Questions and Answers – July 14, 2015
Office of the State Treasurer and Receiver General

Address:	One Ashburton Place, 12th Floor, Boston, Massachusetts 02108
Telephone #:	(617) 367-3900, ext. 307
Internet Address:	http://www.mass.gov/treasury/about/procurements
RFR File Name/Title:	IRC 457 Deferred Compensation Plan – Investment Management Services Active Large Cap Growth
RFR File Number:	15-DC-LCG
RFR Contact Person:	Jameel Moore, E-mail Address: procurements@tre.state.ma.us

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1. ***The rfp indicates the benchmark for the growth strategy is the R3000G, which tends to be a broad benchmark. Would you also consider a growth strategy that is benched off of the R1000G?***

   Answer: Yes. Bidders may submit bids for products benchmarked to the Russell 1000 Growth Index. However, any such Bidders must also include benchmark performance for the Russell 3000 Growth.

2. ***What prompted the search for a large cap manager at this time? Are you replacing one of the current managers or adding a new manager to the current lineup?***

   Answer: This is a re-bid of the existing mandate for large cap growth investment management services.

3. ***The Standard Contract Form does not seem designed for an investment management relationship. Are we correct to assume that after the manager is chosen, an additional investment management agreement will be negotiated?***

   Answer: Yes. You are correct to assume that after a manager(s) is chosen, an Investment Management Agreement ("IMA") will be negotiated. The IMA would establish the terms of the relationship between the Treasury, on behalf of the Plan, and the investment firm, and would be negotiated following the completion of the bid evaluation

process once the Apparent Successful Bidder(s) have been identified. Please be advised, however, that the *Commonwealth's Standard Contract Form* would be incorporated by reference.

4. ***Can we submit a response for more than one investment product?***

   Answer: Yes. Firms should submit the highest conviction, alpha seeking product for the mandate and may submit more than one product based on the firm's conviction in those products. Each product will be evaluated and scored separately. Firms must therefore submit a separate questionnaire for each individual investment product proposed.

5. ***Is there a preference for either a separate account or commingled vehicle?***

   Answer: The Treasury reserves the right to select the investment vehicle(s) that is in the best interest of Plan participants (i.e. mutual fund institutional class shares, institutional commingled fund, separate account, etc.).

6. ***Would the Plan consider formally benchmarking the mandate to the Russell 1000 Growth Index? The RFP references the Russell 3000 Growth Index.***

   Answer: No, not formally at at this time. However, for additional information please refer to the Answer to Question 1.

7. ***Our firm meets all but one of the qualifications; we have less than $1B in AUM for the proposed product/strategy. According to the mandate response template, if a firm does not meet this minimum qualification, our firm may still be able to submit a proposal, as long as we provide an acceptable reason stating why this minimum qualification does not apply to the firm. Will the Commonwealth of Massachusetts' team be able to tell us whether or not they will waive this AUM requirement prior to us submitting a proposal?***

   Answer: No. The $1 billion assets under management minimum requirement will not be waived for this mandate.

8. ***Will you consider a Large Cap Growth strategy benchmarked against the Russell 1000® Growth Index?***

Answer: Yes. Bidders may submit bids for products benchmarked to the Russell 1000 Growth Index. However, any such Bidders must also include benchmark performance for the Russell 3000 Growth.

9. ***Legal and Other Requirements –If a firm has an existing contractual agreement with the Commonwealth, for the 457(b) plan, which contains substantive confidentiality requirements, as part of the RFR process, will the firm need to execute a separate confidentiality statement, as suggested in the RFR?***

Answer: This RFR is for new services and is therefore separate and independent from any pre-existing agreements the Treasury, on behalf of the Plan, may have with any vendor. As such, the Treasury expects that the Treasury will initiate a new contract following the conclusion of this RFR process.

10. ***Representations and warranties – We assume that the Commonwealth's 457(b) Deferred Compensation plan is not governed by ERISA. If that is the case, the fidelity bond requirements under Section 412 of ERISA should not apply in this situation. However, even if the 457 plan is governed by ERISA, and a firm does not "handle" plan assets, as defined under the statute, we assume that our inability to provide a mandatory representation regarding the 412 bonding requirement is allowable?***

Answer: As stated in the *Representations and Warranties* section, it is the Treasury's standard practice to require that the prospective Manager meet or agree to meet this bonding requirement before the award of the contract, unless otherwise exempt. (In such cases, an explanation regarding exemption is required). Upon contract award, the prospective Manager should agree to maintain such fidelity bond during the term of any Agreement with respect to the assets of the 457 Plan, which the prospective Manager would have to maintain to satisfy Section 412 of ERISA and the regulations thereunder if the Treasury or the 457 Plan were subject to the terms of ERISA.

