



## State of New Jersey

DEPARTMENT OF THE TREASURY  
DIVISION OF INVESTMENT  
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TRENTON, NJ 08625-0230

**CHRIS CHRISTIE**  
*Governor*

**KIM GUADAGNO**  
*Lt. Governor*

**ANDREW P. SIDAMON-ERISTOFF**  
*State Treasurer*

**CHRISTOPHER McDONOUGH**  
*Director*

### ADDENDUM #3

**To:** All Interested Bidders

**From:** Christopher McDonough, Director

**Date:** May 15, 2014

**Re:** **Questions & Answers – Investment Advisers for High Yield Fixed Income and Municipal Fixed Income Request for Proposal**

Proposal Submission Due Date: **Thursday, May 29, 2014** by 3:00 p.m.

It is the sole responsibility of the bidder to be knowledgeable of all of the additions, deletions, clarifications and modifications to the RFP and/or the New Jersey Standard Terms and Conditions relative to this RFP as set forth in all addenda.

All other instructions, terms and conditions of the RFP shall remain the same.

## Answers to Questions

Note: Some of the questions have been paraphrased in the interest of readability and clarity. Each question is referenced by the appropriate RFP page number(s) and section where applicable.

1.

**Section: 1.2**

**Page: 5**

**Question:** *Permissible HY investments include global debt obligations, collateralized notes and mortgages, global diversified credit investments, non-convertible preferred stocks, mortgage-backed senior debt and pass through securities with ratings below investment grade, foreign currency transactions, and futures contracts defined in and Regulations (N.J.A.C.17:16-12, 19, 23, 40, 58, 69, 81 82, 83, 84, and 85). Advisers will have the ability to include certain non U.S. dollar-denominated (USD) securities in their strategies if they so choose (corporate obligations, bank loans and non-convertible preferred stocks), but the overall benchmark will be USD based.*

*Question is related to the focus of the high yield search. Specifically, we have a Senior Bank loan portfolio that will typically include high yield bonds but is not benchmarked to a traditional high yield index. Would NJ Division of Investment consider our portfolio appropriate for this RFP or do you anticipate a future search for a more bank loan focused strategy?*

**Answer: DOI intends to award contracts to advisers with a complement and variety of investment styles and strategies. DOI will consider awarding a contract to an adviser recommending a high yield senior bank loan strategy; it is not currently considering a future bank loan-specific adviser search. DOI will determine the specific benchmark based on the strategy being employed.**

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2.

**Section: 1.2**

**Page: 5**

**Question:** *Is emerging market debt a permissible investment in this mandate (corporate below investment grade, corporate investment grade, hard currency, local currency)?*

**Answer: DOI is seeking an adviser with a strategy focused on U.S. high-yield and municipal debt. An adviser, however, may include non-USD securities (including emerging market securities) up to the maximum exposure established by DOI.**

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3.

**Section: 1.2**

**Page: 5**

**Question:** *Can you please clarify if this is a global mandate or a U.S. mandate with global debt permissible?*

**Answer: This is a U.S. mandate with global debt permissible.**

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4.

**Section: 1.2**  
**Page: 5**

**Question:** *Page 5 indicates that the DOI will set the maximum exposure to global debt, but does not specify what this limit is. Can you please state what the limit would be?*

**Answer: DOI will set maximum non-USD exposure for each selected strategy, based on the strategy and market conditions.**

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5.

**Section: 1.2**  
**Page: 5**

**Question:** *While we are open to managing a Municipal Fixed Income portfolio to your stated guidelines our current composite includes exposure to BBB rated securities, are you open to reviewing that composite as part of our RFP response?*

**Answer: No. Each municipal fixed income security must comply with applicable regulatory ratings requirements as set forth in N.J.A.C 17:16-17.**

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6.

**Section: 1.2**  
**Page: 5**

**Question:** *Can you provide a list of securities that the investment manager is not allowed to trade?*

**Answer: The list will be provided upon contract award.**

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7.

**Section: 1.2**  
**Page: 5**

**Question:** *Can the manager have a list of securities which are precluded from trading?*

**Answer: The list will be provided upon contract award.**

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8.

