

**REQUEST FOR PROPOSAL  
FOR  
DOMESTIC FIXED INCOME MANAGEMENT SERVICES**

**PACT PROGRAM  
STATE TREASURER OF ALABAMA**

**Release Date: April 12, 2023  
Proposal Due Date: May 12, 2023**

**1. Overview**

This Request for Proposal (RFP) has been issued by the Board of Trustees (“Board”) of the Prepaid Affordable College Tuition Program (“PACT”). The Board solicits proposals from qualified professional firms (the “Firm”) interested in providing fixed income investment management services (the “Manager”) and, if interested, custodial services (“Custodian”) to the Prepaid Affordable College Tuition (“PACT”) Trust Fund.

Candidate firms should have expertise in managing portfolios in the core fixed income style. The goal is to identify managers with a proven record of performance. The core fixed income portfolio will be managed against the Bloomberg Barclays 1-3 Year Government Index benchmark.

This Request for Proposals (hereinafter “RFP”) is issued in accordance with the requirements of Section 41-16-72(4), Code of Alabama (1975). This RFP is not an offer to contract but seeks the submission of proposals from qualified, professional firms that may form the basis for negotiation of an Investment Management Agreement with one or more Investment Managers. *The Board reserves the right to reject any or all proposals and to solicit additional proposals if that is determined to be in the best interest of the Alabama PACT Trust Fund.*

**2. History of the PACT Program**

PACT is a qualified 529 prepaid college tuition savings program whereby prepaid college tuition contracts were sold to purchasers to pay in advance college tuition and qualified fees for beneficiaries. The program is no longer open to enrollment. The PACT Trust Fund holds the program assets.

A class action settlement agreement was entered into between PACT Class Members and the PACT Board of Directors and Trustees in 2011 to establish a baseline monetary amount to be remitted in the future as payment of tuition and fees under PACT contracts. The baseline amounts have been adjusted annually as approved by the Board based upon the actuarial projections of the Board’s professional advisor.

The PACT Trust Fund has assets, as of December 2022, of approximately \$243.5 million. Of this amount, 210.4 million is in fixed income and \$33 million is in cash and cash equivalents. The allocation of program assets is 100% fixed income and will be for the remaining life of the program. The current manager is Regions Bank. Actuarially, the expected life of the program ends in 2032, and approximately \$149 million may be remaining at that time.

Information about the PACT program including the current Investment Policy and Manager Guidelines is available at the Treasurer's website [www.treasury.alabama.gov](http://www.treasury.alabama.gov).

### **3. Minimum Qualifications**

In order to be considered for selection, the Firm must provide Exhibit C as documented proof that the following minimum qualifications are met. The Firm has a continuing obligation to disclose information throughout the RFP process should any qualifications or situations change that might render the Firm as an unqualified candidate.

1. Firm is duly registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended, and the registration is current.
2. Firm selected shall qualify with the Secretary of State to conduct business in the State of Alabama and must keep current. (To download the form for a "Certificate of Existence", access [www.sos.state.al.us](http://www.sos.state.al.us), corporations division, or call 334-242-5324 to request the form.)
3. The portfolio manager assigned to the account has managed domestic fixed income portfolios for at least three (3) years, as of December 31, 2022.
4. Manager has managed core fixed income portfolios for at least three (3) years, as of December 31, 2022.
5. Manager manages at least \$300,000,000.00 in core fixed income as of December 31, 2022.
6. Firm and its personnel have all authorizations, permits, licenses, and certifications as may be required under federal, state, or local law to perform the services specified in this RFP at the time it submits a response to the RFP.
7. Firm will carry errors and omissions insurance or comparable instrument to cover negligent acts or omissions.
8. Firm maintains sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to the PACT account.
9. Firm has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed, or gender.
10. Firm will comply with *The Beason-Hammon Alabama Taxpayer and Citizen Protection Act*. See Exhibit E.

