

Questions and Answers – May 23, 2014
Office of the State Treasurer and Receiver General

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Telephone #: (617) 367-3900, ext. 307
Internet Address: <http://www.mass.gov/treasury/about/procurements>
RFR File Name/Title: Commonwealth of Massachusetts IRC 457 Deferred Compensation Plan Investment Management Services – Active Core Plus Fixed Income, Active Unconstrained, Long Only Fixed Income, Active High Yield Bond, Active Core Private Daily Valued Real Estate and Active Bank Loans.
RFR File Number: 14-DC-FIBL & RE
RFR Contact Person: Jameel Moore, E-mail Address: procurements@tre.state.ma.us

1. Are you limited to utilizing only a mutual fund vehicle? What is the preferred investment vehicle?

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

2. We would like to confirm that CITs are an approved investment vehicle. We see the note on page 18 about mutual funds, institutional commingled funds, separate account, etc.

Answer: Collective Investment Trusts (CIT) are acceptable if compatible with the record keeping system. Noted in the RFR – “The Treasury reserves the right to select the investment vehicle(s) that is in the best interest of the participants (i.e. mutual fund institutional class shares, institutional commingled fund, separate account, etc.). “

3. Are any portion of real estate securities allowed/desired in this mandate, and if so, up to what % of the overall mandate.

Answer: REITs may be included to provide liquidity. Core private real estate product must be daily valued.

4. *What is the overall size of the 457 plan, the size of the mandate, and the longer term potential size of the mandate. We see that this is a new mandate but will it be funded from another source within the plan?*

Answer: The overall size of the 457 Plan is approximately \$6.8 billion. Core private real estate is a new mandate for use in target date or other multi-asset funds. Initial funding cannot be estimated at this time.

5. *Is this mandate part of allocation of a target date fund, or a stand-alone option, or something else?*

Answer: Core private real estate is a new mandate for use in target date or other multi-asset funds. Initial funding cannot be estimated at this time. Core private real estate will not be offered as a stand-alone investment option.

6. **Section VI. SCOPE OF SERVICES & PHASE TWO QUESTIONNAIRES**

A. **SCOPE OF SERVICES**

3. **ACTIVELY MANAGED HIGH YIELD BOND:**

Investment objective is to provide long-term total return benchmarked against the BofA Merrill Lynch US High Yield Master II Index.
(Mandate size is over \$58 million as of 4-28-14.)

Question: Our company, among its other strategies, manages active High Yield investments. These assets, however, are not all managed within dedicated High Yield portfolios as some are managed within our global aggregate portfolios. The total active High Yield assets managed exceeds \$2.5Billion as of March 31st, 2014. Please see the below table for further details. With this information, would you please confirm whether we do or do not meet for the minimum criteria of \$2Billion in Active High Yield per RFR File Number: 14-DC-FIBL & RE?

AUM in U \$Dm	Dedicated portfolios	Within global portfolios	Total
Global High Yield	862	1,535	2,398
US High Yield	167	-	167
Total	1,029	1,535	2,565

Answer: This does not meet the minimum asset requirement. Assets included as a sector allocation to non-subject portfolio should not be included in determined minimum assets.

7. *The Statement of Minimum Qualifications requires a minimum level of assets under management for each proposed asset class. Does this requirement apply to the composite for the proposed strategy, or does it also include assets within the asset class that are not included in the composite?*

Answer: Total assets for a specific subject portfolio may be aggregated to meet the minimum asset requirements.

8. *Does the Plan prefer a commingled vehicle such as a CIT or would the Plan prefer a separate account?*

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

9. *Given that the Senior Bank Loans mandate is new, can you provide some guidance on the initial funding amount you anticipate for this mandate?*

Answer: Bank Loan initial funding cannot be determined at this time.

10. *Would monthly liquidity be acceptable for the senior loan mandate?*

Answer: Daily liquidity is required.

