

**WASHINGTON STATE INVESTMENT BOARD (WSIB)
ACTIVE GLOBAL EQUITY MANAGEMENT
SEARCH DOCUMENT**

Important introductory note: Contact by candidate's staff or by anyone on behalf of the candidate with WSIB staff or Board members regarding this search after issuance of this search and not previously authorized by the Search Coordinator (as identified in the WSIB Board Contact section below), **may disqualify the candidate**. However, contact with the consultant(s) is expressly authorized to coordinate the delivery of data into the database and to facilitate review and discussion with the consultant(s) as they gather information.

Search Objective:

The WSIB is seeking firms to actively manage global equity portfolios in the Commingled Trust Fund (CTF). The WSIB prefers candidate firms with the ability to manage portfolios against a broad benchmark such as the MSCI All Country World IMI Index (MSCI ACWI IMI). Other mutually agreed upon benchmarks may be acceptable. Throughout the remainder of this document, broad global equity portfolios will be referred to as 'global equity product(s)'. The average annualized total return of each selected global equity product (net of all fees) is expected to exceed the benchmark by 100 to 300 basis points or more over a full market cycle.

Potential candidates should review the minimum, desirable and undesirable qualifications set forth. Interested candidates who meet the minimum qualifications may participate in this search process by following each and every one of these steps:

1. If a potential candidate's global equity product(s) are not yet in each of the following consultant databases, please contact each of the following people to obtain the necessary questionnaire/requirements for the submission of information into the respective consultant's database.
 - Mercer Investment Consulting LLC (Mercer) database, Christopher Tauber, at 206-214-3694; christopher.tauber@mercer.com
 - Aon Hewitt Investment Consulting, Inc. (Aon) database, Adrian Kurniadjaja, at 312-381-1250; adrian.kurniadjaja@aon.com (Completed submission of candidate's information to eVestment database will fulfill Aon's data requirements.)

If a potential candidate's global equity product(s) are currently in both Consultants' databases, the candidate must ensure that all information is current and accurate. Information should be submitted in the manner each consultant requires and should be provided in the manner the offering firm desires it to be seen and evaluated.

2. In addition, candidates will need to ensure that the eVestment database is up to date with complete data, ideally as of December 31, 2019, and updated each quarter subsequently.
 - eVestment database, Paul Loudon, at 678.569.1465, paul@evestment.com.

To be clear, relevant and current data must be in Mercer's database, Aon's database and the eVestment database no later than February 13, 2019, at 4:30pm PST, with data updated quarterly throughout the search.

Potential candidates interested in being considered for this search are *encouraged*, though not required, to send an email expressing such interest to the WSIB Search Coordinator, copying both Consultants.

Background

The Washington State Investment Board (WSIB), with assets of more than \$140 billion, manages globally diversified portfolios with long-term investment strategies that serve 17 public employee retirement plans, 20 other public trust funds and more than 500,000 public employee beneficiaries. The CTF represents the assets covering all of the defined benefit obligations of the state. In the CTF, public equity is the largest targeted allocation and is a mix of passive and active mandates. Reference links are provided below for more information:

- Information on the WSIB and its investments can be found on this website:
<http://www.sib.wa.gov/>
- Information on the Public Equity program of WSIB can be found here:
http://www.sib.wa.gov/financial/pdfs/pue_opp.pdf

Selection Criteria/Minimum Qualifications

As of September 30, 2019, candidate firms must satisfy the minimum requirements as outlined below in order to be considered for selection to this mandate:

- A. Must currently provide a global equity product.
- B. The product must be long only and retain daily liquidity (no lock-ups or gates of any kind will be considered).
- C. Must act as a fiduciary when performing these services and certify in writing to that fact. Fiduciary duties will be written into all contracts issued under this search.
- D. Must be a U.S Securities and Exchange Commission (SEC)-registered investment advisor, an advisor exempt from registration (Form ADV, Parts 1 and 2, or disclosure of the exemption must be submitted), or registered with the appropriate foreign regulatory body.
- E. Must be GIPS Compliant for the investment product/s being offered. Firms that are not currently GIPS Compliant may submit a written commitment that should they be awarded a mandate, they will become GIPS compliant within twelve months of contract signature.
- F. Employees and/or the organization must not have, nor could they potentially have, a material conflict with the WSIB or the consultants hired for this search.
- G. Must be willing to provide WSIB staff transparency into all material aspects of the investment process, and must provide reasonable access to the decision maker(s) for the relevant product(s), both during the search process and, if selected for a mandate, during the duration of that mandate