### **4. Scope of Services**

1. The Manager shall develop a fixed income portfolio of statutorily acceptable securities. The mandate for the portfolio will be core fixed income. It is expected that the initial funding for the core fixed income portfolio will be approximately \$228 million.
2. The Manager shall have independent discretionary authority with respect to the investment of that portion of the assets managed by the Manager, subject to the Investment Guidelines and such other written limitations as the Board may impose upon them manager. A copy of the Investment Guidelines is available at [www.treasury.alabama.gov](http://www.treasury.alabama.gov). If the respondent opposes any language in the guidelines, this should be addressed in the proposal.

3. The Manager shall provide reporting, to include monthly valuation, monthly performance reports, and significant changes in corporate structure, and other data to the Board .
4. The Manager shall document all investment transactions with the Custodian in accord with usual and customary standards of practice, and confirm all executed transactions for custodial account records. The current custodian is Regions.
5. If interested, the Custodian shall provide investment custody and safekeeping services for the portfolio.

## **5. Fees**

The Manager and Custodian, if applicable, shall be entitled to receive quarterly compensation. Fees shall be payable based upon the fair market value on the last business day of each quarter as reported by the PACT Trust Fund Custodian. The proposal must state the Manager fees charged for this service assuming an initial \$243.5 million mandate for a core fixed income portfolio. Please show breakpoints in fee schedule.

## **6. Proposal Required Information**

Proposals should be as thorough and detailed as possible so that your capabilities to provide the required services can be properly evaluated.

To be considered, responses to the RFP must include:

- a. A brief transmittal letter
- b. Exhibit A, Proposal
- c. Exhibit B, Statement of Fees
- d. Exhibit C, Minimum Qualifications
- e. Exhibit D, Certificate of Compliance
- f. Disclosure Statement

All proposals submitted in response to this RFP must include one original and completed Disclosure Statement as required by Section 41-16-80, et seq., Cole of Alabama (1975). Copies of the Disclosure Statement, and information, may be downloaded from the Alabama Attorney General's web site at [ago.alabama.gov/File-AL-Vendor-Disclosure-Statement](http://ago.alabama.gov/File-AL-Vendor-Disclosure-Statement). The response must also be provided in electronic format.

## **7. Submission of Proposals**

**Issuing Office.** The State Treasurer serves as Chairman to the Board and, in this capacity, is issuing the RFP on behalf of the Board.

Office of State Treasurer Young Boozer  
Alabama State Capitol  
600 Dexter Avenue, Suite S106  
Montgomery, Alabama 36104  
Phone: 334-242-7501

**Submission Deadline.** It is the responsibility of the Firm to ensure that its proposal is timely delivered and received in the Treasurer's Office on or before 5:00 p.m. on May 12, 2023. Email the electronic response to: [Brittany.matthews@treasury.alabama.gov](mailto:Brittany.matthews@treasury.alabama.gov). If your response includes

confidential trade secrets or proprietary information, also send an electronic version with those sections redacted in the event a public information request for your response is received (see Section 11 for additional information).

**Questions and Inquiries.** The sole point of contact for purposes of this RFP is Anita Kelley. Any questions or inquiries should be directed to [anita.kelley@treasury.alabama.gov](mailto:anita.kelley@treasury.alabama.gov) by May 3, 2023 to ensure a timely response. Any oral communications shall be considered unofficial and nonbinding on the Board.

**Rejection of all Proposals.** The Board reserves the right to reject any or all proposals and/or to solicit additional proposals if that is determined to be fiscally advantageous to the Board or otherwise in its best interests.

## **8. Efforts to Influence Selection Process Prohibited**

The integrity of the RFP process is of primary importance and will not be compromised. Any written or oral communications beyond the RFP Response made by responders, or others on their behalf, whether paid or unpaid, to influence the selection process, from the time the RFP is issued through the execution of the contract, made directly or indirectly to the Treasurer, Board members or Treasury staff will be grounds for immediate elimination from the selection process.

