

## QUESTIONS AND ANSWERS<sup>1</sup>

### TRE20103- ENDOWMENT ACCOUNT INVESTMENT MANAGER SERVICES

1. Please confirm the RFP is intended for investment management consultants and not for investment managers that have individual investment products.

**Answer: This RFP is designed to seek investment managers that have investment products that meet the qualifications included in the RFP's scope of services. This RFP does not seek an investment consultant.**

2. Do you anticipate extending the bid due date?

**Answer: At this time, OST has no plans to extend the bid due date. If it becomes necessary to revise any part of the RFP, an addendum will be posted at <http://www.bids.delaware.gov>.**

3. What additional details are you willing to provide, if any, beyond what is stated in bid documents concerning how you will identify the winning bid?

**Answer: OST believes the RFP contains all necessary information needed for bidders.**

4. Was this bid posted to the nationwide free bid notification website at [www.mygovwatch.com](http://www.mygovwatch.com)?

**Answer: OST did not post on this website.**

5. Other than your own website, where was this bid posted?

**Answer: Additionally, RFP was posted on the following websites:**

- <http://www.bids.delaware.gov/>
- <http://nast.org>

6. The RFP notes that there are currently three outside investment managers for the endowment accounts. Are these contracted vendors? Will this RFP replace their services, or will any selected vendor continue to work with these firms?

**Answer: Current investment managers are under contract. The State reserves the right to retain and/or replace current vendors providing these services.**

7. If these are contract vendors, could you provide the name of the firms, and any contract numbers (if applicable)?

**Answer: J.P. Morgan Asset Management Inc., Morgan Stanley Investment Management Inc. and SEI Investment Management Corporation.**

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<sup>1</sup> Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the RFP, TRE20101.

8. If the awarded contract will have a 5 year term plus 3 additional options, is it possible that the state will be putting these services out to bid again in the future as the awarded contract nears its expiration?

**Answer: Yes.**

9. Is the State looking for an investment advisor to take on a full discretionary portfolio utilizing external active and passive investments? Or is the state just looking for a proprietary investment manager that only utilizes their own internal strategies and doesn't utilize other investment firm's products.

**Answer: We will consider managers that provide a proprietary investment solution or firms that use non-proprietary investment solutions (best of breed).**

10. Please let me know if you are encouraging firms offering solutions in global private equity and U.S. real estate to participate in OST's search?

**Answer: OST encourages all qualified firms to submit bids offering investment strategies comporting with the Investment Guidelines approved by the Cash Management Policy Board.**

11. Vendors responding to this RFP must attach summaries or copies of their business continuity and disaster recovery plans. We require an executed nondisclosure agreement ("NDA") in order to supply these documents. Would OST be willing to enter into an NDA as a condition to its receipt of our plans?

**Answer: Confidential material should be submitted in accordance with the instructions provided in the RFP. Materials submitted in accordance with those instructions will be treated as confidential and will not be disclosed publicly if and to the extent OST determines that the materials are shielded from disclosure under the Delaware Freedom of Information Act, 29 Del. C. § 10001-10007 ("FOIA"), including though application of FOIA § 10002(l)(2)'s exemption for trade secrets and commercial or financial information. The mere existence of an NDA between OST and a bidder will not, in and of itself, shield documents from disclosure under FOIA.**

12. The RFP describes three distinct accounts comprising the State's endowment portfolio – the \$62.1m Conservation fund, \$13.0m Parks fund, and \$651,000 Scholarship fund. Given the difference in size across the three accounts, certain investment elements (e.g. private or alternative investments) might be less appropriate for portfolios with smaller balances. As such, is the expectation that these accounts would be managed separately, following the same investment strategy? Or would assets be combined and managed as a single pool of assets?

**Answer: These assets are currently being managed as a single pool and investment focus, whereby the assets are currently split across three investment managers. The**

**State may issue three awards, consistent with current practices, but reserves the right to make a single award, or any number of awards that the Board deems appropriate. The State is open to receiving alternative management structures.**

13. Why is the management for the portfolio going out to bid?

**Answer: The current manager contracts will be expiring in July 2020. The State is going out to bid in accordance with procurement rules and best practices for vendor management.**

14. Are there any areas (performance, service, fees, etc.) that OST is seeking improvement upon?

**Answer: Not specifically. The State considers the periodic RFP process to be a vendor management best practices tool, regardless of level of performance/costs currently delivered. The State is open to receiving proposals that identify areas in need of improvement and offer potential solutions.**

15. (a) It appears that over the years various new amounts have been added to the Endowment Portfolio (e.g., Parks). How would the funds be distributed amongst managers if another fund was added to the Endowment Portfolio? Do additions like Parks to the Endowment Portfolio ever change the asset allocation or do these incoming accounts merely get added to the pool and follow the existing asset allocation? Would we be expected to advise on this?

**Answer: Historically, new amounts have been equally distributed to existing managers. However, the State has the discretion to discontinue this practice at any time. OST retains an investment advisor for guidance on these questions but also solicits input from existing managers.**

(b) Historically, DNREC makes one large withdrawal from the endowment accounts during March or April of each year (approximately \$1.5 million total, \$500,000 per manager). The school districts usually make small withdrawals (less than \$50,000) to fund scholarships several times a year.

How much of these withdrawals would come from the Endowment Portfolio and how would it be allocated should OST continue to use three managers? Could these withdrawals change in the future (what factors might cause this to change)?

**Answer: Historically, all withdrawals have been distributed equally among existing endowment managers. However, the State has the discretion to discontinue this practice at any time. OST retains an investment advisor for guidance on these questions but also solicits input from existing managers.**

(c) What about withdrawals of funds from the Endowment Portfolio in its entirety; has this ever happened? If so, how was the distribution made, i.e., was it made pro-rata from the managers?

