

## Small Cap Multi-Factor U.S. Equity Index RFP Inquiry Responses

### 1) How is IMRF defining the small cap universe for the purposes of this mandate?

**IMRF Response:** The appropriate universe for the purposes of this mandate should be designed to capture the small cap segment of the U.S. equity market, as commonly defined.

### 2) Is there an expected capitalization range that is to be covered by the provider of this index? If so, what is the minimum and maximum capitalization of stocks to be included in the index provided?

**IMRF Response:** Currently, stocks will have an average market capitalization of approximately \$1.7 billion with a median market capitalization of approximately \$1.2 billion. Market capitalization will likely range from approximately \$250 million to \$5 billion.

### 3) Will liquidity and investability be considered in the evaluation of proposals for this mandate?

**IMRF Response:** Yes, the methodology should aim to consider the relevant opportunity set after accounting for liquidity, investability, and replicability.

### 4) Does IMRF currently use a small cap reference benchmark?

**IMRF Response:** IMRF currently utilizes the Russell 2000 Index® as its policy benchmark for U.S. small cap core equity.

### 5) Question:

- a. Can you please elaborate on what is meant by the selected index serving as “a reference benchmark for an actively managed portfolio implemented by IMRF Investment Staff”?
- b. Can you describe your planned use of the index in more detail, particularly as it relates to your investment process or portfolio implementation?

**IMRF Response:** The selected Index will ultimately serve as a reference benchmark for an actively managed portfolio implemented by IMRF Investment Staff. The selected Index will initially be replicated for a period of time and will require services outlined within the "Professional Services Required" section of the RFP. The selected Index will become a

reference benchmark for performance benchmarking purposes once IMRF Investment Staff no longer replicates the Index.

- 6) The RFP lists the preferred elements of index construction to include exposure to the quality, momentum, low volatility, and value equity factors. Are there elements of index construction that are preferred beyond those already listed in the RFP (e.g., factor allocation, tactical rotation)?**

**IMRF Response:** The factors outlined within the RFP are the preferred elements for a proposed Index. No additional preferences are outlined for the desired multi-factor Index. Tactical rotation is not a desired element of Index construction.

- 7) Is a dynamic multifactor methodology also of interest or would that not be applicable for this RFP?**

**IMRF Response:** Not applicable to this RFP.

- 8) Should the proposed responses include only one index per submitting firm, or is it permissible to submit more than one index option?**

**IMRF Response:** Respondents are asked to limit submissions to one Index proposal. If selected for an interview, respondents will have the opportunity to describe alternative Index options.

- 9) Regarding the metrics of the portfolio characteristics and performance summary listed below: Does IMRF have its own standard definitions, or does SPDJI have the flexibility to use our own definitions?**

- a. Bull/Bear Markets
- b. High/Low Volatility Market Regimes
- c. Expected Shortfall 95%/99%
- d. Long-term Forward EPS Growth
- e. Sustainable Growth Rate
- f. Weighted Average Volume Traded (%)
- g. Estimated Implicit Trading Cost (bps)
- h. Size Factor (SMB)
- i. Value Factor (HML)
- j. Momentum Factor (MOM)
- k. Volatility Factor
- l. Profitability Factor
- m. Investment Factor

**IMRF Response:** Respondents have the flexibility to use their own definitions, however, IMRF recommends that portfolio characteristics and performance summary metrics are defined. If selected for an interview, IMRF will follow up with any questions if clarification is required and respondents will have the opportunity to explain further.

**10) Will indexes without a live track record be considered?**

**IMRF Response:** Yes, however indices with live track records are preferred.

**11) To be as comprehensive as possible in our response, are there any additional criteria or constraints to be aware of regarding index construction, i.e. tracking error, turnover, industry neutral, or market beta neutral?**

**IMRF Response:** No specific additional criteria or constraints within the RFP. However, the proposed Index will be reviewed on such criteria as product tracking error and turnover.

**12) Can you provide an anticipated funding level for the Multi-Factor Based U.S. Small Capitalization Equity allocation?**

**IMRF Response:** Account funding is subject to approval by the IMRF Board of Trustees in accordance with the needs of the total Fund.