11. ***Standard Contract Form – To the extent that a firm maintains an existing contractual agreement with the Commonwealth, for the 457(b) plan, does the firm still need to execute the standard contract form? If yes, will the Commonwealth construe the execution of this form as an amendment to the existing contract?***

    Answer: This RFR is for new services and is therefore separate and independent from any pre-existing agreements the Treasury, on behalf of the Plan, may have with any vendor. As such, the Treasury expects to initiate a new contract with the selected Bidder(s) following the conclusion of this RFR process. This would include a new *Standard Contract Form,* which would therefore not be construed as an amendment to any existing contract. Please also be advised that the Treasury reserves the right to enter into whatever contract mechanism provides the greatest benefits and value to the Plan with the apparent successful bidder.

12. ***Treasury Supplier Diversity Program Plan Form – Will you provide the Dunn numbers for your supplier list?***

    Answer: No. The Treasury will not supply Dunn numbers as it does not maintain a supplier list.

13. ***Environmental Response Submission Compliance – Please advise where the photocopy of the ream cover/wrapper should be placed within the response?***

    Answer: The Treasury has no preference.

14. ***Written response limited to no more than 25 single pages double-sided. Mandatory attachments and exhibits excluded. For clarification, does the limit refer to the Phase Two Questionnaire only, or does it refer to the Phase Two Questionnaire plus such things as the cover letter, executive summary, statement of minimum qualifications, etc…?***

    Answer: The 25 page double-sided page limit applies only to a firm's response for the Section VI Questionnaire. It does not apply to any mandatory attachments or additional forms requested.

15. ***Regarding the photo-copy of the paper ream wrapper – to document use of recycled paper – where should this copy be inserted in the proposal package? For example, after the cover letter, with mandatory attachments, etc…?***

Answer: Please see the response to Question 13.

16. ***Can responses to the Phase Two Questionnaire and other documents be in a different font size, style and/or color from the document templates?***

Answer: The pages must be single spaced; submitted in 12-point font; with at least three-quarter inch margins left and right and one-inch margins top and bottom.

17. ***Do we remove the "instructions" from the template in our final version?***

Answer: Yes.

18. ***In the Phase Two Questionnaire there are some instances of items with several sub-questions. These may or may not be listed with space between them. If there is no spacing between sub-questions, should we infer that a single consolidated answer at end is desired?***

Answer: Yes. Please number your responses to the appropriate sub-questions.

19. ***As regards the Terms & Conditions, item #10: Affirmative Action, Non-Discrimination in Hiring and Employment: Does the reference to "state laws" refer to Massachusetts or to the home state of the proposer?***

Answer: Massachusetts.

20. ***As regards to the Terms & Conditions, item #10: Affirmative Action, Non-Discrimination in Hiring and Employment and the Standard Contract Form, Executive Order 523: Both sections have very direct language that the Contractor "commits" to purchasing supplies and services from MWDBE entities. However, this conflicts with other areas of the RFP which state that bidders are not obligated to participate in such***

programs – just that such bidders may lose scoring points in the review process. Because the Standard Contract Form would presumably be the "last document signed", its language appears to supersede that of the RFP. Can you clarify if a Bidder must use MWDBE services or not?

Answer: Bidders are not required to participate in the TSDP program for purposes of this RFR, although as indicated in the Response Template, scoring points are allocated for such participation. With respect to your inquiry noted above regarding the *Commonwealth Terms and Conditions* and the *Commonwealth of Massachusetts Standard Contract Form*, the Treasury would suggest that if your firm has any concerns or takes exception to anything in either of the aforementioned contract documents, you should clearly identify the exception(s) in your cover letter. Please remember, however, that at this time, neither the *Commonwealth Terms and Conditions* nor the *Commonwealth of Massachusetts Standard Contract Form* can be modified in any way. Both documents should be signed as is by an authorized signor of your firm.

21. ***As regards the Terms & Conditions and Standard Contract Form, if we wish to elaborate further upon a point or need to document an alternative to any item, the RFP suggests placing that info in the cover letter. Is this documentation preferred before or after the signature line?***

Answer: The Treasury has no preference. As set forth in the Response Template, if your firm takes exception to anything in either of the aforementioned contract documents, you should clearly identify the exception(s) in your cover letter. Please remember, neither the *Commonwealth Terms and Conditions* nor the *Commonwealth of Massachusetts Standard Contract Form* can be modified in any way. Both documents should be signed as is by an authorized signor of your firm.

