charge the Client Account any transaction charge or brokerage charge in connection with the transaction. Notwithstanding the foregoing, without the consent of the Client (and to the extent otherwise in compliance with Section 206(3) of the Advisers Act), neither the Investment Manager nor its affiliates will enter into any transaction involving the Client Account that is a Principal Transaction or an Agency Cross Transaction, in each case as defined under Section 206(3) of the Advisers Act. All details of any cross-trade will be fully disclosed to the Client promptly after the transaction has been completed. In addition, the Investment Manager will provide the Client with prompt notice of any cross-trade as well as a comparison of the price used in connection with the transaction and the closing price for the security for such day or the best independent bid and best independent offer report for such security on such day, as well as the trading volume in the security for such day and the size of the transaction. The Client may revoke this consent by written notice to the Investment Manager at any time.

(v) For the avoidance of doubt, the Client shall be responsible for all direct expenses (including, without limitation, brokerage commissions, transfer fees, registration costs, taxes and other similar transaction costs and transaction-related fees and expenses, custody or subcustody fees) incurred pursuant to this Agreement.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the date approved below.

Signatures on following page.

**PUBLIC EMPLOYEES' RETIREMENT  
ASSOCIATION OF NEW MEXICO**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**[CONTRACTOR]**

By: \_\_\_\_\_

Date: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

**Approved as to Legal Sufficiency for PERA:**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX F**

**INVESTMENT POLICY, INVESTMENT STATUTES, AND INVESTMENT POLICIES  
AND PRACTICES RULE**

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C. PERA Investment-related administrative rules..... 8

FOR REFERENCE ONLY

SUBMIT ANY QUESTIONS REGARDING THE ABOVE REFERENCED POLICIES

AS FOLLOWS:

VIA EMAIL: [NMPERA2016REIT@cliffwater.com](mailto:NMPERA2016REIT@cliffwater.com)

**SUBMISSION OF WRITTEN QUESTIONS DEADLINE:**

**NOVEMBER 23, 2016 AT 5:00 PM MT**

**A. PERA INVESTMENT POLICY (REVISED APRIL 29, 2016)**

# **THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO**



**INVESTED IN TOMORROW.**

## **INVESTMENT POLICY**

Revised  
April 28, 2016

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# THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

## INVESTMENT POLICY

### I. INTRODUCTION

#### **A. Statutory Authority**

The Public Employees' Retirement Association of New Mexico (PERA) was created by law in 1947 and is authorized to administer the Public Employees Retirement Act of New Mexico, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended (the PERA Act), the Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 to 10-11A-8, as amended, the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 to 10-12B-19, as amended, the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 to 10-12C-18, as amended, and the Public Employees Reciprocity Act, NMSA 1978, Sections 10-13A-1 to 10-13A-4, as well as other federal and State laws relating to the administration of public employees' retirement systems in the State of New Mexico. As of April 2016, PERA administers thirty-one retirement plans under a defined benefit structure for state employees, municipal employees, county employees, police, firefighters, judges, magistrates, and legislators. PERA is governed by the Retirement Board (the Board).

#### **B. Authority and Duties of the Board**

Article XX, Section 22 of the New Mexico Constitution obligates the Board to administer and invest the PERA trust funds (the Fund) for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The PERA Act, NMSA 1978 §§ 10-11-132 and 10-11-133 generally describe the authority of the Board to invest the Fund. Both those sections incorporate and adopt the Uniform Prudent Investor Act (UPIA), NMSA 1978, §§ 45-7-601 to 45-7-612, which require the Board to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund. Among other things, the UPIA requires that Fund investments be diversified to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. The Board also recognizes that care must be exercised to maintain PERA's status as a government plan that is exempt from the requirements of the federal Employees Retirement Income Security Act of 1974 and as a qualified plan that is exempt from taxation under the Internal Revenue Code.

#### **C. Mission Statement**

In recognition of its fiduciary responsibility, the Board adopts the following as the mission statement for PERA:

The mission of the Board of the Public Employees Retirement Association is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to Association members.

#### **D. PERA Roles and Responsibilities/Delegations of Authority**

To accomplish its mission, the Board relies on PERA employees and third-party investment consultants (Investment Consultants) to properly administer the Fund and implement the investment strategies it adopts. Because of the number of parties involved, their roles in investing and managing the Fund must be clearly explained. Doing so increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

### Ethics and Conflicts of Interest

The Board, and PERA employees are obligated to act in the exclusive interest of PERA members, retirees, and beneficiaries. Investment Consultants serve in a fiduciary capacity to PERA. Board members and PERA employees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make decisions in accordance with PERA's mission statement.

### Board of Trustees

The primary fiduciary responsibility of the Board is to ensure prudent investment and management of the Fund. It is the responsibility of the Board to ensure that PERA employees administer investments of the Fund at reasonable cost, while preserving the quality of investments. All principal investment decisions are subject to approval by the Board. The Board shall oversee the management of the Fund in compliance with all applicable federal and State laws and regulations concerning the administration of a government pension plan.

### Investment Committee

To assist the Board in carrying out its duties, it established an Investment Committee (the Committee). The Committee makes recommendations to the Board on investment actions. The Committee meets prior to the regular meeting of the Board to address overall investment activities. The Committee may invite Staff and Investment Consultants to inform and make recommendations to the Committee on any topic or issue pertinent to PERA's investment operations. The Committee Chair shall have the duty and the authority to set Committee meeting agendas and request specific analyses and reports from PERA employees and Investment Consultants.

### Executive Director

The Board appoints the Executive Director (the Director). The Director is responsible for planning, organizing, and administering the operations of PERA under policy guidance and direction from the Board. In fulfilling these investment responsibilities, the Director retains and relies on PERA employees and Investment Consultants.

### Chief Investment Officer and Investment Staff

The Internal Investment Staff (Staff) reports directly to the Chief Investment Officer (the CIO) who in turn reports to the Director. The CIO, with the assistance of Staff, has the responsibility and authority to assist the Board and the Committee in establishing investment and administrative policy, and to implement the policies and programs established by the Board. The CIO has primary responsibility for the implementation of the investment decisions approved by the Board.

The CIO and Staff shall manage the portfolio according to the Board's policies, advise and inform the Board about investments, assist with development and review of investment policies and procedures, report on the progress of the Fund in meeting its investment objectives, and monitor and report to the Board on the performance of the Fund against the appropriate benchmarks. Staff exercises the same fiduciary responsibility under applicable law as the Board.

### General Counsel and Legal Staff

The Office of General Counsel and legal staff (Legal Counsel) are primarily responsible for legal compliance of the investment program and advises the Board, the Director, the CIO, and Staff on investment-related legal matters. Legal Counsel exercises the same fiduciary responsibility under applicable law as the Board.

### Third Party Service Providers

- **Investment Consultants.** Investment Consultants are hired by and accountable to the Board through the authority of the Director. An Investment Consultant's duty is to work with the Board and Staff in the oversight and implementation of investment objectives.
- **Custodian Bank.** The Custodian Bank serves as the bank of record for the assets comprising the Fund and is responsible for maintaining the official book of record under the supervision of Staff, calculating investment performance, and serving as the primary layer of risk control in the safekeeping of Fund assets. The Custodian Bank is responsible for the ongoing pricing and valuation of all assets, collection of income generated by those assets, and any corporate action notification. The Custodian Bank cooperates with and provides assistance to Staff and Investment Managers in the reconciliation process. PERA may opt to designate other duties to the Custodian Bank as stipulated in the professional services agreement.
- **Investment Managers.** The Board believes that external management of Fund assets optimizes the potential to maximize risk-adjusted returns and minimize the associated expenses. Investment Managers are selected by the Board and, subject to the terms and conditions of this Policy, serve PERA through contracts that specify in principal part: investment guidelines, administrative requirements, responsibilities, and performance expectations for management of each mandate. Proxy voting is considered to be a component of the investment decision process and will be exercised in accordance with the established PERA Proxy Voting Policy. Investment Managers will report to Staff on the performance of the Fund using formats and at intervals specified by Staff. This information will be synthesized by Staff and presented to the Committee on at least a quarterly basis in accordance with established performance monitoring and oversight procedures.
- **External Legal Counsel.** The General Counsel may retain external legal counsel to advise Staff and negotiate and prepare contracts with Investment Consultants and Investment Managers to protect PERA's interests and status as a tax-exempt government plan.