- H. Must have adequate fiduciary insurance coverage. At a minimum, each Candidate must provide proof of Errors and Omissions/Professional Liability Insurance.
- I. Must conduct an annual SSAE16 audit or have in place an appropriate operational control structure that will be evaluated by WSIB and judged to be a reasonable alternative.
- J. Must be able to contract, communicate, and provide all materials and reporting requirements in English.

Desirable Qualifications

The following characteristics are desirable (measured as of September 30, 2019):

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

Undesirable Qualifications

The following characteristics are undesirable (measured as of September 30, 2019):

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

Contract

The terms, conditions and approach to the contract will be based on the sample contract that will be provided during due diligence to candidates who progress to the later stages of the search process.

Candidates for this mandate will be expected to perform duties under a contract with the care, skill, prudence, and diligence under the circumstances then prevailing that an ordinary prudent investor, acting in like capacity and familiar with such matters, would use in the performance of similar services, all in accordance with the applicable federal and state laws as well as WSIB policies, guidelines, and procedures.

Successful candidates will also be expected to sign a Washington State Investment Board contract that includes the following indemnification language: The manager agrees that it is

liable to the WSIB for any financial loss incurred by the account resulting from or occurring due to sole and direct negligence, willful misconduct, wrongful act or omission, breach of fiduciary duty, or the failure to comply with the terms of the contract. Please note that the Washington State Investment Board cannot accept “gross negligence” language.

The contract signed by any successful candidate shall be governed by the laws of the state of Washington. In the event of a lawsuit regarding the contract, the venue will be only the Superior Court of the State of Washington, in, and for, Thurston County, located in Olympia, Washington. Please note that the WSIB cannot agree to any other jurisdiction.

Search Modification

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

Description of Evaluation Process

The WSIB will use any and all information that is gathered from any source in selecting the successful candidate(s). Sources of information include but are not limited to: electronic submittals; consultant candidate material; subsequently requested written materials; site visits; in-person, telephone, and/or video interviews; oral presentations and any other relevant material.

Material will be evaluated by WSIB staff who will make a set of recommendations to the WSIB Board of Trustees. During the evaluation process, WSIB reserves the right to request additional information or clarification from candidates. At the discretion of the WSIB, either telephonic/video, in-person, or on-site interviews may be requested of candidates. The candidate(s) selected may be required to make a presentation to the WSIB Public Markets Committee in March 2021.

Further, the WSIB reserves the right, at its sole discretion, to reject, without penalty, any and all candidates. The final selection, if any, will be the candidate(s) that in the opinion of the WSIB best meet the requirements and whose selection is in the best interest of the WSIB, the CTF, and the state of Washington.

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

Evaluation Criteria

The following criteria may be used by the evaluators to assess each candidate firm’s appropriateness for selection to present to the Public Markets Committee.

<i>Candidate Evaluation Criteria</i>
Organizational Review (<i>i.e., ownership, firm structure, stability, resource allocation, etc.</i>)

People (<i>i.e., qualifications, experience, roles, responsibilities, and skills, etc.</i>)
Business Profile (<i>i.e., assets, existing and potential products, clients, business plan, financial and operating strength, alignment of interests, etc.</i>)
Philosophy and Process (<i>i.e., clarity, flexibility, competitive advantages, buy/sell discipline, resources, etc.</i>)
Portfolio Construction (<i>decision process, weighting methodology, risk management, etc.</i>)
Portfolio Characteristics (<i>risk exposures, allocations, etc.</i>)
Performance profile and characteristics (<i>up/down market analyses, attribution, style analyses, risk analyses, stress tests, diversification benefits and/or correlation with other managers, etc.</i>)
Client Communication and Services
References
Other relevant factors
Additional requested material
Fees

Compensation and Payment

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

Eligibility to Compete

WSIB generally does not permit firms to provide both investment and consulting services at the same time. Any firm(s) that, either as a parent company, subsidiary, or affiliate, has a consulting contract with the WSIB may **not** compete in this procurement. The firm(s), or any subsidiary, affiliate, or parent company thereof, selected as a result of this procurement may **not** compete, during the term of the resulting contract and any extensions thereto, in any subsequent WSIB procurement the main purpose of which is to hire a firm or firms for consulting purposes.