22. ***Does the cover letter length count towards the minimum page requirement for the proposal?***

Answer: No. The 25 page double-sided page limit applies only to a firm's response for the Section VI Questionnaire. It does not apply to any mandatory attachments or additional forms requested.

23. ***In the Standard Contract Form, on page 5 under Executive Order 504, there is a hyperlink to the Commonwealth Information Technology Division's Security Policies and the Order states that Contractor must review and comply with said Policy. Our Firm adheres to all applicable SEC guidelines for Registered Investment Advisors and with industry best practice appropriate to an asset manager of our size, but we do not do everything outlined in the Security Policies at present. Based on the RFP description, our Firm would not have access to underlying Plan participant information … so we are not sure how the Security Policy applies to us. Can you clarify what is meant by "comply"? Are we expected to implement everything that is stipulated?***

    Answer: We are not in the position at this time to opine on the applicability of Executive Order 504 to your firm. As set forth in the Response Template, if your firm takes exception to anything in either of the aforementioned contract documents, you should clearly identify the exception(s) in your cover letter. Please remember, neither the Commonwealth Terms & Conditions nor the Commonwealth of Massachusetts Standard Contract Form can be modified in any way. Both documents should be signed as is by an authorized signor of your firm.

24. ***In the Statement of Minimum Qualifications, page 7, the 5th box reads: "As of June 30, 2015 our candidate product(s) have performed in the top half of their peer universe since inception." Does "since inception" refer to the unique inception date of the product our Firm is proposing? Or did the Plan have a specific inception point in mind? Also, may we use gross of fee performance to meet the minimum or must it be net of fees?***

    Answer: "Since inception" refers to the inception date of the specific product that your firm is proposing. For purposes of this Minimum Requirement, firms may use gross of fee performance numbers. For the Questionnaire responses to *section F. Performance* (pages 19-20), performance must be submitted **net** of fees.

25. ***We use a team approach of portfolio managers and analysts. For the Statement of Minimum Qualifications, should we list out the whole team or just provide detail on the tentatively assigned Portfolio Manager who would be the Plan's direct client contact?***

Answer: Please list the Portfolio Manager(s) as well as any other investment professionals whose performance history will be submitted in your firm's proposal and will be a part of the team responsible for the management of the Commonwealth of Massachusetts Employees Deferred Compensation Plan's Account.

26. ***Within Representations and Warranties, page 10, the 1st and 2nd boxes request copies of insurance policies. It is not our practice to distribute the actual insurance policies. We have a standardized presentation page that we normally use in proposal packages which summarizes the key information of our policies, such as policy #, carrier, type, term, sum insured and deductible, and if selected as a finalist candidate, we can provide certification letters of holding the policies. Is that ok?***

Answer: No, the Treasury requires at least a certification letter of holding the policies.

27. ***The Phase Two Questionnaire requests client references – 3 current and 3 former. It is usually our practice to provide such information once a finalist candidate. Is it ok to defer the detail until that time, or is it being strictly required in the initial proposal package?***

Answer: Bidders may defer the detail of client references until the finalist presentations.

28. ***In the Phase 2 Questionnaire, page 19, Section E: # 4 reads "How quickly are you able to provide audited asset and transaction statements after month end?" Can you please clarify what is meant by "audited" data? Is this referring to balancing with the custodian? Who is the custodian?***

Answer: The above-noted question is intended to refer to the firm's internally audited asset and transaction reports and not to the firm's the annual financial audit statements. The Plan's Custodian for purposes of this mandate is The Northern Trust Company.

29. ***In the Phase Two Questionnaire, page 16, Section B #6, AUM is requested along with the contact reference information. Due to our internal privacy policies, we cannot distribute the exact AUM of clients when they are specifically named. Is it ok to list the range of AUM in which the account falls?***

Answer: Bidders may provide a range of assets in whole numbers based on a rounding of current assets under management.

30. ***The Bid packet indicates the benchmark as the Russell 3000 Growth Index. Our Large Cap Growth product is also commonly compared to the Russell 1000 Growth Index and the S&P 500. May we add rows to the performance tables in the Phase Two Questionnaire to provide data for one or both of these other indices?***

Answer: Yes. Bidders may submit bids for products benchmarked to the Russell 1000 Growth Index. However, any such Bidders must also include benchmark performance for the Russell 3000 Growth.

31. ***Our Form ADV Part 1A and Part 2A are not consolidated. May we provide two separate, but direct, links to each respective Form?***

Answer: Yes.

32. ***For the cost proposal, can you confirm that the proposed fees for the Plan and the proposed fees for other Commonwealth-sponsored plans can be different?***

Answer: The Treasury acknowledges that the cost proposal for each Plan may differ.

