

REQUEST FOR QUOTES

Independent Investment Grade and High Yield Credit Research

Date Issue: Monday, September 28, 2020

Questions Due: Monday, October 12, 2020

Responses Due by: Monday, October 26, 2020

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I. PURPOSE AND INTENT

This Request for Quote (RFQ) is issued by the State of New Jersey, the Department of the Treasury, Division of Investment (DOI). The purpose of this RFQ is to solicit bid quotes from firms for independent investment grade and high yield credit ratings, research and related services. These firms shall possess the products and services as well as the related experience, skills, expertise, and resources necessary to assist DOI in implementing its credit policy, specifically, as it relates to the Division's current asset allocation and investment strategy.

Sector/strategy areas include active investment grade, active high yield, high yield advisor programs and rates. Securities include corporate bonds, treasuries, sovereigns, municipal bonds and agencies. In addition, either under investment grade or high yield, permissible investments include global debt obligations, collateralized notes and mortgages, global diversified credit investments, non-convertible preferred stocks, mortgage-backed senior debt and pass-through securities, foreign currency transactions, and futures contracts defined in and subject to the limitations set forth in the applicable New Jersey State Investment Council Regulations (N.J.A.C.17:16-12, 19, 23, 40, 58, 69, 81 82, 83, 84, and 85).

The primary benchmark to be used by DOI for measuring performance for investment grade shall be the appropriate version of industry standard indexes such as the Bloomberg Barclays A+ US Credit Total Return Index Value Unhedged USD or similar investment grade benchmarks from the Bloomberg Barclays US Aggregate Index Family. Similarly, the primary benchmark to be used by DOI for measuring performance for high yield shall be the appropriate version of industry standard indexes such as the Barclays U.S. Corporate High Yield Index, the B of A Merrill Lynch U.S. High Yield Index, or the Barclays Global High Yield Index. The specific version will be determined by DOI based on the strategy to be employed.

The intent of this RFQ is to award up to several, three year (3) contracts, with the option of two additional three-year extensions, to those responsible Bidder(s) whose bid quote conforming to this RFQ is most advantageous to the State, price and other factors considered.

The NJ Standard Terms and Conditions version 4/15/2019 will apply to all contracts or purchase agreements made with the State. These terms are in addition to the terms and conditions set forth in this RFQ and should be read in conjunction with them unless the RFQ specifically indicates otherwise.

II. MINIMUM REQUIREMENTS

1. The Bidder must have experience in providing independent credit ratings (or undervalued/overvalued indications or buy/sell recommendations), research or related services to institutional clients, which shall include at least one (1) client with total assets that exceed \$70 billion.
2. The Bidder must have experience in providing credit-related products and services for at least seven (7) years.

III. PROPOSAL SUBMISSION

Submissions should be marked “Independent Investment Grade and High Yield Credit Research RFQ” and must be received by the deadline on the cover sheet.

Proposals must be emailed by the deadline listed on the cover sheet to the following email address:

Gina.Costello@treas.nj.gov

NOTE: In order to be awarded a contract with the DOI, all required forms listed in Subsection 1 of Section XI - Forms, must be completed and submitted with the proposal.

The Bidder’s proposal and all information submitted by Bidders in response to this RFQ may be released to the public under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 et seq., (“OPRA”) or the common law right to know, notwithstanding any disclaimers to the contrary submitted by a Bidder, except as may be exempted from public disclosure by OPRA and the common law.

Communications with representatives of the State concerning this request by you or on your behalf are not permitted during the submission and selection processes.

No telephone inquiries will be accepted. All inquiries concerning this request should be directed in writing to: Gina.Costello@treas.nj.gov

The State will not be responsible for any expenses in the preparation and/or presentation of the proposals and oral interviews or for the disclosure of any information or material received in connection with the solicitation, whether by negligence or otherwise.