## **II. OVERVIEW OF INVESTMENT POLICY**

### **A. Purpose of the Investment Policy**

The purpose of the Investment Policy (the Policy) is to explain implementation of the investment principles and objectives of the Board. The Policy provides a reference point for the management of PERA's assets. The Policy provides guidance to the Board and employees, as well as Investment Consultants, Investment Managers, and the Custodian Bank. The Policy is intended to provide parameters that ensure prudence and care in the execution of the investment program.

It is the intent of the Policy to provide the foundation for prudent management of the Fund, including the standards and disciplines by which the Board can evaluate Staff, Investment Consultants, Investment Managers, and the Custodian Bank.

### **B. Investment Principles**

Accordingly, the Board adopts the following principles and objectives to guide its investment strategies and decisions:

- Preserve the long-term principal of the Fund.
- Maximize total return within prudent risk parameters.
- Maintain sufficient liquidity to meet PERA's obligations.

### III. INVESTMENT OBJECTIVES

#### **A. Primary Objective**

PERA's primary objective is to prudently invest assets in order to meet its statutory obligations to its members. The Board will manage the Fund in a manner that reflects the Fund's unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence. Accordingly, the Board adopts the following principles:

- Strategic asset allocation is the most significant factor influencing the Fund's ability to meet its stated investment objectives.
- Risk is an unavoidable component of investing and shall be taken into account in assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment to the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.
- The Fund's liabilities are long-term and the investment strategy must incorporate the appropriate balance between short- and long-term considerations.
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the Fund.

#### **B. Long-Term Returns**

Due to the long-term nature of PERA's pension obligations and the inherent risks in short-term tactical investing, PERA must maintain a long-term perspective in formulating and implementing its investment policy, and in evaluating its investment performance. Therefore, the Board: (1) targets a long-term rate of return commensurate with the actuarial assumed rate of return; (2) adopts an allocation policy developed to meet the targeted rate of return over long periods of time, while minimizing volatility (risk); and, (3) minimizes the costs of investing through efficient use of internal and/or external resources.

Investment performance is measured by the following long-term objectives:

- The actuarial assumed target rate of return is the key actuarial assumption affecting future funding rates and payment of pension obligations. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates. The Board seeks to have long-term investment performance that will meet or exceed its actuarial assumed rate of return while managing risk.
- The policy benchmark is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The policy benchmark permits the Board to compare the Fund's actual performance to a total fund benchmark and to measure the contribution of active investment management and policy adherence.

PERA's progress in meeting these return measures will be reported to the Committee on at least a quarterly basis.

### **C. Evaluation of Risk**

The Board adopts a long-term asset allocation policy that is appropriate for existing and anticipated circumstances. In targeting returns, the Board takes into account the benefit levels and structure of the plans supported by the Fund. PERA will periodically conduct and present to the Committee an asset/liability study to determine the extent to which the long-term asset allocation is consistent with the liabilities of the retirement plans that it administers. In determining a prudent level of risk for the targeted returns, PERA shall consider the total Fund risk, expected volatility, liquidity, and general sensitivity of the overall asset allocation by monitoring the major assets classes utilized by the Fund. PERA will regularly measure and monitor Fund risks in its management of the Fund.

In accordance with generally accepted principles for prudent investors, the allocation of capital across asset categories increases the probability of meeting or exceeding the Fund's objectives at a prudent level of risk. In establishing its risk tolerance, PERA will consider its ability to withstand short- and intermediate-term volatility in investment performance and fluctuations in financial condition of the Fund.

## **IV. ASSET ALLOCATION**

### **A. Strategic Asset Allocation Targets**

Based on recommendations by Staff and Investment Consultants, the Board shall choose the strategic asset allocation target based on its determination of the appropriate risk tolerance for PERA, and its long-term return expectations. Each asset class allocation percentage has a long-term target position within the overall portfolio and a maximum and minimum range around that target allocation. Asset class policy targets and ranges are listed in Appendix A, which is separately adopted by the Board.

The Board recognizes that the long-term target allocation may take an extended period to implement. Staff and Investment Consultants will provide the Board with regular updates on the status of targeted asset allocation of the Fund as a whole and the component asset classes. The Board will prudently monitor this progress and the Fund's performance throughout the implementation period.

The target allocation will be reviewed annually for significant economic and market changes, and as appropriate, to changes in the Fund's long-term goals and objectives. A comprehensive asset allocation study should be conducted at least every three years to verify or revise the targets.

### **B. Rebalancing Strategy**

The Board authorizes the CIO and Staff to rebalance the portfolio in accordance with policy guidelines and established procedures on an ongoing basis. The goal in implementing the rebalancing policy is to minimize transaction costs, market impact, and opportunity costs.

The Board adopts a rebalancing policy that considers allocation ranges rather than time periods. Upper and lower allocation limits established for each asset class are defined in Appendix A. When the allocation to all asset classes remains within these limits, Staff will use cash flow to maintain the overall allocation as closely as possible to the target.

In the event that a liquid strategy within an asset class deviates from an upper or lower allocation limit, the asset class will be rebalanced to return to its strategic asset allocation target range within ninety (90) days. Within this ninety-day window it may be impractical or costly to reallocate capital towards less liquid investment strategies within each major asset category.

Rebalancing shall consider liquidity so that investments can be converted into cash in a short time, with little or no loss in value, as necessary to facilitate the objectives of the Fund. The marketability of an asset will be considered when rebalancing within each asset category. The rebalancing strategy may be implemented through the use of the cash overlay program.

Staff will report the results of rebalancing activities to the Committee by no later than the subsequent regular meeting.

## **V. PERFORMANCE BENCHMARKS**

### **A. Total Fund Benchmark**

Each asset class is described by an associated benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Those benchmarks are referred to as the “Policy Index” and are identified in Appendix B, which is separately adopted by the Board. The Board may use the Policy Index to compare the Fund’s actual performance to its Total Fund Benchmark, and to measure the contributions of active investment management and policy adherence.

### **B. Mandate-Level Benchmarks**

Benchmarks relevant to an investment shall be used as standards to measure the performance of Investment Managers. Acceptable benchmarks include but are not limited to:

- the appropriate market indices on a nominal and risk-adjusted basis;
- the performance of peers within their style group;
- adherence of the Investment Manager to the stated investment philosophy and style; and
- adherence to this Policy and the guidelines established in the investment contract.

The Board will work with Staff and the Investment Consultants to identify appropriate sub-asset class benchmarks. Staff and Investment Consultants will review the appropriateness of these benchmarks and report to the Committee on a regular basis.

## **VI. INVESTMENT GUIDELINES**

Recognizing that capital markets are global in nature, the Board shall consider asset classes that represent all investment opportunities appropriate for PERA, as long as such investments comply with the UPIA. The terms and conditions of investment contracts are subject to legal review for compliance with applicable law and applicable investment standards.

### **A. Investments**

#### **Global Equity**

An appropriately diversified Fund should include, commensurate with market conditions, global equity investments, both public and private. This allocation is structured to help the Fund meet its total return goals and will be implemented through strategies that include both liquid and illiquid mandates.