Also in the table for other Commonwealth-sponsored plans, what is sought in the column labeled "Plan Assets Under Management"? The actual retirement plan assets currently invested in the described vehicles? Or the minimum plan size needed to receive the listed fee proposal?

Answer: In this context, "Plan Assets Under Management" is meant to refer to any minimum required assets your cost proposal may require. (Note: The nonprofit plan will be a start-up Plan with an initial asset base of zero.)

33. ***Our Firm claims compliance with the CFA Institute's GIPS Guidance. As a result, we are required to include our compliant composite presentation with the RFP. The compliant presentation, however, includes both gross and net of fees performance detail as well as reference to our standard fee schedule. We plan to include the document in the cost proposal package. Is that ok?***

    Answer: Yes.

34. ***The description of oral presentations / interviews states that "the presentation of supplemental information shall be considered prejudicial to the interest of other Bidders and fair competition and shall not be permitted". Can you clarify what is meant by "supplemental information"? For example, if our pitch books include more detailed slide content about our process and the market environment at hand, which detail might not necessarily be required in the Phase Two Questionnaire, is that ok or would such slides be considered supplemental?***

    Answer: Supplemental information refers to any information that was not submitted as part of your initial bid. Bidders may include more detail about your process and the market environment at hand as part of the oral presentation.

35. ***Please confirm that none of the federal or Commonwealth law incorporated by reference into either the Commonwealth Terms and Conditions or the Standard Contract Form, including but not limited to Executive Order 526, requires a manager to implement or maintain a formal Affirmative Action program including quotas.***

    Answer: The Treasury encourages contractors to establish and follow their own guidelines; the Treasury does not mandate a fixed percentage.

36. ***Does the plan have a vehicle preference (i.e. Mutual Fund, Commingled, or Separate Account)? Additionally with respect to a commingled vehicle do you have a preference for a net or gross of fee product?***

Answer: The Treasury reserves the right to select the investment vehicle(s) that is in the best interest of Plan participants (i.e. mutual fund institutional class shares, institutional commingled fund, separate account, etc.)

37. ***Due to current client Most Favored Nation clauses, we are restricted in our fee offerings to prospective clients generally based on size and client type. Obviously we know the client type in this case, but if we had additional information regarding the size of the allocation, we would be able to submit our most competitive Cost Proposal without infringing upon any current client contracts. Would you be able to share a general range for this mandate, and if the plan expects to select one or more managers for the allocation?***

Answer: The mandate size for large cap growth was approximately $1.1 billion as of July 10, 2015. The Treasury may, at its option, select more than one investment manager(s) to provide investment management services for the above-referenced mandate. If multiple managers are selected for the mandate, the PMT reserves the right to allocate the percentage of assets across managers that would represent "best value" to Plan participants based on an analysis of the managers, investment styles, philosophy, performance, risk and cost. For these reasons we cannot provide a general range of assets.

38. ***Would the Commonwealth of Massachusetts accept a Large Cap Growth Equity proposal managed by our team which uses quantitative investment models that analyze company fundamentals and behavioral anomalies to aid in making investment decisions?***

Answer: Yes; if your proposal meets the minimum qualifications required under this mandate.

39. ***Regarding the Minimum Qualification requiring the proposed product to have at least 3 years of return history, would the Commonwealth of Massachusetts accept a proposal which had components of the strategy, managed separately, with at least 3 years of***

return history? For example, a strategy managed to the Russell 1000 Growth and a strategy managed to the Russell 2000 Growth, which would be combined into one strategy managed to the Russell 3000 Growth in a separate account.

Answer: No. As of June 30, 2015 the candidate product(s) must have at least 3 years of return history.

40. ***Regarding the Minimum Qualification requiring the proposed product to have performed in the top half of their peer universe since inception, would the Commonwealth of Massachusetts accept a proposal which meets this qualification for a 5-year period for our Russell 1000 Growth strategy instead of since inception?***

Answer: No. Please note that since inception refers to the inception date of the specific product that your firm is proposing.

41. ***Regarding the Minimum Qualification requiring the proposed product to have at least $1 billion in assets under management, would the Commonwealth of Massachusetts accept a proposal that has $965MN in assets under management (combination of underlying strategy components: ~$850mn in Russell 1000 Growth, and ~$115MN in Russell 2000 Growth), but did have assets over $1bn in the past?***

Answer: No. To meet the minimum qualification, the $1 billion in assets (taxable & tax exempt) under management must be in the subject product, not asset class. Bidder(s) should not aggregate the assets across multiple strategies in order to reach the $1 billion.