## **9. Evaluation and Selection**

The RFP will be posted on the Alabama Department of Finance Comptroller's website at: [rfp.alabama.gov](http://rfp.alabama.gov).

All proposals received before the deadline will be reviewed and evaluated. After the review and evaluation of the proposals, the Board may conduct interviews. Finalists chosen for interviews, if necessary, will be notified. The Board will select the Firm the Board determines, in its sole discretion, to be fully qualified and best suited among those submitting proposals to meet the needs of PACT in a cost-effective manner. The Board reserves the right to request a best and final offer for fees.

Qualifications to be considered for evaluation include the level of services offered, cost, and the experience of the Firm to provide fixed income investment management services and custodial services to the PACT Trust Fund.

## **10. Agreement**

All duties of the Firm shall be set forth in a contract agreement between the Firm and the Board. It is expected the term of the contract will be for a two-year period. The contract will incorporate reference to the requirements of the RFP and the Firm's proposal as negotiated.

In compliance with the Beason-Hammon Alabama Taxpayer and Citizen Protection Act (§31-13-9(k), Code of Alabama, 1975, as amended), the contract will include the following language:

*“By signing this contract, the contracting parties affirm, for the duration of the agreement, that they will not violate federal immigration law or knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State*

*of Alabama. Furthermore, a contracting party found to be in violation of this provision shall be deemed in breach of the agreement and shall be responsible for all damages resulting therefrom.”*

In compliance with Act 2016-312, §1. (§41-16-5, Code of Alabama, 1975, as amended) the contract will include the following language:

*“The contractor hereby certifies that it is not currently engaged in, and will not engage in the boycott of a person or entity based in or doing business with a jurisdiction with Which this state can enjoy open trade.”*

You are charged with knowledge that there are certain terms standard to most commercial contracts in private sector use which the Board is prevented by law and policy from accepting. These include (1) indemnification and hold harmless of the vendor or third parties, (2) consent to choice of law and venue other than the State of Alabama, (3) methods of dispute resolution other than negotiation and non-binding mediation, (4) waivers of subrogation and other rights against third parties and (5) some provisions limiting damages to the cost of goods or services.

## **11. Public Information**

All responses received will be subject to the Alabama Open Records Act, §36-12-40, Code of Alabama and may be subject to public disclosure upon request. The Open Records Act is remedial and should therefore be liberally construed in favor of the public. The Alabama Trade Secrets Act is §8-27-1 through §8-27-6, Code of Alabama. Responders are cautioned to be familiar with these statutes. The burden is on the one asserting the trade secret to show that the information sought to be protected meets the definition of a Trade Secret as defined in the Act.

Any RFP response submitted that contains confidential, trade secrets or proprietary commercial information must be conspicuously marked on the outside as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as such. Identification of the entire Proposal as confidential is not acceptable unless the Firm enumerates the specific grounds or applicable laws which support treatment of the entire material as protected from disclosure according to the foregoing statutes or other applicable Alabama law.

The owner of the confidential information shall indemnify and hold the State of Alabama, the State Treasurer, and Treasury staff harmless from all costs or expenses, including but not limited to attorney fees and expenses related to litigation concerning disclosure of said information and documents.

## **12. BID PROTEST**

Qualified bidders aggrieved in connection with the solicitation of a contract may protest to the Chief Procurement Officer. See generally State of Alabama Department of Finance Administrative Code Regulations at [administrative-code-355-4-1-01-thru-06.pdf](#) (alabama.gov).

# **Exhibit A**

## **Proposal**

### **CORPORATE INFORMATION**

**A. Corporate Information** – Provide an overview of your firm, including the following: Corporate profile, including the financial condition of the firm, overall business objectives, strategic plans for growth, and ownership. Are there any changes pending in this profile?