- **Public Equity.** The objective of public equity investments is to provide exposure to global economic growth opportunities and seek to capture capital appreciation and current income. The public equity allocation must anticipate long-term capital appreciation as it targets economic growth with an acceptable exposure to price volatility and the risk of loss. Public equity includes hedged investments that reduce broad market risks by isolating security-specific returns. The vehicles will utilize long and short positions along with leverage to accomplish their investment objectives. Equity-hedged investments will retain some broad market risk, but will generally be less volatile and have a lower correlation to broad equity markets over a full cycle.
- **Private Equity.** The objective of the private equity allocation is to capture a premium from making long-term, illiquid investments in predominantly non-publicly traded equity securities. In making private equity investments, PERA shall consider that private equity Investment Managers typically have concentrated portfolios and generate returns by making operational changes to the acquired businesses and often employ leverage to generate superior returns.

### Risk Reduction and Mitigation

An appropriately diversified Fund should include, commensurate with market conditions, an allocation of assets for risk reduction and mitigation to provide diversification, a dependable source of current income, and downside protection. PERA shall consider the risk reduction and mitigation allocation as a component of the total investment portfolio that provides lower expected volatility and a greater expectation for the preservation of capital. The risk reduction and mitigation allocation includes, but is not limited to the following investment types:

- **Core and Global Fixed Income.** Bonds, notes or other obligations of the U.S. government, its agencies, government-sponsored enterprises, corporations, or collateralized obligations, including but not limited to mortgages are targeted to achieve risk reduction and mitigation. In addition, these portfolios may include debt obligations of non-U.S. governmental or quasi-governmental entities and corporations with an investment grade rating, which may be denominated in foreign currencies.
- **Operating Cash Management.** In order to mitigate risk and ensure liquidity, commensurate with market conditions, the services of the State Treasurer may be used for overnight investment of short-term assets. Use of a separate or commingled short-term investment fund administered by the Custodian Bank may be considered.
- **Currency.** As means to mitigate risk while realizing returns, PERA should consider active currency strategies that do not necessarily hedge existing international holdings, but instead, seek absolute return which may include leverage, cross-hedging, emerging markets, and interest-rate futures.
- **Securities Lending:** The Board may authorize a securities lending program for all or any portion of the assets held as investments by PERA. Securities may only be loaned by the designated agent(s) by contracting for the temporary exchange of securities, for a specified fee or consideration for periods not to exceed one year, with broker-dealers, banks or other recognized institutional investors.
- **Cash Overlay:** Overlay strategies may be used to manage risk, asset allocation, and market exposures through futures, options, swap agreements, or forward agreements.

### Credit-Oriented Fixed Income

An appropriately diversified Fund should include, commensurate with market conditions, global credit-oriented fixed income investments to deliver positive returns over a complete market cycle while maintaining sufficient liquidity. Credit-oriented fixed income investments shall be targeted to provide

current income and total return with a strong focus on preservation of capital. In making these investments, PERA shall consider the potential volatility as compared to the risk reduction and mitigation allocation. PERA shall also consider credit-oriented fixed income investments that utilize leverage, shorting, derivatives, and illiquidity to generate greater risk-adjusted returns. Credit-oriented fixed income investments include similar types of securities as those in the risk reduction and mitigation allocation, but may have different credit characteristics at the time of purchase.

### Real Assets

An appropriately diversified Fund should include, commensurate with market conditions, investments in real assets to generate current income and provide capital appreciation. In making such investments, PERA shall consider the benefits of diversification that these investments provide as a hedge against inflation. Real assets investments may include but are not limited to liquid and illiquid securities in real estate, infrastructure, commodities, natural resources, timber, agriculture and farmland. The real assets portfolio includes market neutral strategies—these portfolios seek to avoid elevated exposure to broad market risk through the use of hedges. Market neutral strategies shall target a zero correlation with broad market movements and provide diversification benefits for the total fund.

### **B. Other Investment Considerations**

The Board may, after consideration of pertinent investment risk and reward attributes, and liquidity, cost and administrative complexity, authorize any investment except as otherwise expressly prohibited.

### Securities Regulations

PERA shall consider, based on market considerations, whether engagement of Investment Managers registered under the Investment Company Act of 1940 is appropriate. This Act governs the operations of investment companies and their managers. PERA should work with its Investment Consultants and Investment Managers to ensure compliance with all federal and state securities laws including, but not limited to, the Securities Act of 1933 and the Investment Advisers Act of 1940. PERA recognizes that such registration is not applicable to all investment strategies or to investment opportunities located outside the United States.

### Leverage

Leverage is implicit in many investment strategies and leverage in and of itself is not strictly prohibited so long as activities do not materially increase the risk level of the Plan. Leverage will be considered when deciding to retain an Investment Manager, and the Board, in conjunction with Staff, Investment Consultants, and Investment Managers, will avoid managers who employ unreasonable levels of leverage.

### Derivatives

Investment Managers may use derivative instruments such as futures, options, swaps, and forwards, to implement investment strategies in a low cost, efficient manner or construct portfolios with risk and return characteristics that cannot be created with cash market securities. Derivatives may also be used within the context of a cash overlay program. The cash overlay program, administered by an Investment Manager, may buy, sell, and hold exchanged-traded derivative instruments and exchange-traded funds.

### **C. Prohibited Investments**

In accordance with UPIA guidelines, the Board, Staff, Investment Consultants, and Investment Managers are expected to perform their fiduciary duties as a prudent investor would and to conform to all applicable federal and state statutes governing the investment of retirement funds for a qualified government plan. Accordingly, the following investments are prohibited:

- Investments precluded by law or regulation.
- Transactions that involve a broker acting as a “principal” where such broker is also the Investment Manager who is making the transaction are prohibited unless otherwise approved in each manager’s respective PSA.
- Any other investments as specified in each Investment Manager’s respective contract.
- An investment that violates the placement agent limitations set forth in the PERA Act.

## VII. REVIEW AND APPROVAL OF INVESTMENT POLICY

The Board shall review the Policy from time-to-time to determine if modifications are necessary or desirable but will delegate Staff to review the Policy on an annual basis. Staff will recommend modifications as warranted. If modifications are made, they shall be promptly communicated to all Investment Managers and other interested persons.

By signing this Investment Policy the Board through its Chair, indicates its agreement therewith.

Adopted: June 25, 1992  
 Amended: September 14, 1993  
 Amended: April 28, 1994  
 Amended: September 28, 1995  
 Amended: January 29, 1998  
 Amended: March 23, 1998  
 Amended: January 27, 2000  
 Amended: September 26, 2002  
 Amended: July 31, 2003  
 Amended: October 31, 2003  
 Amended: July 1, 2005  
 Amended: September 28, 2005  
 Amended: December 29, 2005  
 Amended: July 27, 2006  
 Amended: August 31, 2006  
 Amended: September 28, 2006  
 Amended: June 1, 2007  
 Amended: August 30, 2007  
 Amended: July 31, 2008  
 Amended: June 24, 2010  
 Amended: November 29, 2012  
 Amended: August 28, 2014  
 Amended: December 18, 2014  
 Amended: September 24, 2015  
 Amended: April 28, 2016

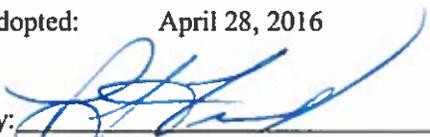
By:   
 Patricia French, Chairperson  
 Public Employees’ Retirement Association of New Mexico

## APPENDIX A. ASSET ALLOCATION TARGETS AND REBALANCING RANGES

Effective April 28, 2016

Asset Class	Lower Limit	Strategic Asset Allocation Target	Upper Limit
Global Equity	38.5%	43.5%	48.5%
Risk Reduction and Mitigation	18.5%	21.5%	24.5%
Credit Oriented Fixed Income	11.0%	15.0%	19.0%
Real Assets	16.0%	20.0%	24.0%

Adopted: April 28, 2016

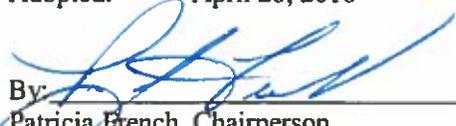
By:   
Patricia French, Chairperson  
Public Employees' Retirement Association of New Mexico

