

Real Return Investment Management Services
(16-DC-Real Return Investment Services)

Bidder Questions & Answers

1. Our firm is an Irish Alternative Investment manager that specializes in offering multi manager managed futures solutions. Will your group consider a strategy such as managed futures for a real-return RFI?

A 100% managed futures solution is not optimal for the Real Return strategy mandate.

2. Does the plan require a daily NAV and daily trading via this NSCC for this option, or is daily NAV calculation sufficient?

Daily trading and a daily NAV is required.

3. Can the plan accommodate purchase premiums and redemption fees for transactions into/out of the fund selected?

No.

4. Is there a preference for the type of vehicle that is presented (institutional mutual fund, separate account, etc.), or will all vehicles be considered?

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

5. Is there a specific definition of a real return investment service?

- Our firm is a financial services company based in Switzerland. Our strategy “v-Pro” is a discretionary long/short FX Volatility strategy that has achieved absolute returns every year since its inception 9 years ago, hence it has mostly achieved real returns, if the definition of it being a return higher than the inflation rate.

The Treasury, on behalf of the Plan, seeks the following in a Real Return Strategy: Investment objective is a return above the Consumer Price Index (CPI) + 5% to preserve and enhance investors’ purchasing power.

6. Regarding the minimum qualification outlined on page 7 of the response template: Our firm is SEC-registered, its strategy “v-Pro” has more than 500 Mio AuM and a has a performance history that is longer than 5 years. The fourth criteria states a IRC 401K, 403B or 457 direct investment in “v-Pro” as necessary to qualify for the RFR.
 - Does this mean that there need to be other pension funds that manage IRC 401K, 403B or 457 plans already being invested with “v-Pro”?
 - We have several pension funds invested with us, but we do not know if that is what is meant here.

- Our question is: We don't know to what extent "v-Pro" qualifies under this section and if there should be a shortcoming in one of the criteria, is there still a chance to successfully bid for this RFR?

As set forth in the Minimum Qualification, to qualify for this mandate the Bidder firm must have at least three (3) plans (only either an IRC 401K, 403B and/or a 457 plan) directly invested in the subject product being proposed, as of March 31, 2016.

Keeping in mind the parameters set by the Minimum Qualifications, prospective Bidders are encouraged to submit a response to this RFR, but must use their own discretion when determining whether to do so. Ultimately, however, it is in the Procurement Management Team's ("PMT") sole discretion to determine if a Bidder's response to a minimum qualification will result in disqualification.

7. Per our standard process, our firm does not provide copies of insurance policies/bonds as these are considered proprietary information. Our insurance broker will issue certificates of insurance evidencing coverage in accordance with requirements in a mutually agreed-upon contract. Will a summary of insurance coverage and an attestation that a certificate of insurance can be provided be an acceptable form of proof to the Commonwealth so that we may proceed with a submission?

It is the Treasury's practice to require a copy of the Bidder's certificate of insurance evidencing coverage. Keeping in mind that a copy of such certificate is a component of the *Mandatory Forms and Supporting Materials* section of the RFR Template, prospective Bidders are encouraged to submit a certificate as proof of insurance with their response to this RFR. If such proof is not submitted as a part of a Bidder's response, it is in the Procurement Management Team's ("PMT") discretion to determine if a Bidder's response to this required component will result in disqualification.

8. The objective of the fund/investment option in the questionnaire is stated as CPI plus 5%. Given current market conditions and capital market assumptions, is there flexibility in this return target, or is this the required target?

No. The investment objective as stated in the RFR Scope of Services (a return above the Consumer Price Index (CPI) + 5% to preserve and enhance investors' purchasing power) is a required target for this mandate. There is no flexibility in this target return.

9. We understand your minimum requirements for the product include a 5 year track record as of 12/31/2015 and you have a minimum AUM requirement of \$500 million. Our real return strategy has a 5 year track record as of 3/31/2016 with approximately \$100 million across vehicles. We would assume that this strategy would not qualify. However, given that the multi asset class real return universe is relatively new, we wanted to inquire if there was flexibility in these requirements.

No. There is no flexibility in this requirement. The product as you described above, would not meet the minimum qualifications.