1. Provide information on all “related” or “affiliated” firms;
2. List all office locations and the functions performed at each location;
3. List all investment management services offered by the firm (i.e. Domestic Equity, Foreign Equity, Domestic Fixed Income, etc). Does the firm provide any other product or service other than portfolio management? Please list.
4. Provide details of any past or pending litigation relating to your firm, individual personnel, or to the management of client assets.
5. Provide details of any SEC, state regulatory, self-regulatory organization, or professional organization action taken against your firm or any of its owners, principals, or personnel.
6. Provide details of all SEC fidelity bonds, errors and omissions coverage, and any other fiduciary insurance, which your firm carries.
7. Describe all arrangements or understandings (written or oral) between your firm and any advisor, broker, law firm, or other individual or entity in connection with the solicitation or referral of clients between the firms.
8. Provide details of any claims, disputes, litigation, or other legal proceedings where your firm is involved with the State of Alabama or any of its agencies, or has been involved, in the three preceding years.
9. Provide an organizational chart and biographies of the person/persons/or team members who will be assigned to this account, including detailed experience relevant to this type of account.

**B. Clients** - Provide the following information on at least three clients (including contact persons for whom similar services as described in this RFP are provided). If proposing custodian services, also include three clients for whom similar services as described in the RFP are provided.

- a. Company
- b. Address
- c. Contact
- d. Telephone Number
- e. Length of Relationship in Year
- f. Services Provided

### **C. Investment Management**

1. Describe your fixed income investment philosophy and style. Include a discussion of the following:
  - a. Universe of fixed income securities considered
  - b. Diversification/number of securities held in each portfolio
  - c. Investment time horizon/portfolio turnover policy

2. Describe the guidelines and risk control measures employed relative to your benchmark(s). Please explain your philosophy for sector allocation and duration management.
3. What decision factors add value in the performance of your portfolios?
4. Compare your 1-3 Year Fixed Income Composite (that most closely resembles the portfolio described in PACT's Investment Policy) for they year ending December 31, 2022, with the Bloomberg Barclay's 1-3 Year Government Index.

	<b>Avg Account</b>	<b>Benchmark</b>
Duration		
Quality		
Total Return		
Yield to Mat.		
Avg. Maturity		
Avg. Coupon		
Number of Issues		

5. Identify the Sector Weightings for your Fixed Income Composite included in question #4 compared to the Bloomberg Barclay's 1-3 Year Government Index as a benchmark.

	<b>% Sector Weights</b>	<b>Benchmark</b>
US Tsy		
US Agency		
Agency-Issued Mortgage Backed		
Other-		
Other-		
Other-		
TOTAL	100%	100%

6. What is the main source of research used in the portfolio management process? If applicable, describe your reliance on in-house research in the context of personnel skills and experience.

7. Separate Account Assets Under Management as of December 31, 2022.

	<b># Fixed</b>	<b>\$ Fixed</b>
Public		
Corporate		
Other		
TOTAL		

- Provide a breakdown of Fixed Income separate accounts by asset size as of December 31, 2022.

<b>Size of Account</b>	<b>\$ Total Assets</b>	<b># Accounts</b>
Under \$100 million		
\$100 to \$500 million		
Over \$500 million		

- Provide performance data for your 1-3 Year Fixed Income Composite.

	<b>% 12MO</b>	<b>\$ Assets</b>	<b># Accts</b>
2022			
2021			
2020			

#### **D. Custody, if applicable**

- Provide a breakdown of Custodial Separate Accounts as of December 31, 2022.

<b>Size of Account</b>	<b>Domestic \$</b>	<b>Domestic #</b>
Under \$250 million		
\$250 million - \$1 billion		
Over \$1 billion		

- Describe the relationship and independence between your custody services and your investment management services.
- Describe your standard reports, including accounting and performance measurement reports. Provide sample reports.
- Explain how securities are held in safekeeping, including separation from other accounts. Are the securities held in trust?
- What product is available for investment of cash balances?