11. *Our firm would like to submit for the actively managed core private daily valued real estate search recently published. The Statement of Minimum Qualifications states our product must have performed in the top half of the peer universe since inception. The inception date of our commingled vehicle was January 30, 1982.*

We have run our ranking from the NFI-ODCE Information Exchange and are ranked 33rd percentile over the 10 year period (as well as above 50th percentile for shorter time periods) as of December 31, 2013. We have two questions based on this information:

a. Will you accept a ranking from the NFI-ODCE Information Exchange as rankings for this private real estate universe are not available via the general ranking providers (eVestment, Mercer, Bloomberg, etc.)?

b. Will you accept a 10 year rank as we cannot provide a ranking since inception due to the vintage of our fund and the information available via the Exchange?

Answer: Yes. Reasonable universe constructions if disclosed may be used. A ten-year ranking that represents the longest available information is acceptable.

12. With respect to the Active Core Plus Fixed Income mandate, are there any requirements for overall portfolio quality or restrictions on sector exposure?

Answer: No. The benchmark is the Barclays Aggregate Index.

13. Are the Commonwealth's sponsored retirement plans established for employees of non-profit organizations, referred to on page 68, established under section 414(d) or 457(b), such that they are government sponsored tax-exempt plans exclusively for the benefit of such employees?

Answer: The non-profit plan is intended to be a "profit sharing plan" under Code section 401(a) and an elective cash or deferred plan under Code section 401(k).

14. Is the record keeper for the Deferred Compensation plan currently Great West? Is Great West also the record keeper for the non-profit organization plans referred to in the Question above?

Answer: Great West is record keeper for the 457. Procurement for record keeping services for the non-profit plan is ongoing.

15. There are several questions relating to the portfolio manager's years of experience on the "subject product", is it permissible to respond to these questions allowing for consideration of the underlying funds, similar to the minimum requirement for asset level?

Answer: Yes. A manager's years of performance in any underlying funds will be acceptable to meet this requirement.

Please note: The RFR was amended on 5-20-14. For Active Core Private Daily Valued Real Estate, the portfolio manager's years of experience in the subject product has been amended from 5 years to 2 years.

16. As it relates to longer-term performance, is it permissible to provide actual performance for the "subject product" as well as longer-term performance for the underlying funds, in the case of a "Fund of Funds" structure?

Answer: Yes.

17. Under the heading of "LIQUIDITY" on page 43, what is meant by blackout periods?

Answer: Please describe any circumstances where daily liquidity may not be available.

18. In the case of a "Fund of Funds" product, should we include the largest tax exempt accounts of the underlying funds or only the "subject product"?

Answer: Underlying funds can be considered.

19. Can we provide our firm's authorized signatory list in lieu of completing their "Contractor Authorized Signatory Listing" or attached the firm's authorized signatory list as an attachment?

Answer: No.

20. Regarding the request for a certificate of Good standing and/or Tax Compliance or Waiver of Corporate Tax Lien, our firm does not have offices or employees in Mass. We've called and we were told, "we will not have a tax obligation in Mass for providing this service. Consequently no registration would be required or accepted by the Mass DOR. Thus, this has nothing to do with the DOR, a Certificate of Tax Compliance in Good Standing cannot be issued." Do we have to submit a Certificate of Tax Compliance in Good Standing?

Answer: You must show that you applied for a certificate of Good Standing and/or Tax Compliance or Waiver of Corporate Tax Lien.

21. Within the Standard Contract Form, how should an Investment Management firm proceed in filling out the section labeled "Brief Description of Contract Performance or Reason for Amendment"? Are any attachments required for this section? The section excerpt included below.

***BRIEF DESCRIPTION OF CONTRACT PERFORMANCE or REASON FOR AMENDMENT:** (Enter the Contract title, purpose, fiscal year(s) and a detailed description of the scope of performance or what is being amended for a Contract Amendment. Attach all supporting documentation and justifications.)

Answer: Please be advised bidders do not need to fill out this section. No attachments are required for the Standard Contract Form.

22. Within the Standard Contract Form, how would an Investment Management firm complete the section labeled "Procurement or Exception Type"? Which option would be appropriate to select? The section excerpt is included below.