**Section: 1.2**  
**Page: 5**

**Question:** *Does preclearance apply to both the High Yield and Municipal Bond mandates?*

**Answer: Yes.**

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9.

**Section: 1.2**  
**Page: 5**

**Question:** *Will NJ DOI pre-approve a recommended list of securities (i.e. a static portfolio to be rebalanced quarterly by the manager) which the manager can trade in and out of?*

**Answer: No. All trades must be recommended to DOI for preapproval, and any changes thereto must also be approved.**

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10.

**Section: 1.2**  
**Page: 5**

**Question:** *For the High Yield mandate, what kind of latitude, if any, would be given for example in an instance where there is news on a credit requiring immediate trade action?*

**Answer: All trades must be recommended to DOI for preapproval. DOI will attempt to provide approval on an expedited basis where circumstances require immediate action.**

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11.

**Section: 1.2**  
**Page: 5**

**Question:** *For the High Yield mandate, would there be any scenarios where discretion is given and pre-approval not an issue (for example – adding to a name that is already held)?*

**Answer: No. All trades must be recommended to DOI for preapproval, and any changes thereto must also be approved.**

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12.

**Section: 1.2**  
**Page: 5**

**Question:** *For the Muni mandate, does NJ DOI have a list of permissible/prohibited securities related to Municipals? We see that the RFP has A- or higher as a credit quality parameter (section 1.2) but are there any other guideline parameters or prohibited securities?*

**Answer: No, DOI does not maintain a list of permitted or prohibited municipal securities. N.J.A.C. 17:16-17 sets forth the requirements for investments in State, Municipal and Public Authority Obligations.**

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13.

**Section: 1.2**  
**Page: 5**

**Question:** *Permissible Muni investments include debt obligations of any state or any municipal or political subdivision thereof that are backed by the full faith and credit of the obligor” that have credit ratings of A3/A- or higher. This section does not mention revenue bonds or Build America Bonds. Are these types of Municipal bonds permitted?*

**Answer:** **N.J.A.C. 17:16-17 sets forth permissible investments in State, Municipal and Public Authority Obligations, including revenue obligations.**

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14.

**Section: 1.2**  
**Page: 5**

**Question:** *Per your comment that “No commingled fiduciary trust structures will be permitted” and given the requirement for daily trade approval, we assume a U.S.-domiciled '40 Act Fund is not an appropriate vehicle for this mandate, and that DOI would prefer a separately managed account?*

**Answer:** **DOI 's global custodian will maintain and hold custody of each adviser's designated portfolio(s) as a separate subaccount. A Fund such as described would not be appropriate for this mandate.**

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15.

**Section: 1.2**  
**Page: 5**

**Question:** *Are emerging markets securities permitted investments?  
If so, does this include emerging markets sovereigns and emerging market corporates?  
If so, is there a limit on emerging markets in the portfolio?*

**Answer:** **DOI is seeking an adviser with a strategy focused on U.S. high-yield and municipal debt. An adviser, however, may include non-USD securities (including emerging market securities) up to the maximum exposure established by DOI.**

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16.

**Section: 1.2**  
**Page: 5**

**Question:** *Permissible Muni investments include S&P A- or higher, Moody's A3 or higher and Fitch A- or higher as defined by and subject to the limitations set forth in N.J.A.C. 17:16-17.  
Question: Are investments purchased for and/or held in the portfolio required to be rated by S&P, Moody's and Fitch (all three NRSROs) with the referenced ratings noted in Section 1.2, or can investments purchased and/or owned in the portfolio be rated by one or two of the NRSROs noted?*

**Answer:** **N.J.A.C. 17:16-17.2(a)2 provides that permissible investments include obligations which may be rated by only one or two of the noted rating agencies. Note, however, that to the extent ratings are available, all of the ratings must meet the regulatory minimums.**

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17.

