

INVESTMENT ADVISORY/CONSULTANT SERVICES

Contract Number OEO 16 01-INVESTCSLT

Pre-bid Questions and Answers

*Please note that original questions are in **BLACK**, initial answers are in **RED**. Treasury personnel have attempted to provide the best information possible to assist investment advisors/consultants in the preparation of their proposals.*

1. What is the most important investment issue the Board is currently facing?

Protection of portfolio principal, maintaining sufficient liquidity and maximization of return given current market conditions.

2. Can you provide turnover statistics on each of the operating cash portfolios?

This measure is not tracked by the Cash Management Policy Board (“CMPB”) or the Office of the State Treasurer (“OST”). However, for the twelve months ending June 30, 2015, the four liquidity accounts held an average annual balance of approximately \$187 million each with monthly balances averaging between \$150 million and \$220 million each. Aggregate funds managed under this strategy are allocated equally between the four managers, as are cash draws to meet liquidity needs.

3. What is the time horizon of the endowment fund assets entrusted to the OST?

No time horizon – corpus of portfolio is to be maintained in perpetuity.

4. Is there a standard day of the month that the Board meets on for its quarterly meetings?

No, but the next three quarterly meetings are scheduled as follows:

- Full CMPB to be held on November 12, 2015 at Buena Vista @ 10:00 a.m.
- Full CMPB to be held on February 10, 2016 @ 10:00 a.m. (telephonic)
- Full CMPB to be held on May 11, 2016 at Buena Vista @ 10:00 a.m.

Please note all above meetings may be preceded by a 9:00 a.m. subcommittee meeting, if necessary.

5. Can you provide the fee currently paid to Credit Suisse?

OST will not provide fee.

6. Please provide a quarterly performance monitoring report from the current consultant/investment advisor (if one exists).

Not provided - the CMPB and OST are interested in evaluating performance reporting capabilities of respective bidders and the degree reports can be customized.

7. Please provide the inception date of each investment manager.

LIQUIDITY MANAGERS	Inception Date
Cutwater Asset Management	6/1/2013
PFM Group	6/1/2013
Wells Asset Management	1/1/1985
Wilmington Trust	1/1/1985

RESERVE MANAGERS	
Chandler Asset Management	6/1/2013
Federated Investors	6/1/2013
JPM Intermediate	6/1/2013
Morgan Stanley	6/1/2013
Schroder's Intermediate	7/1/1995

SPECIAL MANAGERS	
JP Morgan Land and Water	7/13/2015
Morgan Stanley Land and Water	7/10/2015
SEI Land and Water	7/1/2015
Schroder's Health Fund	9/1/2006

8. Please describe the role of the investment and banking sub-committees.

Advisor/consultant will only interact with investment sub-committee. Role of that sub-committee is to evaluate proposed investment guideline changes, investment related vendor contracts (including all investment related RFPs), and any other investment matters and present findings/recommendation(s) to the full CMPB for consideration.

9. When was the custodian out to bid last?

Current contract was effective 01/01/2011.

10. Page 35, Statement of Objectives and Guidelines Section 4.2.1.2 states that the Cash Management Unit will provide the best estimates of revenue receipts and expected expenditure to the investment managers. Who actually determines how much is given or taken from the individual managers? And how is that decision made? This process can be used strategically to re-balance the assets to different investment managers

OST staff uses an internal cash-flow model to estimate short-term receipts and expenditures. Resulting investment cash-flows to/from managers are determined to meet liquidity needs and based on allocation targets determined by the CMPB.

11. What is the horizon for Liquidity portion? It appears to be at most, about 12 to 18 months out.

Liquidity managers are permitted to purchase securities with a two year maximum maturity, with certain floating rate securities allowed to have a three year average life. Managers have discretion to allocate their portfolio's duration subject to these restrictions.

12. What is the horizon for intermediate term, as stated in 4.2.4.1?

Intermediate managers are permitted to purchase securities with a ten year maximum maturity and subject to a maximum average maturity of seven years for their respective portfolios.

13. Our firm carries a general aggregate of \$2 million in Comprehensive General Liability insurance while the RFP requires a level of \$3 million. Would our coverage (which meets or exceeds industry standards) be considered sufficient for the State?

OST and the CMPB reserves the right to grant this exception.

14. Can you please specify how long your current investment consultant has been retained?

Current consultant has been retained for 3.5 years.

15. Has the current investment consultant been invited to rebid?

Yes.

16. When was the last comprehensive evaluation of the securities lending program's structure and collateral pools conducted? Does Staff seek the current consultant's advice related to this program?

The State's securities lending program ended in December 2009 and the CMPB has not reconsidered this option.

17. What is the most important investment issue your fund is currently facing?

Answered in question #1 above.

18. Are there any new initiatives the Board or Staff are considering in the next 12-18 months? If so, can you please elaborate.

Many initiatives are outlined in the Scope of Services section of the RFP. OST will not otherwise comment at this time, but expects selected vendor to play a key role in the development and analysis of initiatives to fulfill the objectives of the CMPB.