***PROCUREMENT OR EXCEPTION TYPE:** Check the appropriate type of procurement or exception for this Contract. Only one option can be selected. See State Finance Law and General Requirements, Acquisition Policy and Fixed

[Assets, the Commodities and Services Policy and the Procurement Information Center \(Department Contract Guidance\)](#) for details.

Answer: Please be advised bidders do not need to fill out this section.

23. If our Investment Management firm currently is not duly licensed to do business in Massachusetts, would proof of a submitted license application be sufficient to proceed with our proposal? Would this waive the need to have “an opinion of counsel” as described in section A, question 8 of the individual mandate questionnaire?

Answer: Yes, proof of a submitted license application is sufficient to proceed with the proposal. However, be advised the Treasury will only enter into a contract with an Investment Management firm duly licensed to do business in Massachusetts at the time of final contract execution.

24. Within the Treasury Supplier Diversity Program Plan Form, the link provided for a complete list of Massachusetts approved vendors appears to be broken. Can you please provide a list of the approved M/WBE approved vendors?

Answer: Please see link below:

<https://www.sdo.osd.state.ma.us/BusinessDirectory/BusinessDirectory.aspx>

25. If our investment firm partners with a M/WBE vendor who does not appear on the Massachusetts approved list (i.e. a vendor from a different state), is this vendor commitment still eligible to be submitted through the TSDP Plan Form?

Answer: Yes, the Treasury will accept and treat equally those Bidders who certify to and submit evidence of a relationship with any business that is certified in any other state as minority and/or women owned.

26. For our actively managed unconstrained, long only fixed income strategy the track record is as of June 2010. We have another fund within this strategy that uses the same philosophy, people and process that has track record as May 6, 2009, but is not included in the composite for the strategy as it is denominated in GBP, not USD. As we are aware that not many people have a track record in this space, would this meet the requirements for us to respond to the RFP?

Answer: No. Subject portfolio must have a five-year track record.

27. Will the actively managed core private daily valued real estate be a stand-alone option within the core menu or will it be utilized within the allocations funds?

Answer: Core private real estate is a new mandate for use in target date or other multi-asset funds. Core private real estate will not be offered as a stand-alone investment option.

28. If the actively managed core private daily valued real estate is for a stand-alone fund, would you be accepting a Reit strategy that mimics the risk and return characteristics of private real estate, and it is bench marked against the benchmarks stipulated in your RFP?

Answer: Core private real estate is a new mandate for use in target date or other multi-asset funds. Core private real estate will not be offered as a stand- alone investment option.

29. Do you only require three total business references per company even if we are submitting multiple products or would you like three business references per mandate?

Answer: Please provide three business references for each mandate proposed.

30. When you ask “who will be the client service officer” are you looking for the overall relationship manager or the product specific relationship manager?

Answer: Client Service Officer refers to the overall Relation Manager who works directly with the Director and Staff. Product specific managers should be available for periodic meetings with Director and Staff.

31. Our core plus platform has over \$5 Billion in AUM. The strategy we are proposing has \$1.27 Billion in AUM. Would this strategy meet your minimum AUM criteria?

Answer: Subject portfolio must have \$2 billion in aggregate assets under management (Private Real Estate, Unconstrained Fixed Income, Bank Loans, High Yield). Subject portfolio must have \$3 billion in aggregate assets under management (Core Plus Fixed Income).

32. The instructions for the Standard Contract Form directs bidders to fill in boxes highlighted in yellow. However, none of the boxes are highlighted. Can you please let us know which boxes should be highlighted?

Answer: Please see below:

CONTRACTOR LEGAL NAME: (and d/b/a):
Legal Address: (W-9, W-4,T&C):
Contract Manager:
E-Mail:
Phone:

and

AUTHORIZING SIGNATURE FOR THE CONTRACTOR:

X: _____ Date: _____
(Signature and Date Must Be Handwritten At Time of Signature)

Print Name: _____.

Print Title: _____.

33. *We would like to request some clarity on the investment vehicles that are desirable to the Plan before submitting our response. Would the Plan be open to investing in a Fond commun de placement (FCP) domiciled in Luxembourg?*

Answer: No.