**Section: 1.2**  
**Page: 5**

**Question:** *The objectives are silent on page 5 in regard to post-reorg equity holdings. Is it DOI's intent to allow advisor to hold or purchases equities, warrants and rights that have been issued as a result of a bankruptcy/reorg?*

**Answer: DOI may continue to hold equities, warrants or rights that are issued as part of a bankruptcy reorganization. DOI will generally not approve the purchase of such equities, warrants or rights outside the conversion of existing holdings.**

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18.

**Section: 1.2**  
**Page: 5**

**Question:** *DOI indicates that the portion of non-discretionary investment advice within High Yield will be up to 90%, are there opportunities for discretion to be granted within the mandate specifically as it would regard late stage negotiations with creditor committees assuming the response above is that post-reorg equities are allowed?*

**Answer: This RFP is for non-discretionary investment advisory services, not for discretionary investment management services. Investment discretion may not be delegated to any firm hired under this mandate.**

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19.

**Section: 1.2**  
**Page: 5**

**Question:** *Is the DOI willing to consider a more focused value-driven strategy that operates in the High Yield Market, using fundamental analysis to identify contrarian opportunities that represent attractive risk-reward? Specifically a strategy focused on opportunistic and distressed buying opportunities rather than broad market beta?*

**Answer: No. That type strategy falls under our alternative investment umbrella.**

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20.

**Section: 1.2**  
**Page: 5**

**Question:** *Do you have any expected guidelines for % of Non-USD securities for HY managers?*

**Answer: This has not yet been determined.**

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21.

**Section: 1.2**  
**Page: 5**

**Question:** *Will manager be allowed to use Index CDS?*

**Answer: No.**

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22.

**Section: 1.2**  
**Page: 5**

**Question:** *Will manager be allowed to use Issue and/or Issuer Specific CDS?*

**Answer: No.**

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23.

**Section: 1.2**  
**Page: 5**

**Question:** *The request is for a strategy benchmarked to the Global Barclay's Aggregate High Yield component. Our flagship fund is benchmarked to date against the B of A Merrill Lynch European High Yield Index, although we can certainly manage a separate relative to a selected benchmark easily enough. Would we have to re-calculate the track record relative to a more representative index such as the Barclay Global Aggregate returns for purposes of responding to this RFP?*

**Answer: A bidder may use an alternative benchmark for benchmark comparison purposes in responding to this RFP, so long as it identifies the benchmark being used.**

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24.

**Section: 1.2**  
**Page: 5**

**Question:** *The fund has a base currency expressed in Euros. Is it acceptable to re-calibrate the track record as if the base currency were in USD?*

**Answer: A bidder may re-calibrate its track record in USD, so long as it identifies that it is doing so. Note, however, that DOI is seeking an adviser with a strategy focused on U.S. debt, and therefore a strategy with a base currency expressed in Euros may not be appropriate.**

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25.

**Section: 1.2**  
**Page: 5**

**Question:** *Can a European high yield strategy be considered for the search?*

**Answer: Yes**

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26.

**Section: 1.2**  
**Page: 5**

**Question:** *In regard to 1.2, NJ State Investment Council Regulations that are referenced, will these be incorporated into the guidelines we receive and can those be provided?*

**Answer: The State Investment Council Regulations can be found through a link provided on DOI's website under Links and Forms:  
[www.state.nj.us/treasury/doinvest](http://www.state.nj.us/treasury/doinvest)**

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27.

**Section: 1.2**  
**Page: 5**

**Question:** *Also in regard to 1.2, the last sentence of the first paragraph says that "advisers will provide non-discretionary investment advice and all trades will be subject to the pre-approval of DOI." The pre-approval process is also reiterated in 3.2.2. The investment process could be slower given that the portfolio manager would wait for approval. How quickly does the DOI approve trades? Please confirm that this would indeed be the case with a High Yield account and that we would need to have each trade pre-approved?*

**Answer: Each trade must be pre-approved. DOI will use best efforts to approve trades within the timeframes set forth in the Investment Adviser Agreement (usually at the beginning of the next trading day for trade proposals received by 3:30 pm the day before).**

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28.

**Section: 1.2**  
**Page: 5**

**Question:** *Will DOI consider an Emerging Markets only Corporate High Yield strategy? The preferred benchmark for this strategy is the JP Morgan CEMBI BD Non-Investment Grade.*

**Answer: No. DOI is seeking an adviser with a strategy focused on U.S. high-yield debt.**

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29.