Timelines

The search period has begun and is expected to last through March 2021. All candidates should be familiar with this schedule to track the progress of the search. Successful manager(s) will be expected to start their duties on or before June 30, 2021, when the assets are transferred or invested. Dates are subject to change.

SEARCH SCHEDULE

EVENT	DATE (<i>ALL DATES ARE ESTIMATES & SUBJECT TO CHANGE</i>)
<i>SEARCH INSTRUCTIONS POSTED ON WSIB WEBSITE</i>	<i>4:30 PM PST MONDAY, DECEMBER 23, 2019</i>
<i>ADVERTISE SEARCH IN PENSIONS & INVESTMENTS</i>	<i>MONDAY, DECEMBER 23, 2019</i>

<i>CANDIDATE QUESTIONS DUE TO SEARCH COORDINATOR</i>	<i>4:30 PM PST WEDNESDAY JANUARY 15, 2020</i>
<i>RESPONSES POSTED FOR CANDIDATE QUESTIONS</i>	<i>THURSDAY JANUARY 30, 2020</i>
<i>INFORMATION DUE INTO CONSULTANTS' AND INVESTMENT DATABASES</i>	<i>4:30 PM PST THURSDAY, FEBRUARY 13, 2020</i>
<i>DUE DILIGENCE OF CANDIDATE FIRMS BY WSIB STAFF</i>	<i>ONGOING DURING 2020</i>
<i>VIDEO CONFERENCES HELD WITH CANDIDATE FIRMS</i>	<i>ESTIMATED TO BE MAY-JUNE 2020</i>
<i>CANDIDATE FIRMS TRAVEL TO OLYMPIA, WA TO PRESENT TO WSIB STAFF</i>	<i>ESTIMATED TO BE JULY-AUGUST 2020</i>
<i>WSIB STAFF TRAVEL TO CANDIDATE FIRM LOCATIONS FOR DILIGENCE</i>	<i>ESTIMATED TO BE SEPTEMBER-OCTOBER 2020</i>
<i>PRESENTATIONS TO THE WSIB PUBLIC MARKETS COMMITTEE</i>	<i>MARCH 2021</i>

Protest Process

WSIB is committed to ensuring a fair and open competitive process through this search. To that end, it will accept protests at two stages in the process—the first after candidates are selected to have a meeting with WSIB staff either in Olympia or by teleconference or videoconference and the second after announcement of the selection of the successful candidates but before contracts with those firms are executed by the candidate and the WSIB. The first protest process is limited to complaints asserting that the search unnecessarily restricted competition, the process was unfair or flawed, or the search requirements as stated prevented preparation of a meaningful response. The second protest process is limited to managers that are invited to meet with WSIB staff and undergo additional due diligence but that are not selected to advance. Any such managers will be provided with additional information about that process at the appropriate time.

Public Disclosure

Candidates are advised that the WSIB is a public agency of the state of Washington, and thus subject to the Washington Public Records Act, RCW [42.56](#). Records provided directly to the WSIB may be subject to public disclosure, though WSIB has limited, strictly construed exemptions from such disclosure. Candidates wishing to claim portions of any materials submitted to the WSIB as confidential and exempt from public disclosure are advised to carefully mark such portions; however, only truly proprietary and confidential sections or portions should be marked as such. Materials marked entirely as confidential containing clearly non-proprietary information will not be treated as confidential by the WSIB.

WSIB BOARD CONTACT

The Search Coordinator is the sole point of contact for this procurement. Throughout the duration of this search, all communications are to be directed, in writing, to the contacts listed below.

WASHINGTON STATE INVESTMENT BOARD
2100 EVERGREEN PARK SW, P.O. BOX 40916
OLYMPIA, WA 98504-0916
ATTN.: Phil Brady, SEARCH COORDINATOR
TELEPHONE: (360) 956-4748
E-MAIL: phil.brady@sib.wa.gov

Alternatively
Contracts Mailbox
E-MAIL: contracts@sib.wa.gov

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