## APPENDIX B. BENCHMARKS

Effective April 28, 2016

<b>Global Equity</b>	<b>Custom Blended Benchmark</b>
Global Public Stock	MSCI ACWI IMI (\$net)
Global Low Volatility Equity	MSCI ACWI Minimum Volatility (\$net)
Hedged Equity	HFRI - Equity Hedge (Total) Index
Private Equity	Russell 3000 + 3%
<b>Risk Reduction &amp; Mitigation</b>	<b>Custom Blended Benchmark</b>
Core Fixed Income	Barclays U.S. Aggregate
Global Core Fixed Income	Barclays Global Aggregate
Cash	3 Month Treasury Bills
<b>Credit Oriented Fixed Income</b>	<b>Custom Blended Benchmark</b>
Liquid Credit	Barclays Global High Yield
Emerging Market Debt	JP Morgan EMBI Global Diversified (\$)
Illiquid Credit	Barclays Global High Yield + 1%
Credit Oriented Hedge Funds	HFRI Credit Index
<b>Real Assets</b>	<b>Custom Blended Benchmark</b>
Liquid Real Estate	Wilshire Global Real Estate Securities
Illiquid Real Estate	NCREIF ODCE + 1%
Liquid Real Assets	Alerian MLP Index
Illiquid Real Assets	Cambridge Natural Resources Index
Market Neutral Hedge Funds/Risk Premia	LIBOR + 2%

Adopted: April 28, 2016

By:   
 Patricia French, Chairperson  
 Public Employees' Retirement Association of New Mexico

## **B. PERA INVESTMENT-RELATED STATUTES**

### **Uniform Prudent Investor Act (UPIA)**

Chapter 45. Uniform Probate Code  
 Article 7. Trust Administration  
 Part 6. Uniform Prudent Investor Act

#### **45-7-601. Short title.**

[Sections 45-7-601](#) through [45-7-612](#) NMSA 1978 may be cited as the "Uniform Prudent Investor Act".

**History:** 1978 Comp., § 45-7-601, enacted by Laws 1995, ch. 210, § 82.

#### **45-7-602. Prudent investor rule.**

A. Except as otherwise provided in Subsection B of this section, a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in the Uniform Prudent Investor Act [[45-7-601](#) through [45-7-612](#) NMSA 1978].

B. The prudent investor rule, a default rule, may be expanded, restricted, eliminated or otherwise altered by the provisions of a trust. A trustee is not liable to a beneficiary to the extent that the trustee acted in reasonable reliance on the provisions of the trust.

**History:** 1978 Comp., § 45-7-602, enacted by Laws 1995, ch. 210, § 83.

#### **45-7-603. Standard of care; portfolio strategy; risk and return objectives.**

A. A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution.

B. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.

C. Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries:

- (1) general economic conditions;
- (2) the possible effect of inflation or deflation;
- (3) the expected tax consequences of investment decisions or strategies;
- (4) the role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interest in closely held enterprises, tangible and intangible personal property and real property;
- (5) the expected total return from income and the appreciation of capital;
- (6) other resources of the beneficiaries;
- (7) needs for liquidity, regularity of income and preservation or appreciation of capital; and
- (8) an asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries.

D. A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.

E. A trustee may invest in any kind of property or type of investment consistent with the standards of the Uniform Prudent Investor Act [[45-7-601](#) through [45-7-612](#) NMSA 1978].

F. A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee's representation that the trustee has special skills or expertise, has a duty to use those special skills or expertise.

**History:** 1978 Comp., § 45-7-603, enacted by Laws 1995, ch. 210, § 84.

#### **45-7-604. Diversification.**

A trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying.

**History:** 1978 Comp., § 45-7-604, enacted by Laws 1995, ch. 210, § 85.

#### **45-7-605. Duties at inception of trusteeship.**

Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and make and implement decisions concerning the retention and disposition of assets, in order to bring the trust portfolio into compliance with the purposes, terms, distribution requirements and other circumstances of the trust, and with the requirements of the Uniform Prudent Investor Act [[45-7-601](#) through [45-7-612](#) NMSA 1978].

**History:** 1978 Comp., § 45-7-605, enacted by Laws 1995, ch. 210, § 86.

#### **45-7-606. Loyalty.**

A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

**History:** 1978 Comp., § 45-7-606, enacted by Laws 1995, ch. 210, § 87.

#### **45-7-607. Impartiality.**

If a trust has two or more beneficiaries, the trustee shall act impartially in investing and managing the trust assets, taking into account any differing interests of the beneficiaries.

**History:** 1978 Comp., § 45-7-607, enacted by Laws 1995, ch. 210, § 88.

#### **45-7-608. Investment costs.**

In investing and managing trust assets, a trustee may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the trust and the skills of the trustee.

**History:** 1978 Comp., § 45-7-608, enacted by Laws 1995, ch. 210, § 89.

#### **45-7-609. Reviewing compliance.**

Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of a trustee's decision or action and not by hindsight.

**History:** 1978 Comp., § 45-7-609, enacted by Laws 1995, ch. 210, § 90.

#### **45-7-610. Delegation of investment and management functions.**

A. A trustee may delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances. The trustee shall exercise reasonable care, skill and caution in:

(1) selecting an agent;

(2) establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust; and

(3) periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

B. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

C. A trustee who complies with the requirements of Subsection A of this section is not liable to the beneficiaries or to the trust for the decisions or actions of the agent to whom the function was delegated.

D. By accepting the delegation of a trust function from the trustee of a trust that is subject to the law of this state, an agent submits to the jurisdiction of the courts of this state.

**History:** 1978 Comp., § 45-7-610, enacted by Laws 1995, ch. 210, § 91.

#### **45-7-611. Language invoking standard.**

The following terms or comparable language in the provisions of a trust, unless otherwise limited or modified, authorizes any investment or strategy permitted under the Uniform Prudent Investor Act [[45-7-601](#) through [45-7-612](#) NMSA 1978]: "investments permissible by law for investment of trust funds", "legal investments", "authorized investments", "using the judgment and care under the circumstances then prevailing that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital", "prudent man rule", "prudent trustee rule", "prudent person rule" and "prudent investor rule".

**History:** 1978 Comp., § 45-7-611, enacted by Laws 1995, ch. 210, § 92.

#### **45-7-612. Application to existing trusts.**

The Uniform Prudent Investor Act [[45-7-601](#) through [45-7-612](#) NMSA 1978] applies to trusts existing on and created after its effective date. As applied to trusts existing on its effective date, the Uniform Prudent Investor Act governs only decisions or actions occurring after that date.

**History:** 1978 Comp., § 45-7-612, enacted by Laws 1995, ch. 210, § 93.

**[end of Uniform Prudent Investors Act]**

**Public Employees Retirement Act**

## Chapter 10. Public Officers

## Article 11. Retirement of Public Officers and Employees Generally

**10-11-132. Investment of funds; prudent investor standard; indemnification of board members.**

The funds created by the state retirement system acts are trust funds of which the retirement board is trustee. Members of the retirement board jointly and individually shall be indemnified by the state from the funds administered by the retirement board from all claims, demands, suits, actions, damages, judgments, costs, charges and expenses, including court costs and attorney fees and against all liability losses and damages of any nature that members shall or may sustain by reason of any decision made in the performance of their duties pursuant to the state retirement system acts. The retirement board shall invest and reinvest the funds in accordance with the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].

**History:** Laws 1987, ch. 253, § 132; 1989, ch. 46, § 1; 1992, ch. 116, § 11; 1995, ch. 94, § 1; 1997, ch. 189, § 11; 2003, ch. 345, § 1; 2005, ch. 240, § 4.