**Answer: This has never happened and could not happen absent legislative amendment.**

16. Please confirm if one or six USB flash drive copies are requested.

**Answer: Six are required.**

17. Is there a specific fee structure/format required?

**Answer: No specific fee structure or format is required, as long as OST is able to estimate the annual cost and verify fee invoices, if applicable. Vendors are encouraged to submit their best fee offer.**

18. Our firm has \$2.86 Billion in assets under management as of December 31, 2019. Our firm has had over \$1 Billion in assets under management every year since December 31, 2012. Do our asset levels meet the state's minimum requirements specified in this RFP?

**Answer: Only if the firm is based in Delaware.**

19. The state currently uses three multi-asset mutual funds in the Endowment Portfolio, does the statement "consistent with current practice" suggest the state is looking to continue using only mutual fund vehicles? Our strategy is offered as a separate account vehicle. Would you consider a separate account vehicle for this opportunity?

**Answer: The State would consider a separate account for these services.**

20. What percentage loss or gain would be considered large? By default, we will assume greater than 25%.

**Answer: Large gains or losses in the number of accounts or assets would be changes greater than 15% in any one calendar year.**

21. Are the funds described above in pooled accounts or separate accounts? Does the Endowment Portfolio require any specialized sub-accounting reporting from either its Investment Manager and/or its Custodian?

**Answer: The funds are pooled for investment purposes. The State's custodian provides appropriate sub-accounting reporting.**

22. Would State of Delaware be open to using an alternative Custodian for the portion of the Endowment Portfolio managed by the bidding investment management firm if our investment management firm does not work with Northern Trust?

**Answer: No.**

23. Could you please clarify if for the Endowment Accounts investments in ETFs are allowed, and if so, are there limits?

**Answer: An investment solution utilizing ETF's will be considered. Investment limits are defined in the Investment Guidelines.**

24. For Vendors who may currently have an executed Investment Management Agreement ("IMA") with OST and the State, if the Vendor is awarded this RFP opportunity, will the Vendor be allowed to utilize their existing IMA in lieu of engaging in new negotiations with respect to the Professional Services Agreement ("PSA")?

**Answer: A new PSA is required.**

25. With respect to Section 4.2 of the PSA, the terms of the PSA impose requirements for Vendors to comply with the standards promulgated by the State's Department of Technology and Information ("DTI") as modified from time to time during the term of the Agreement, will OST or the State notify Vendors of material changes to such standards during the term of the Agreement?

**Answer: That is not the State's current practice. The State will entertain proposed amendments to the form of PSA.**

26. With respect to the PSA, will Vendors be allowed to propose operational and regulatory language that may be applicable to the services contemplated in the Scope of Services?

**Answer: The State will entertain proposed language for the Scope of Services.**

27. What is the asset allocation of the broader Endowment pool?

**Answer: Asset allocation ranges for the Endowment Fund are contained in the Investment Guidelines. Each Endowment investment mandate will be subject to the ranges set forth in the Investment Guidelines.**

28. Our company is a wholly-owned subsidiary of a larger corporate group who maintain a primary location in Delaware as well as two additional offices in the state with a total of roughly 1,350 active employees based in Delaware. Please confirm this meets the primary headquarters in Delaware minimum requirement?

**Answer: The primary headquarters of the legal entity responding to the RFP must be situated in Delaware to satisfy the requirement set forth in RFP § IV.2.**

29. As it relates to Tab C: Rates of Return Spreadsheet, will the vendor's standard historical portfolio weighting breakdown in excel suffice, or is the format in the Rates of Return Spreadsheet mandatory?

**Answer: The State requires submissions to be in the format provided.**

30. As a privately held organization, our firm's financial statements are considered confidential. Is this acceptable? If proposing a mutual fund, would the fund's financial statements suffice?

**Answer: Confidential financial statements may be submitted on a confidential basis in accordance with the RFP and, if so submitted, will be treated as confidential to the extent permitted under FOIA. The mutual fund statements are not adequate for our purposes.**

31. Will unconstrained, absolute return focused strategies be considered for this mandate?

**Answer: Such strategies will be considered so long as the underlying assets and exposures are permitted by the Investment Guidelines. Further, investments will need to have adequate liquidity such that all capital is returned immediately (i.e., no lockup of capital) should the vendor's contract expire or be terminated.**

32. Is there a preferred benchmark for the mandate?

**Answer: The performance benchmark for existing investment mandates are currently 60% MSCI World / 40% Bloomberg Barclays US Aggregate Index. The Board reserves the right to modify this benchmark in the future.**

33. Typically, our firm reserves business references until, and only if, we proceed to the final round of the process. Is this acceptable?

**Answer: No. Business references may be utilized for scoring purposes.**

34. Attachment 4 is included in the proposal on Page 25 as a blank page. Can you please advise on the referenced Excel spreadsheet that is to be included with our paper copy submission? Can you please confirm if Page 25 of the RFP was left blank intentionally or if an Excel sheet titled Attachment 4 will need to be provided?

**Answer: Page was intentionally left blank. Please provide a fee schedule(s) in excel format (electronically) and printed schedule(s) as Attachment #4.**

35. Does the Office of the State Treasurer, on behalf of the Cash Management Policy Board, have a preference for the investment structure of the endowment portfolio (i.e., separate account or institutional mutual fund)?

**Answer: The Board will consider different investment structures for the Endowment Fund, including, but not limited to separately managed account, institutional mutual fund or fund-of-funds provided that all mandates are operated within the Investment Guidelines.**