34. *We have noted the benchmarks listed in the Scope of Services. Is the Plan open to strategies that typically compare to different benchmarks?*

Answer: No.

35. *Our parent company is marketed as one entity but the strategies we would like to submit fall under two separate legal entities. Do we need to submit as one company or two given the legal entities differ (e.g. they have two distinct ADVs)?*

Answer: A separate response must be submitted for each legal entity.

36. *Please clarify the qualification below. There are many types of Unconstrained Fixed Income strategies. We as a firm have been managing Unconstrained Fixed Income for over 5 years and have multiple track records. However, we would like to propose our*

flagship strategy which has a 4 year track record. Can we demonstrate a 5 year unconstrained track record using an Unconstrained Strategy that is substantially similar to our Unconstrained Fixed Income Fund which is what we would like to propose in the RFP?

Minimum Qualification as written in RFR

For the unconstrained, long only fixed income mandate and/or actively managed core private daily valued real estate our firm has proposed, the Portfolio Manager has five years of direct experience with the Subject Product being proposed as of March 31, 2014.

Answer: Yes.

37. Can you please confirm the list of Massachusetts certified vendors which are necessary to complete the Treasury Supplier Diversity Program form? The link provided within the form doesn't appear to working.

<http://www.somwba.state.ma.us/businessdirectory/businessdirectory.aspx>

Answer: See Answer to question 24.

38. Can you please clarify the instruction for the Standard Contract Form? The instruction indicates to fill in the boxes highlighted in yellow however upon opening the document we do not see any highlighted sections.

Answer: See Answer to question 32.

39. Does the Plan prefer mutual funds or separate accounts (assuming daily liquidity)?

Answer: Noted in the RFR – “The Treasury reserves the right to select the investment vehicle(s) that is in the best interest of the participants (i.e. mutual fund institutional class shares, institutional commingled fund, separate account, etc.). “ The Treasury does not have a preferred vehicle, but understands that the ultimate mandate size will be a factor in vehicle availability.

40. Will the plan need to use mutual funds for daily liquidity?

Answer: Noted in the RFR – “The Treasury reserves the right to select the investment vehicle(s) that is in the best interest of the participants (i.e. mutual fund institutional class shares, institutional commingled fund, separate account, etc.). “ The Treasury does not have a preferred vehicle, but understands that the ultimate mandate size will be a factor in vehicle availability.

41. Does the Plan have a cash buffer fund for their liquidity needs?

Answer: All vehicles proposed must provide daily liquidity.

42. Does the separate account need to be unitized?

Answer: Yes.

43. We would like to propose a mutual fund but it does not have a five year track record. Would you consider our track record from the strategy composite to count toward the five year track record?

Answer: Yes.

44. Will the proposed strategies be offered on your platform independently or as part of a white labeled/custom offering?

Answer: All plan funds utilize a white-label approach.

45. What kind of flows can we expect and how often will contributions be made?

Answer: Core plus (total assets approximately \$200 mm) and high-yield (total asset approximately \$58 mm) are included in the plan. Each has cash flows consistent with the overall asset size. Unconstrained, bank loans and core private real estate are new asset classes. Asset flows cannot be determined at this time.

46. What is the acceptable peer universe for the peer comparison – core or core plus?

Answer: Core plus is the preferred universe.

47. For our Absolute Return Bond Fund, which is sub-advised, does the AUM of the underlying strategies count as meeting the \$2B AUM minimum in the product being proposed.

Answer: Yes.

48. We politely request copies of the Investment Guidelines for the Active Core-Plus Fixed Income and the Active Unconstrained, Long Only Fixed Income Mandates.

Answer: Investment guidelines are not currently available.

49. Commonwealth Terms & Conditions (55), Section 10 - Affirmative Action, Non-Discrimination In Hiring And Employment: With regard to “purchasing supplies and services from certified minority or women owned businesses, small businesses, etc..”, does this just refer to brokerage services that would be used in this mandate, or overall purchasing conducted in the mandate? In either case, what percentage of affirmative action referenced brokers is required to meet this obligation?

Answer: Section 10 refers to the overall purchasing conducted in the mandate. There is not a percentage requirement.