## **Exhibit B**

### **Statement of Fees**

Any charge for services not addressed in the Statement of Fees in your proposal will not be allowed during the term of the contract. All fees charged must be listed in this schedule. The contract is expected to be five years.

Investment Management, State the fees charged for managing initially a \$243.5 million mandate for a core fixed income portfolio in accordance with the Investment Policy. Include breakpoints if applicable.

Investment Custody Services, if applicable. State the fees charged for custody of the portfolio.

## **EXHIBIT C**

### **MINIMUM QUALIFICATIONS**

1. My firm is duly registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended, and the registration is current.  
Yes                      No
  
2. My firm shall qualify with the Secretary of State to conduct business in the State of Alabama if selected and keep the qualification current. (To download the form for a “Certificate of Existence”, access [www.sos.state.al.us](http://www.sos.state.al.us), corporations division, or call 334-242-5324 to request the form.)  
Yes                      No
  
3. The portfolio manager assigned to the Alabama PACT Trust Fund account has managed domestic fixed income portfolios for at least three (3) years, as of December 31, 2022.  
Yes                      No
  
4. My firm has managed core fixed income portfolios for at least three (3) years, as of December 31, 2022.  
Yes                      No
  
5. My firm does manage at least \$300,000,000 in domestic fixed income portfolios as of December 31, 2022.  
Yes                      No
  
6. My firm and its personnel have all authorizations, permits, licenses, and certifications as may be required under federal, state, or local law to perform the services specified in this RFP at the time it submits a response to the RFP.  
Yes                      No
  
7. My firm will carry errors and omissions insurance or comparable instrument to cover negligent acts or omissions.  
Yes                      No
  
8. My firm maintains sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to the Alabama PACT Trust Fund account.  
Yes                      No
  
9. My firm has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed or gender.  
Yes                      No
  
11. My firm will comply with *The Beason-Hammon Alabama Taxpayer and Citizen Protection Act*. See Exhibit E.  
Yes                      No

## EXHIBIT D

### **CERTIFICATE OF COMPLIANCE WITH THE BEASON-HAMMON ALABAMA TAXPAYER AND CITIZEN PROTECTION ACT (ACT 2011-535, as amended by Act 2012-491)**

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**RE Contract/Grant/Incentive (*describe by number or subject*):** \_\_\_\_\_ **by and**  
**between** \_\_\_\_\_  
**(Contractor/Grantee) and** \_\_\_\_\_ **(State Agency or**  
**Department or other Public Entity)**

The undersigned hereby certifies to the State of Alabama as follows:

1. The undersigned holds the position of \_\_\_\_\_ with the Contractor/Grantee named above, is authorized to provide the representations that are set out in this Certificate as the official and binding act of that entity, and has knowledge of the provisions of THE BEASON-HAMMON ALABAMA TAXPAYER AND CITIZEN PROTECTION ACT (ACT 2011-535 of the Alabama Legislature, as amended by Act 2012-491) which is described herein as "the Act".
2. Applying the following definitions from the Section 3 of the Act, the Contractor/Grantee business structure is as indicated by my initials.

**BUSINESS ENTITY.** Any person or group of persons employing one or more persons performing or engaging in any activity, enterprise, profession, or occupation for gain, benefit, advantage, or livelihood, whether for profit or not for profit. "Business entity" shall include, but not be limited to the following:

- a. Self-employed individuals, business entities filing articles of incorporation, partnerships, limited partnerships, limited liability companies, foreign corporations, foreign limited partnerships, foreign limited liability companies authorized to transact business in this state, business trusts, and any business entity that registers with the Secretary of State.
- b. Any business entity that possesses a business license, permit, certificate, approval, registration, charter, or similar form of authorization issued by the state, any business entity that is exempt by law from obtaining such a business license, and any business entity that is operating unlawfully without a business license.