The State reserves the right to reject any and all proposals, with or without cause, and waive any irregularities or informalities in the proposals. The State further reserves the right to make such investigations as it deems necessary as to the qualifications of any and all parties submitting proposals. In the event that all proposals are rejected, the State reserves the right to re-solicit proposals.

IV. BACKGROUND

The DOI was created by P.L. 1950, c. 270, which became effective on July 1, 1950. The statute created the DOI and the State Investment Council (“SIC”). An important objective of the statute creating the DOI and the SIC was to centralize all functions relating to purchases, sales or exchanges of securities for the State's diverse funds under experienced and professional management. Later statute also created the Board of Trustees of the Police and Firemen’s Retirement System of New Jersey (the “Board”).

The role of the SIC and the Board is to formulate policies governing the investment of funds by the Director of DOI, and to consult with the Director with respect to the work of the Division. New regulations adopted by the Council and the Board are filed with the Office of Administrative Law and published in the New Jersey Register for public comment prior to adoption.

Implementation of investment policies is vested in the Director of the DOI. The Director is subject to the standards of prudent investment set forth in N.J.S.A. 52:18A-89. As part of the Director’s fiduciary role, the Director retains the power and right to select, monitor, and terminate consultants when doing so is in the best interest of the State. In making these decisions, the Director may consider many factors, including whether the consultant is complying with applicable statutes and regulations, and whether the consultant is meeting the investment goals and direction established by the SIC, the Board and the Director.

The DOI invests the assets of seven different State pension funds, which totaled approximately \$79.72 billion as of December 31, 2019. The assets of each pension fund are invested in the Cash Management Fund, Common

Pension Fund D (Public Securities), and Common Pension Fund E (Alternative Investments and Global Diversified Credit Investments).

In addition to the pension funds, the DOI also manages other State funds, which include a portion of NJBEST, a portion of the New Jersey Deferred Compensation Plan, and other funds.

V. SCOPE OF SERVICES

1. RATINGS AND RESEARCH

A) The Contractor shall provide independent credit ratings (or undervalued/overvalued indications or buy/sell recommendations) and/or research on entities across investment grade and high yield credit. These should fall under a broad universe across fixed income asset classes that include public, private, corporate, non-corporate, sovereign, municipal bonds and agencies. In addition, either under investment grade or high yield, permissible investments include global debt obligations, collateralized notes and mortgages, global diversified credit investments, non-convertible preferred stocks, mortgage-backed senior debt and pass-through securities, foreign currency transactions, and futures contracts defined in and subject to the limitations set forth in the applicable New Jersey State Investment Council Regulations (N.J.A.C.17:16-12, 19, 23, 40, 58, 69, 81 82, 83, 84, and 85).

B) Ratings (or undervalued/overvalued indications or buy/sell recommendations) should provide a holistic view of the entity relative to its peers as well as a granular assessment of how it scores within each credit category. The Contractor shall clearly demonstrate its methodology in the construction of its ratings.

C) The Contractor shall provide comprehensive, transparent, time-sensitive credit ratings, and provide timely access to the fundamental analysts that do the research and make these assessments.

2. RELATED SERVICES

A) The Contractor may provide related services to assist in the implementation and application for the DOI's overall Independent Investment Grade and High Yield Credit Policy as it relates to its internally managed assets and, where possible, its Advisors, Investment Partners and their underlying portfolios.

B) Credit related services may include tools that enable the DOI to screen/monitor and analyze portfolios and benchmarks for all material credit factors.

3. TRAINING, EDUCATION, AND CLIENT SERVICE

A) Services may include providing web-based investment education and training to DOI staff as requested.

B) Services may include providing assistance on special projects, as requested and share firm research.

C) Provide regular access to research staff and their financial models and respond to inquiries promptly.