**10-11-133. Investment of funds; prudent investor standard; conditions.**

- A. Commissions paid for the purchase and sale of any security shall not exceed brokerage rates prescribed and approved by stock exchanges that have been approved by or are under the control of the United States securities and exchange commission or by industry practice.
- B. The retirement board shall invest and manage the funds administered by the retirement board in accordance with the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].
- C. The retirement board shall provide quarterly performance reports to the legislative finance committee and the department of finance and administration. Annually, the retirement board shall ratify and provide its written investment policy, including any amendments, to the legislative finance committee and the department of finance and administration.
- D. Securities purchased with money from or held for any fund administered by the retirement board and for which the retirement board is trustee shall be in the custody of the state treasurer who shall, at the direction of the retirement board, deposit with a bank or trust company the securities for safekeeping or servicing.
- E. The retirement board may consult with the state investment council or state investment officer and request information or advice with respect to the retirement board's overall investment plan, may utilize the services of the state investment council and state investment officer and may act on their advice concerning the plan. The state investment council and state investment officer shall render investment services to the retirement board without expense to the retirement board. The retirement board may also employ the investment management services and related management services of a trust company or national bank exercising trust powers or of an investment counseling firm or brokers for the purchase and sale of securities, commission recapture and transitioning services and may pay reasonable compensation for such services from funds administered by the retirement board. The terms

of any such investment management services contract shall incorporate the statutory requirements for investment of funds under the retirement board's jurisdiction.

- F. The retirement board shall annually provide for its members no less than eight hours of training in pension fund investing, fiduciary obligations or ethics. A member elected to the retirement board who fails to attend the training for two consecutive years shall be deemed to have resigned from the retirement board.
- G. Except as provided in the Public Employees Retirement Act, a member of the retirement board, employee of the retirement board or any person connected with the retirement board in any manner shall not:
  - (1) have any direct or indirect interest in the gains or profits of any investment made by the retirement board;
  - (2) receive any direct or indirect pay or emolument for services provided to the retirement board or the association;
  - (3) directly or indirectly, for the member, employee or person, for themselves or as agent or partner of others, borrow any of the funds or deposits of the association or in any manner use them except to make current and necessary payments authorized by the retirement board; or
  - (4) become an endorser or surety or become in any manner an obligor for money of the retirement board loaned or borrowed.

**History:** Laws 1987, ch. 253, § 133; 1989, ch. 46, § 2; 1992, ch. 116, § 12; 2005, ch. 240, § 5; 2009, ch. 288, § 11.

**10-11-133.1. Disclosure of third-party marketers; penalty.**

- A. The retirement board shall not make any investment, other than investments in publicly traded equities or publicly traded fixed-income securities, unless the recipient of the investment discloses the identity of any third-party marketer who rendered services on behalf of the recipient in obtaining the investment and also discloses the amount of any fee, commission or retainer paid to the third-party marketer for the services rendered.
- B. Information disclosed pursuant to Subsection A of this section shall be included in the quarterly performance reports of the retirement board.
- C. Any person who knowingly withholds information required by Subsection A of this section is guilty of a fourth degree felony and shall be punished by a fine of not more than twenty thousand dollars (\$20,000) or by imprisonment for a definite term not to exceed eighteen months or both.
- D. As used in this section, "third-party marketer" means a person who, on behalf of an investment fund manager or other person seeking an investment from the fund and under a written or implied agreement, receives a fee, commission or retainer for such services from the person seeking an investment from the fund.

**History:** Laws 2009, ch. 152, § 2.

**[End of PERA Act]**

## **C. PERA INVESTMENT-RELATED ADMINISTRATIVE RULES**

Rule 300: Investment Policies and Practices

TITLE 2 PUBLIC FINANCE

CHAPTER 80 PUBLIC EMPLOYEES RETIREMENT

PART 300 INVESTMENT POLICIES AND PRACTICES

2.80.300.1 ISSUING AGENCY: Public Employees Retirement Association, P. O. Box 2123, Santa Fe, New Mexico 87504-2123

[10-15-97; 2.80.300.1 NMAC – Rn, 2 NMAC 80.300.1, 12-28-00]

2.80.300.2 SCOPE: This rule applies to the Public Employees Retirement Board and its investment managers and brokerage firms.

[10-15-97; 2.80.300.2 NMAC – Rn, 2 NMAC 80.300.2, 12-28-00]

2.80.300.3 STATUTORY AUTHORITY: This rule is authorized by NMSA 1978, Sections 10-1-130, 10-11-132 and 10-11-133, as amended.

[10-15-97; 2.80.300.3 NMAC – Rn, 2 NMAC 80.300.3, 12-28-00]

2.80.300.4 DURATION: Permanent.

[10-15-97; 2.80.300.4 NMAC – Rn, 2 NMAC 80.300.4, 12-28-00]

2.80.300.5 EFFECTIVE DATE: May 4, 1994 unless a different date is cited at the end of a Section.

[10-15-97; 2.80.300.5 NMAC – Rn, 2 NMAC 80.300.5, 12-28-00]

2.80.300.6 OBJECTIVE: The objective of this rule is to set the Public Employees Retirement Board's investment policy for investments of funds under NMSA 1978, Sections 10-11-132 and 10-11-133, as amended.

[10-15-97; 2.80.300.6 NMAC – A, 2 NMAC 80.300.6, 12-28-00; A, 8-15-01]

2.80.300.7 DEFINITIONS: [Reserved]

[2.80.300.7 NMAC – A, 2 NMAC 80.300.7, 12-28-00]

2.80.300.8-9 [Reserved]

2.80.300.10 INVESTMENT COMMITTEE: [Reserved]

[2.80.300.10 NMAC – A, 2 NMAC 80.300.10, 12-28-00]

2.80.300.11-19[Reserved]

2.80.300.20 MANAGEMENT AND PHILOSOPHY: [Reserved]

[2.80.300.20 NMAC – A, 2 NMAC 80.300.20, 12-28-00]

2.80.300.21-29[Reserved]

2.80.300.30 BEST EXECUTION AND BEST PRICE

A. Statement of Policy: The New Mexico Public Employees Retirement Board adopts the following statement as its policy with respect to securities transactions of the PERA investment funds.

(1) The Board serves as trustee of the retirement funds created under the Public Employees Retirement Act, NMSA 1978, Section 10-11-1 et seq.; the Judicial Retirement Act, NMSA 1978, Section 10-12B-1 et seq.; the Magistrate Retirement Act, NMSA 1978, Section 10-12C-1 et seq.; and the Volunteer Firefighters Retirement Act, NMSA 1978, Section 10-11A-1 et seq.

(2) As trustee of these funds, the Board has a fiduciary responsibility to invest these funds solely in the interest of participants and beneficiaries and exclusively to provide benefits to these participants and beneficiaries and to pay reasonable administrative costs. The Board also has a fiduciary obligation to give primacy to the preservation of trust funds and to insure the procurement of a reasonable income while avoiding undue investment risks.

(3) The Board has delegated the investment of the funds under its jurisdiction to external investment managers except for a small number of accounts that are invested directly by the PERA Investment Division.

(4) By contractual agreement, the Board has delegated to its investment managers full discretion with regard to securities transactions so long as they conform to New Mexico State statutes, the PERA Investment Policy and the specific PERA investment objectives and guidelines for each particular investment portfolio.

(5) Both by contract and by virtue of common law trust principles, the investment managers serve as fiduciaries to PERA and must at all times act in a fiduciary capacity to PERA and the investment accounts assigned to them.

(6) As fiduciaries of the funds, both the Board and its investment managers are obligated to require that all securities transactions be made on the basis of best execution under the circumstances at the lowest available price.

(7) The Board's policy is that all securities transactions shall be executed on the basis of best execution under the circumstances at the lowest available price and that all investment decisions shall be made solely for the benefit of fund participants and their beneficiaries.