**Section: 1.2**  
**Page: 6**

**Question:** *"Advisers will have the ability to include certain non U.S. dollar-denominated (USD) securities in their strategies if they so choose (corporate obligations, bank loans and non-convertible preferred stocks), but the overall benchmark will be USD based."*

*The primary benchmark to be used [...] shall be the appropriate version of industry standard indexes such as the Barclays U.S. Corporate High Yield Index, the B of A Merrill Lynch U.S. High Yield Index, or the Barclays Global High Yield Index."*

*It would seem the DOI may consider a European High Yield strategy that invests only in European issuances. Is this case?*

**Answer: No. DOI is seeking an adviser with a strategy focused on U.S. high-yield debt.**

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30.

**Section: 1.2**  
**Page: 6**

**Question:** *You have stated your desire to allocate among different styles of high yield managers that benchmark their products to the indexes referenced in your RFP. For additional diversification, would you also consider adding a mandate that is specifically benchmarked to the Barclays U.S. Corporate High Yield 2% Issuer Capped Index?*

**Answer: The benchmarks set forth in Section 1.2 are examples of industry standard indices. The specific version will be determined by DOI based on the strategy to be employed.**

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31.

**Section: 1.2**  
**Page: 6**

**Question:** *The RFP states... " It is anticipated that advisers will provide non-discretionary investment advice on up to 90% of the Pension Fund's HY exposure... ". How is the remaining 10% of the portfolio managed or advised?*

**Answer:** **The portions of the portfolio that do not utilize external advisers will be managed internally by DOI staff.**

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32.

**Section: 1.2**  
**Page: 6**

**Question:** *Please confirm the HY mandate allows for investments in U.S. bank loans, distressed securities, busted converts, investment grade bonds (opportunistically), and stressed munis.*

**Answer:** **DOI is seeking an adviser with a strategy focused on U.S. high-yield debt (including bank loans). All investments must meet the requirements as set forth in the State Investment Council Regulations.**

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33.

**Section: 1.2**  
**Page: 6**

**Question:** *Can the benchmark to be used by the DOI for measuring performance for HY be a blended HY and Leveraged Loan index?*

**Answer:** **No**

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34.

**Section: 1.4**  
**Page: 9**

**Question:** *The firm lifted out the entire five person high yield investment team from another firm in May of 2010. The team currently manages approximately \$586MM at the firm. The team also continues to manage an approximately \$300MM CLO at the other firm. At your convenience, please confirm whether the combined assets managed by the team would allow us to have an exception to be considered for a HY mandate.*

**Answer:** **No. The product/strategy-specific assets under management must be at least \$750 million.**

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35.

**Section: 1.4**  
**Page: 9**

**Question:** *Minimum Qualification 1.4.1 states the “bidder must have at least a five (5) year history of investing in the appropriate asset classes“ and 1.4.2 states “reported investment performance must be GIPS-compliant if porting a track record over from a prior firm.” We have an 11 year performance record of investing in high yield bonds across several products and strategies with our high yield investment team. However, our GIPS-compliant High Yield composite is four months short of a five year history. Do we meet the minimum qualification regarding track record?*

**Answer: GIPS compliance is only an issue if a portion of the track record is being ported from another firm.**

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36.

**Section: 1.4**  
**Page: 9**

**Question:** *Minimum Qualification 1.4.4 states that “product/strategy-specific assets under management must be at least \$750 million.” We have approximately \$8.5billion in municipal bonds across several products and strategies, including core fixed income and unconstrained strategies. However, our Composite of accounts with Muni Bonds only, has approximately \$430 million in it. Do we meet the minimum requirement for Municipal Fixed Income?*

**Answer: No. The product/strategy-specific assets under management must be at least \$750 million.**

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37.