**EMPLOYER.** Any person, firm, corporation, partnership, joint stock association, agent, manager, representative, foreman, or other person having control or custody of any employment, place of employment, or of any employee, including any including any person or entity employing any person for hire within the State of Alabama, including a public employer. This term shall not include the occupant of a household contracting with another person to perform casual domestic labor within the household.

- \_\_\_\_\_ a. The Contractor/Grantee is a business entity or employer as those terms are defined in Section 3 of the Act.
- \_\_\_\_\_ b. The Contractor/Grantee is not a business entity or employer as those terms are defined in Section 3 of the Act.

3. As of the date of this Certificate, Contractor/Grantee does not knowingly employ an unauthorized alien, as that term is defined in Section 3 of the Act, within the State of Alabama and hereafter it will not knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State of Alabama.

*{Alien is any person who is not a citizen or national of the United States, as described in 8 U.S.C. § 1101, et seq., and any amendments thereto.}*

*{Unauthorized Alien is an alien who is not authorized to work in the United States as defined in 8 U.S.C. § 1324a(h)(3).}*

4. Contractor/Grantee is enrolled in E-Verify unless *{initial the following selections which apply}*:

\_\_\_\_\_ (a) it is not eligible to enroll because of the rules of that program or other factors beyond its control.

\_\_\_\_\_ (b) it is excused from the requirement of enrollment in E-Verify because it does not have an employee in the  
State of \_\_\_\_\_ Alabama.

Certified this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

\_\_\_\_\_

Name of Contractor/Grantee/Recipient

By:

\_\_\_\_\_

Its

\_\_\_\_\_

The above Certification was signed in my presence by the person whose name appears above, on this \_\_\_\_\_ day of  
\_\_\_\_\_ 20\_\_\_\_\_.

WITNESS \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Print Name of Witness

EXHIBIT E

**BEASON-HAMMON ALABAMA TAXPAYER AND CITIZEN PROTECTION ACT COMPLIANCE**

**The Beason-Hammon Alabama Taxpayer and Citizen Protection Act (§§31-13-1 et. seq, Code of Alabama, 1975 as amended by Act 2012-491) regulates illegal immigration in the State of Alabama. All contracts with the State or a political subdivision thereof must comply with that law.**

**For the purposes of this RFP and any responding Proposal, the following sections of that law impose specific requirements:** Section 9 (a) of the Act provides “As a condition for the award of any contract, grant, or incentive by the state, any political subdivision thereof, or a state-funded entity to a business entity or employer that employs one or more employees, the business entity or employer shall not knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State of Alabama.”

Section 9(b) of the Act requires “As a condition for the award of any contract, grant, or incentive by the state, any political subdivision thereof, or a state-funded entity to a business entity or employer that employs one or more employees within the State of Alabama, the business entity or employer shall provide documentation establishing that the business entity or employer is enrolled in the E-Verify program.”

As provided in the Act a **“business entity”** is *any person or group of persons performing or engaging in any activity, enterprise, profession, or occupation for gain, benefit, advantage, or livelihood, whether for profit or not for profit* and an **“employer”** is defined as *any person, firm, corporation, partnership, joint stock association, agent, manager, representative, foreman, or other person having control or custody of any employment, place of employment, or of any employee, including any person or entity employing any person for hire within the State of Alabama, including a public employer. This term shall not include the occupant of a household contracting with another person to perform casual domestic labor within the household.*

A Proposal must include a statement that the Proposer has knowledge of this law and is in compliance. Before a contract is signed, the Contractor awarded the contract must submit a Certificate of Compliance using the form at Exhibit D to this RFP and, unless exempt because it has no employees in the State of Alabama, a complete copy of the Memorandum of Understanding issued by the United State Department of Homeland Security upon enrollment in the E-Verify Program. E-Verify enrollment can be accomplished at the website of the United States Department of Homeland Security at <http://www.uscis.gov>.

See Section 10 for additional language required by Section 9(k) of the Act to be included in the contract.  
*Rev.5-14-13*