B. [Reserved]

[10-15-97; 2.80.300.30 NMAC – A, 2 NMAC 80.300.30, 12-28-00; A, 8-15-01]

**HISTORY of 2.80.300 NMAC:**

**Pre-NMAC History:** The material in this Part was derived from the previously filed with the State Records Center & Archives under: Rule 300.00, Investment Policies and Practices, filed on 10-4-79; PERA Rule 300.00, Investment Policies and Practices, filed on 11-19-81; PERA Rule 300, Investment Policies and Practices, filed on 7-1-91; PERA Rule 300, Investment Policies and Practices, filed on 5-4-94.

**APPENDIX G**

**PROCUREMENT POLICY FOR INVESTMENT RELATED SERVICES**

FOR REFERENCE ONLY

SUBMIT ANY QUESTIONS REGARDING THIS

PROCUREMENT POLICY FOR INVESTMENT RELATED SERVICES AS FOLLOWS:

VIA EMAIL: [NMPERA2016REIT@cliffwater.com](mailto:NMPERA2016REIT@cliffwater.com)

**SUBMISSION OF WRITTEN QUESTIONS DEADLINE:**

**NOVEMBER 23, 2016 AT 5:00 PM MT**

**THE PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION  
OF  
NEW MEXICO**



**INVESTED IN TOMORROW.**

**PROCUREMENT POLICY FOR  
INVESTMENT-RELATED SERVICES**

Revised: August 25, 2016

## Procurement Policy for Investment-Related Services

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## **1. Scope**

This Procurement Policy for Investment-Related Services ("Policy") sets forth the procedures and guidelines by which Public Employees Retirement Association of New Mexico ("PERA") shall procure investment-related services. Pursuant to NMSA 1978, Section 13-1-98(CC) (2015), PERA is exempt from the Procurement Code (NMSA 1978, Sections 13-1-28 through 13-1-199) for all contracts for investment advisory services, investment management services or other investment-related services including the services of outside legal counsel that relate to these services. Accordingly, this Policy shall not apply to the procurement activities that are not specifically exempt from the Procurement Code.

Although this Policy applies to tangible goods that are ancillary to investment services, it does not apply to the procurement of tangible goods and services purchased through State of New Mexico statewide purchasing agreements or otherwise required for the administration of PERA investments.

## **2. Purpose**

The purpose of this Policy is: 1) to provide an open and fair competitive process to acquire competent and qualified investment-related services for liquid and illiquid investments; 2) to allow PERA to respond to unacceptable performance and market changes in a flexible, efficient and timely manner; and 3) to comply with all relevant laws, statutes and ethical codes of conduct and other applicable policies adopted by PERA's governing body, the Public Employees Retirement Board ("the Board").

## **3. Legal Authority**

PERA operates under the authority of the Public Employees Retirement Act of New Mexico, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended, the Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 to 10-11A-8, as amended, the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 to 10-12B-19, as amended, the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 to 10-12C-18, as amended, and the Public Employees Reciprocity Act, NMSA 1978, Sections 10-13A-1 to 10-13A-4, as well as other federal and New Mexico laws relating to public employees' retirement systems.

The Board's Policies and Procedures also apply to procurement subject to this Policy.

#### **4. Roles and Responsibilities**

This Policy applies to the procurement of investment-related services and investment-related legal services for liquid and illiquid investments authorized by PERA in accordance with the Investment Policy adopted by the Board. The Investment Policy provides that the Board, the Chief Investment Officer, PERA staff, and the investment consultant procured under this Policy shall be disciplined in adhering to the Investment Policy including applicable investment criteria. An investment consultant or investment manager selected pursuant to this Policy serves PERA and the Board as a fiduciary.

This Policy also governs procurement of the services of outside investment legal counsel through the General Counsel. PERA retains the services of outside legal counsel to review and negotiate terms of the complex documents for liquid and illiquid investments. The use of outside counsel is prudent and necessary due to rapid changes in regulation of global liquid and illiquid investments and the knowledge and experience of outside counsel regarding the legal issues arising from global liquid and illiquid investments.

Members of the Board and PERA staff are subject to the Governmental Conduct Act, NMSA 1978, Sections 10-16-1 through 10-16-18.

#### **5. Definitions**

"corrupt practice" is defined as offering, giving, soliciting, or receiving anything of value to influence the action of a public official or employee, or threatening injury or harm to any person or their property, position or reputation in connection with any procurement in order to obtain or retain business or any other advantage in the conduct of business.

"emergency" means unexpected circumstance(s) that require a rapid decision to prevent a significant financial loss to the Fund where the normal processes required in this Policy would not prevent or avoid such loss. Poor performance by a contractor is not to be considered an "emergency." By way of example, "emergency" can include, although it is not limited to, the departure of a portfolio manager or other key personnel from a contractor firm without notice, SEC investigation or action against a contractor firm or individuals within the firm, or a contractor firm's unexpected loss of its organizational capabilities.

"fraudulent practice" means misrepresenting any fact in order to influence any procurement.

“Fund” means the same as the term as used in the Investment Policy.

“illiquid investments” means global securities or other assets that cannot easily be sold or exchanged for cash without a substantial loss in value. These investment strategies per the Investment Policy include illiquid equities (hedged and private equity), illiquid credit (private and distressed debt and hedged credit) and illiquid real assets (illiquid real estate, illiquid real assets and market-neutral strategies). These assets are designed to provide the portfolio with higher risk-adjusted returns and/or enhanced diversification. Illiquid investments were typically referred to as alternative assets in prior versions of this Policy.

"incumbent provider" means a service provider that is a party to a valid contractual relationship for providing investment-related services under a professional services agreement with the Board through the PERA staff.

“Investment Committee” means the same as the term used in the Investment Policy.

“liquid investments” are those securities and other assets that can be converted into cash quickly and with minimal impact to the price received. These assets are determined by the Board and identified in the Investment Policy. These assets include global equities (public equities and low volatility equities), risk reduction and mitigation strategies, credit (liquid credit such as high yield bonds and emerging market debt) and real assets (liquid real estate and liquid real assets). Liquid investments were typically referred to as traditional assets in prior versions of this Policy.

"offeror" means any person or persons responding to a Request for Proposal or a Request for Information.

“PERA staff” means PERA employees who are responsible for investment-related activities.

"runner-up" means one or more RFP offerors not initially selected for award but qualified for award by meeting or complying with all mandatory criteria and formally designated as a runner-up by the evaluation committee.

"small purchase" means the procurement of investment-related services for flat-fee compensation that does not exceed fifty-thousand dollars (\$50,000.00). For purposes of this Policy, a small purchase procurement includes professional services or investment-related services or tangible property ancillary to investment services, but does not include performance-fee compensation contracts for investment management services.

“strategic asset allocation” means the apportionment of the Fund across broad asset categories as defined in the Investment Policy and the associated appendices therein.

## **6. Selection of Solicitation Process**

All procurement of PERA investment services and investment management services in liquid assets by PERA shall be achieved by a competitive Request for Proposals process ("RFP") or Request for Information process ("RFI") in accordance with this Policy.

Subject to the exceptions set forth below, PERA shall use the RFP process for procurement under this Policy unless the Investment Committee recommends, based on input from the Chief Investment Officer, and the Board approves procurement through the RFI or another process.

An RFP for an investment consultant shall be issued by the Chief Investment Officer upon approval by the Board. An RFI shall be issued by the Chief Investment Officer, or in the case of investment-related legal services by the General Counsel, upon approval by the Board.

When making a determination regarding the appropriate procurement process, the Investment Committee and the Board may consider among other things: 1) the number of service providers that could provide the service; 2) the mandate being considered for procurement; and 3) advancements in internet-based or analytic software and comprehensive databases (as defined in Section 11, Selection Criteria). PERA shall maintain written documentation of each procurement consistent with applicable record retention policies and procedures.