VI. TECHNICAL PROPOSAL

1. Identify any existing or potential conflicts of interest, including the firm's representation of parties or other relationships that might be considered a conflict of interest, that may affect or involve this assignment or the State of New Jersey.
2. Provide the annual cost for subscription/license for one user or entity.
3. Provide a sample of a typical research credit report on a company. Include a recommendation that turned out to be correct and one that turned out to be incorrect (the company went in an unexpected direction).
4. Indicate the number of years the firm has been providing the services and how many similar large institution investors such as other pension funds or endowments etc. are currently serviced by the firm. Be able to provide upon request, references for these other institutional investors. Further indicate the experience of the professionals who would be assigned to the engagement.
5. Provide an executive summary of not more than three pages identifying the firm's approach and plans to provide the requested services and substantiating why the firm is best qualified to provide the requested

services. Please address what it is that the firm offers to the State that competing firms cannot.

6. Provide a description of resources of the firm (i.e., background, location, experience, staff resources, financial resources, other resources, etc.). Illustrate the software programs used to track transactions and whether information is available by individual operating subaccounts or only in the aggregate.
7. Provide a detailed review of the number of analysts in IG and HY asset classes. Provide the average tenure the analysts have been with firm as well as their time analyzing credit. Provide the total number of companies analyzed and how this number has trended for the last 20 quarters, as well as the number of companies each analyst covers by sector (as defined by the benchmark referenced) within IG and HY. For the last 6 months, provide the number of reports that have been written by sector. If the same company has been written up more than twice in this 6 month period, only count 2 of the reports and highlight the company.
8. Provide a breakdown of the number of reports written and the percentage of the total reports in both IG and HY that were focused on new issues, and quarterly/annual reports in the last 6 months. Please indicate the number of larger macro sector (as defined by the referenced benchmark) reports by sector in the last 12 months. In addition, provide the number and percent of reports per asset class that contained a detailed financial model. Please be sure to highlight whether the models are available to be manipulated and downloaded.
9. If the firm, or any principal, director or officer thereof, is now or has in the last three years been a defendant in any litigation involving a sum of USD \$100,000 or more, the subject of any professional disciplinary action, and/or is or has been the subject of any investigation by any regulatory body, the proposal must provide a description of any such investigation, litigation and/or disciplinary action.
10. Provide the name and address of the firm, the name, telephone number, fax number, and e-mail address of the individual(s) responsible for the preparation of this proposal who may be contacted in the event of questions or notification, and the location of the office, if other than that shown above, at which the services to be provided hereunder will be performed.

11. Submit a Price schedule in the form attached detailing the fees for each of the applicable line items listed.
12. Submit any and all documents that the Contractor will require DOI to execute with respect to this engagement.

VII. SELECTION PROCESS

All proposals will be reviewed to determine responsiveness. Non-responsive proposals will be rejected without evaluation. Responsive proposals will be evaluated by an Evaluation Committee. The following evaluation criteria categories, separate or combined in some manner, and not necessarily listed in order of significance, will be used to evaluate proposals received in response to this RFQ.

- The firm's approach and plans to perform the services required by the Scope of Services contained in this RFQ.
- The firm's documented experience in successfully completing contracts of similar size and scope to the services required by this RFQ.
- The qualifications and experience of the firm's personnel assigned to the engagement, with emphasis on documented experience in successfully completing work on contracts of similar size and scope to the services required by this RFQ.
- The overall ability of the firm to mobilize, undertake and successfully complete the contract. This judgment will include, but not be limited to the following factors: the resources of the firm; the number and qualifications of management, supervisory and other staff proposed by the firm to perform the services required by this RFQ; the availability and commitment to DOI of the firm's management, supervisory and other staff proposed; and the firm's contract management plan.
- The firm's cost proposal.

VIII. FEES:

Prices shall remain in effect for the duration of the term of the contract and for any mutually agreed upon contract extensions. The State reserves the right to

negotiate final price with the Contractor selected to provide the requested services.

IX. TERM

The initial term shall be no longer than a three-year period, commencing upon contract award. The term may be extended by up to two additional three-year periods, by the mutual written consent of the Contractor and the DOI, at the same terms, conditions, and pricing at the rates in effect at the end of the last year of the Contract or rates more favorable to the DOI.