The exceptions justifying departure from the RFP or RFI processes are as follows:

- a. A supermajority (9 of the 12 members) of the Board votes that an incumbent provider, currently providing satisfactory service under a contract for a given mandate that is the result of an RFP or RFI, should be given the opportunity to negotiate a new contract in connection with the expiring term of the current contract for the same or substantially similar mandate on the equivalent or better terms to PERA. In no event, however, shall the term of the contract awarded under this subsection, including any and all extensions, exceed eight (8) years without being competitively bid through an RFP or RFI process. This exemption shall be exercised by PERA at least thirty (30) days prior to the expiring term of the current contract;

- b. After termination of an investment manager contract for performance reasons, a supermajority (9 of the 12 members) of the Board votes that it is necessary to transition the assets subject to the terminated contract to another incumbent provider who 1) is currently providing any investment management services under a contract that is the result of an RFP or RFI process; and 2) is qualified to serve as a replacement for the asset class under consideration. A new or amended contract should be negotiated in connection with the transitioning of assets on the equivalent or better terms to PERA. In no event, however, shall the term of the contract awarded under this subsection, including any and all extensions, exceed eight (8) years without being competitively bid through an RFP or RFI process;
- c. A supermajority (9 of the 12 members) of the Board votes that an incumbent provider currently providing satisfactory service under a contract that is the result of a RFP or RFI process, should be given the opportunity to negotiate a new or amended contract in connection with the provision of new services or a new mandate not provided by that incumbent under the existing contract. In no event, however, shall the term of the contract awarded under this subsection exceed eight (8) years without being competitively bid;
- d. The procurement is a small purchase procurement as defined in this Policy;
- e. The procurement is an illiquid investment as defined in this Policy; or
- f. Procurement meets the requirements of an emergency procurement as defined in this Policy. Performance under any contract awarded under this subsection shall be reviewed by the Board within twelve (12) months. In no event, however, shall the term of the contract awarded under this subsection, including any and all extensions, exceed two (2) years without being competitively bid.

## **7. Illiquid Investments**

### **a. Categories of Illiquid Investments**

For the purposes of the exceptions identified in Section 6, "illiquid investments" are defined as provided in Section 5 of this Policy and in the Investment Policy, include the following categories:

- **Illiquid Global Equities** – Illiquid forms of global equities include private equity and hedge equity. The objective of the private equity allocation is to capture a premium from making long-term, illiquid investments in

predominantly non-publicly traded equity securities. Hedged equity investments look to reduce broad market risks to isolate security-specific returns. These vehicles will utilize long and short positions along with leverage to accomplish their investment objectives.

- Illiquid Credit – Illiquid forms of credit include strategies in which the underlying debt securities trade infrequently or with a negotiated price as well as hedged credit strategies. The objective of illiquid credit strategies (such as distressed and private debt) is to capture a premium from making long-term, illiquid investments through non-public or negotiated transactions. Hedged credit strategies use leverage, shorting, and derivatives to generate greater risk-adjusted returns.
- Illiquid Real Assets – Illiquid forms of real assets include private real assets, private real estate and market neutral strategies. The objective of private real assets and private real estate strategies is to capture a premium from making long-term, illiquid investments in predominantly non-publicly traded securities. Market neutral strategies target a zero correlation with broad market movements.

**b. Considerations and Criteria for Identification of Illiquid Investments**

Illiquid investments are typically made through an interest in a limited partnership or a limited liability company but also may be made through another vehicle (e.g., fund of one, separate account, dedicated managed account, commingled fund, offshore entity, etc.), as appropriate for the individual investment. Illiquid investments generally target long-term return objectives.

An illiquid investment consultant and PERA staff shall consider, at a minimum, the following criteria when recommending illiquid investments:

- Firm organization and stability
- Quality and stability of the investment team
- Proposed investment strategy
- Investment track record
- Portfolio fit/diversification
- Legal and economic terms governing the investment

Consistently applying the investment criteria listed above, the investment consultant and PERA staff shall review and analyze the most appropriate investments from a comprehensive universe of investment opportunities.

Investments that meet the criteria set forth above shall be subject to an extensive due diligence analysis by PERA staff and the illiquid investment consultant that is set forth in a detailed due diligence report and recommendations that shall be reviewed by the Investment Committee of the Board for completeness and cogency. PERA staff and the illiquid investment consultant shall, prepare and present to the Board a detailed recommendation for the Board's evaluation and final approval. All Board decisions on recommendations to invest shall be subject to satisfactory review by the General Counsel with the assistance of outside investment counsel as the General Counsel may deem appropriate, who shall review, negotiate, and approve investment documents for legal sufficiency in accordance with the Investment Policy.

## **8. Public Notice**

Notice of an RFP shall be published at least twenty-one (21) calendar days prior to the date set for opening of responses. All notices referred to in this Policy may be published or furnished electronically, in print, or both at the Chief Investment Officer's discretion. Notice shall be posted on PERA's website and disseminated through media and other channels as and in a manner necessary to reasonably attract a sufficient number of qualified offerors to ensure competitive bidding. Notice may be published in newspapers and/or trade journals in this or any other state, and internationally. PERA may also provide notice to persons or businesses identified through independent investment services databases.

## **9. Procurement Processes**

### **a. Requests for Proposals**

All RFPs shall be issued by the Chief Investment Officer, or in the case of investment-related legal services by the General Counsel, upon approval by the Board, and shall contain as appropriate:

- i. specifications of the services to be procured including clearly identified "minimum" and "preferred" (discretionary) criteria and/or minimum mandatory qualifications for prospective offerors;
- ii. the proposed term of the anticipated contract, not to exceed eight (8) years;
- iii. description of any mandatory contract terms including but not limited to a term stating that the contractor accepts fiduciary status with respect to assets managed on behalf of PERA;
- iv. a uniform proposed compensation form for the services to be procured;
- v. the location and method where responses shall be delivered and a secure

- method for receipt and safeguarding of the proposals. Each RFP shall state that PERA shall have no responsibility or obligation to accept incorrectly delivered proposals or to provide for redelivery of incorrectly sent proposals;
- vi. the deadline for receipt of proposals including the calendar date and the time. Deadlines may only be extended by the Board on the request of the Chief Investment Officer, for good cause shown. Any extension must be requested and approved, with notice given to prospective offerors, prior to the original dead line;
  - vii. a proposal cover sheet, to be completed and signed by the offeror and submitted electronically;
  - viii. a description of a formal question and answer process;
  - ix. the relative weight to be given to the selection criteria and/or qualifications in the evaluation of the responses;
  - x. citation to applicable statutes, rules and policies; and
  - xi. any other information the Chief Investment Officer or the General Counsel believes will be useful in procuring the services sought to be procured.

Subject to appropriate and timely notification of offerors, RFPs may be modified or amended prior to the recommendation for contract award for the limited purposes of:

- i. clarifying or correcting errors or defects; or
- ii. modifying the schedule for the submission of responses and the deadline for receipt of responses.

The requirement for notice of amendment of an RFP shall:

- i. be the same as for the initial RFP if it occurs before the deadline for receipt of responses; and
- ii. be achieved by written notice to all offerors if it occurs after the deadline for receipt of responses.

**b. Request for Information with Negotiated Price**

The Chief Investment Officer or General Counsel may identify independent firms having experience and knowledge with regard to specific services or a list of service providers, best suited to accomplish the Board's objective.

Analytical software and comprehensive databases will be used in an unbiased and

fair manner to research, evaluate and compare potential service providers.

Identified offerors may reply to the RFI by submitting information about the services they supply and the price at which those services would be provided.

Once identified, the evaluation committee may review proposals and negotiate with one or more of the potential service providers to obtain the highest quality of services at the most reasonable price.

## **10. Sufficiency of Responses—Receipt, Acceptance and Rejection**

Proposals received after the deadline will be rejected.

Timely responses meeting all mandatory requirements shall be accepted for consideration without the opportunity for correction or modification.

Responses must include a proposal cover sheet, which has been fully completed, signed and submitted electronically on or before the deadline for responses to the RFP.

Telephone and other types of inquiries concerning the proposal, outside the formal question and answer process, shall be discouraged.