X. FIRM SELECTION AND CONTRACT

The State will select the proposal(s) deemed most advantageous to the State, price and other factors considered.

The contract between the DOI and the firm(s) shall be comprised of this RFQ, any clarifications thereof, the firm(s) response thereto, any changes negotiated by the parties and the documents listed in Section XI Forms. Such contract can only be modified in writing, signed by the parties.

XI. FORMS

1. Forms Required with Proposal

The documents listed below must be completed and submitted with the bid proposal.

- a. Cover Letter
- b. Ownership Disclosure Form
- c. Disclosure of Investment Activities in Iran
- d. Disclosure of Investigations and Other Actions Involving Bidders
- e. Subcontractor Utilization Plan
- f. All contracts and documents which the Contractor requires the DOI to execute.

Forms Required Before Contract Award

The documents listed below must be completed and submitted prior to contract award.

- g. Waivered Terms and Conditions for Services Contracts
- h. Source Disclosure Certification Form
- i. MacBride Principles and Northern Ireland Act of 1989
- j. Affirmative Action Employee Information Report
- k. Chapter 51 Certification and Disclosure Form
- l. Contractor Certification - Public Law 2005, Chapter 271
- m. Set-Off for State Tax
- n. Proof of Liability Insurance Certificate
- o. NJ Business Registration

Forms can be downloaded from the Department of Treasury website:
<https://www.nj.gov/treasury/doinvest/rfp.shtml>

XII. MISCELLANEOUS

Notice to Bidders and Contractors Regarding P.L. 2012, c. 4.

“Organ and Tissue Donation: As defined in section 2 of P.L. 2012, c. 4 (N.J.S.A.52:32-33), contractors are encouraged to notify their employees, through information and materials or through an organ and tissue awareness program, of organ donation options. The information provided to employees shall be prepared in collaboration with the organ procurement organizations designated pursuant to 42 U.S.C. §1320b-8 to serve in this State.”

PRICE SCHEDULE

The Bidder should complete all pages of this Price Schedule. The Bidder should not leave cells blank, but rather utilize “N/C” (No Charge) if applicable.

Refer to RFQ Section I .Scope of Services for what this price schedule refers to.

Price Schedule
1. Rating and Research

Bidder Name: _____

Total Yearly Firm Fixed Price for Completing Scope of Services as Noted for Initial 3-year Contract Period:

Year One: \$ _____

Year Two: \$ _____

Year Three: \$ _____

Totally Yearly Firm Fixed Price for Completing Scope of Services as Noted for Additional Years 4, 5 and 6:

Year Four: \$ _____

Year Five: \$ _____

Year Six: \$ _____

Totally Yearly Firm Fixed Price for Completing Scope of Services as Noted for Additional Years 7, 8 and 9:

Year Seven: \$ _____

Year Eight: \$ _____

Year Nine: \$ _____

Price Schedule
2. Related Services

Bidder Name: _____

Total Yearly Firm Fixed Price for Completing Scope of Services as Noted for
Initial 3-year Contract Period:

Year One:

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

*Attach additional Services/Description as needed

Year Two:

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

*Attach additional Services/Description as needed

Year Three:

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

*Attach additional Services/Description as needed

Totally Yearly Firm Fixed Price for Completing Scope of Services as Noted for
Additional Years 4, 5 and 6:

Year Four:

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

*Attach additional Services/Description as needed

Year Five:

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Year Six:

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

*Attach additional Services/Description as needed

Totally Yearly Firm Fixed Price for Completing Scope of Services as Noted for
Additional Years 7, 8 and 9:

Year Seven:

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

*Attach additional Services/Description as needed

Year Eight:

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

*Attach additional Services/Description as needed

Year Nine:

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

*Attach additional Services/Description as needed

Optional Services Offerings

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

Service: _____

Description: _____

Price: \$ _____

*Attach additional Services/Descriptions as needed