Successful offerors and runners up will meet or comply with all minimum criteria and/or qualifications. Failure to meet or comply with the minimum criteria, requirements and/or qualifications shall be cause for rejection of the proposal.

## **11. Selection Criteria**

The selection criteria to be used in selecting successful offerors will be fully and specifically described in each RFP. PERA may use internet-based or analytic software applications and comprehensive databases to research, evaluate, compare and select investment products across asset classes and vehicle types.

## **12. Evaluation of Proposals**

The Board Chair, with the advice of the Investment Committee Chair and the Chief Investment Officer, shall appoint an evaluation committee for each RFP or RFI. The designation of the evaluation committee is at the discretion of the Board Chair and may include members of the Board, the Director, the Chief Investment Officer, the General Counsel, and PERA staff.

The evaluation committee in whole or in part may, in its sole discretion, conduct interviews, discussions or negotiations with some or all offerors whose proposals have been accepted by PERA staff for the purpose of clarifying the terms of the proposals.

The evaluation committee may, but need not, provide offerors who have participated in interviews, discussions or negotiations the opportunity to submit best and final offers.

There is no right to an interview, discussion, negotiation, or the opportunity for best and final offers and the evaluation committee may recommend contract awards without these activities.

The evaluation committee shall create a record, including but not limited to uniform evaluation sheets that explain the basis for its recommendation to the Board and shall prepare a written report identifying a runner-up, if any, and its recommendation to the Board of the successful offeror or offerors. PERA shall retain the evaluation sheets and evaluation committee report in accordance with applicable document retention requirements, but in no case for a period of less than the stated term of the contract procured pursuant to this Policy.

The evaluation committee may evaluate a proposal based on a variety of factors including but not limited to the offeror's business approach and methodology, consistency of key personnel, philosophy and process, references, experience with the asset class under consideration, verified or verifiable performance and portfolio data of a sufficient duration to include a variety of economic and market environments, and a history of consistently strong and successful performance versus peers and relevant benchmarks.

The Board shall approve the successful offeror or offerors under the RFI or RFP process based on the recommendation of the evaluation committee.

### **13. Award**

Following approval by the Board, a successful offeror shall be promptly notified in writing of the award, subject to due diligence and successful contract negotiations conducted by the Chief Investment Officer or the General Counsel.

Contracts may be awarded to more than one successful offeror as a result of a single RFP or RFI process.

Contracts may be awarded to one or more offerors designated as runners-up by the

evaluation committee within two (2) years of the initial deadline set for receipt of RFP or RFI responses subject to due diligence and successful contract negotiations conducted by the Chief Investment Officer or the General Counsel.

#### **14. Public Disclosure**

After award of a contract under this Policy, any written determination of award, any evaluation committee report, and all proposals are subject to public inspection in accordance with applicable public record laws including the New Mexico Inspection of Public Records Act, NMSA 1978, Sections 14-2-1 through 14-2-12. Any material claimed to be privileged, confidential, proprietary, or a trade secret must be clearly designated as such in advance and provided on separate pages.

#### **15. Protest Procedure**

PERA's procurement of the investment-related services is exempt from the New Mexico Procurement Code (NMSA 1978, Sections 13-1-1 *et seq.*) and offerors have no resort to the protest procedures set out in the New Mexico Procurement Code (NMSA 1978, Sections 13-1-172 through 176) or related options of the New Mexico Administrative Code involving procurement of investment-related services. As a trust fund, PERA has no authority to award money damages, costs or attorney fees to a party asserting a grievance under this Policy. In the interest of providing a fair, open and competitive procurement process for investment-related services, the following protest procedure is provided.

An offeror who is not awarded an investment-related services contract may file a Notice of Protest with PERA.

A Notice of Protest must be in writing and received or post-marked within ten (10) calendar days of the award by the Board that gives rise to the protest.

A Notice of Protest shall state the full factual basis for the protest.

A Notice of Protest shall be sent or delivered to:

NMPERA  
 General Counsel  
 33 Plaza La Prensa  
 Santa Fe, New Mexico 87507  
 Attention: Notice of Protest

The filing and receipt of a Notice of Protest shall not stop or delay the execution of

an investment-related services contract between and the successful offeror.

The General Counsel or his or her designee shall conduct an interview with the protestor, either in person or telephonically and may, in his or her sole discretion, conduct interviews with others who have or may have information relating to the award and/or the protest.

The General Counsel shall promptly issue a written recommendation to the Board. The written recommendation shall state whether or not the General Counsel recommends that the contract whose award gave rise to the protest process should be terminated, and whether or not the General Counsel recommends an alternative contract award to the protestor or whether the RFP or RFI should be cancelled and competitively rebid. The written recommendation shall state the full factual basis for the recommendation.

The General Counsel shall mail the written recommendation to the protestor and shall provide written notice of the scheduled Board vote on the recommendation.

The Board shall vote on the recommendation at its first normally scheduled meeting following the issuance of the written recommendation.

The General Counsel shall notify the protestor in writing of the Board vote.

## **16. Emergency and Small Procurements**

In the case of emergency and small purchase procurements, as defined in this Policy, the Chief Investment Officer may, with the prior approval of the Board, preselect or invite a provider of investment-related services to present an offer. The Chief Investment Officer, in his or her discretion, may negotiate a contract with that provider if the offer is deemed acceptable and subject to the following conditions:

The small purchase procurement for investment-related professional services must have a value not exceeding fifty thousand dollars (\$50,000), excluding applicable state and local gross receipts taxes in accordance with applicable professional services contract procedures promulgated by the department of finance and administration.

Chief Investment Officer may procure investment-related tangible property or services having a value of not more than fifty thousand dollars (\$50,000.00) by issuing a direct purchase order to a contractor based upon the best obtainable price.

Procurements shall not be artificially divided to fall within the small purchase

procurement exemption;

Performance under emergency procurements shall be reviewed by the Board within twelve (12) months of the effective date of the emergency contract.

### **17. Research and Information**

At any time and irrespective of any existing contracts, PERA may conduct independent research or may issue an informal request for information to survey the marketplace about the availability, quality, and price of investment-related services.

### **18. Penalties for Corrupt and Fraudulent Practices**

Upon discovery of any corrupt or fraudulent practice as defined in this Policy, the Board may reject a proposal, reject a recommendation for an award or declare an individual or firm ineligible for a stated period of time or the Board may impose any combination of these measures.

In addition, corrupt and fraudulent practices relating to activities that are subject to this Policy may constitute fraud, bribery, and illegal gratuities and kickbacks that are crimes classified as felonies under New Mexico law.

Civil and criminal penalties are imposed for violation of the Governmental Conduct Act, NMSA 1978, Sections 10-16-17, 18.

Civil penalties are imposed for antitrust violations of the Trade Practices and Regulation Act, NMSA 1978, Sections 57-1-1, 6.

### **19. Ethical Disclosures and Conflicts of Interest.**

Members of the Board and PERA employees are subject to NMSA 1978, Section 10-11-130.1, which prohibits acceptance of anything of value directly or indirectly from a person or organization that has a current contract with PERA, is a potential bidder, offeror, or contractor of services to PERA, or is authorized to invest public funds pursuant to state or federal law. For purposes of this Policy, potential bidder means any person or entity that may provide services to PERA within the next twelve months.

All offerors or incumbent providers are required to disclose any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under any contract with PERA. Offerors and incumbent providers

shall certify compliance with the requirements of the Governmental Conduct Act, NMSA 1978, Sections 10-16-1 through 10-16-18. Contracts executed in accordance with this Policy shall provide for the prohibitions and disclosures explained in this section.

**Approval by the Retirement Board**

By signing this Procurement Policy for Investment-Related Services, the Board, through its Chair, approves the statements contained in this Policy.

Adopted: January 26, 2006  
Amended: August 31, 2006  
Amended: November 30, 2006  
Amended: October 30, 2014  
Amended: August 25, 2016

By:

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Patricia French  
Retirement Board Chair