**Section: 1.4**  
**Page: 9**

**Question:** *Regarding Item 1.4.1 of the Minimum Qualifications section, the track record for our strategy has less than 5 years of history; however, we have been managing the underlying asset classes which are the core components of the strategy since 1999, 2000 and 2001. Would the DOI accept a product into this search with less than 5 years of performance history given that we have been managing the underlying asset classes for over 10 years?*

**Answer: Yes. The 10 years investing in the asset classes are sufficient.**

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38.

**Section: 1.4**  
**Page: 9**

**Question:** *Regarding Item 1.4.4 of the Minimum Qualifications section, as of February 28, 2014, our product/strategy-specific assets were valued just under \$700 million. However, the aggregate amount the Investment Team manages in the underlying asset classes of the product is in the billions. Would the DOI consider this strategy?*

**Answer: No. The product/strategy-specific assets under management must be at least \$750 million.**

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39.

**Section: 1.4**  
**Page: 9**

**Question:** *We meet the minimum qualifications in the subject product for all but the AUM in the High Yield strategy we are proposing, but do have a total High Yield AUM of more than \$750 million. If we propose, will our submission qualify for consideration?*

**Answer: No. The product/strategy-specific assets under management must be at least \$750 million.**

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40.

**Section: 1.4**  
**Page: 9**

**Question:** *Can you please confirm that non-GIPS track records are acceptable if they were generated by the firm completing the RFP and whether GIPS compliance is part of the selection criteria?*

**Answer: GIPS compliance is only an issue if a portion of the track record is being ported from another firm.**

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41.

**Section: 1.4**  
**Page: 9**

**Question:** *Item 1.4.4 requires that “the product/strategy-specific assets under management must be at least \$750 million.” Will there be any exceptions to this threshold requirement? Our Global High Yield strategy has approximately \$300 million in assets under management. As such, we request that the minimum assets threshold be set at \$250 million.*

**Answer: No**

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42.

**Section: 1.4**  
**Page: 9**

**Question:** *Is it a requirement that the final contract be designated "non-discretionary?"*

**Answer: This RFP is for non-discretionary investment advisory services, not for discretionary investment management services.**

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43.

**Section: 1.4**  
**Page: 9**

**Question:** *“Products or strategies may be eliminated for a variety of other reasons including, but not limited to the following: ...limited experience in working with institutional investors... predominantly retail assets in the proposed strategy . . .”*

*Are you able to elaborate on the aforementioned? To provide some context, our firm has extensive experience working with institutional investors; however, the majority of assets that currently comprise our High Yield composite originate from retail investors. We would like to know if this would exclude us from further consideration or if you’re able to specify the minimum experience qualification, if any.*

**Answer:** From your description, it appears that the firm has more than "limited experience" working with institutional investors. DOI reserves the right to reject the proposal, however, if it appears the product being offered is being primarily tailored to retail investors with a different investment objectives than institutional investors

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44.

**Section: 1.4**  
**Page: 9**

**Question:** *Our high yield strategy began on May 1, 2010 and will reach 5 years on May 1, 2014. Is the minimum qualification below referencing a December 31, 2013 end period? If so, can we qualify if our high yield managers had over 25 years of high yield experience at another firm?*

**Answer:** No, the end date for the five year history is the contract date, which is expected to be July 1, 2014. The experience of the managers at another firm is relevant to the key member requirement, but not to the bidder requirement.

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45.

**Section: 1.4**  
**Page: 9**

**Question:** *We would like to clarify our initial question regarding 5 year history. Depending on the end date for the 5 year bidder history requirement, if our strategy seeded in February 2009 and launched a mutual fund in April 2009, can we use either of those dates to qualify for the 5 year bidder history? Also, our Composite inception date is May 2009 (not May 2010 as originally stated in the April 3, 2014 email). If not, our high yield managers have over a 20+ history with high yield at another firm. Can we use their experience at the other firm to qualify?*

**Answer:** Yes, the end date for the five year history is the contract date, which is expected to be July 1, 2014. The experience of the managers at another firm is relevant to the key member requirement, but not to the bidder requirement.

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46.

**Section: 1.5**  
**Page: 10**

**Question:** *To clarify, Fed Ex or UPS shipments can be directly delivered to the DOI at 50 West State Street without additional delays like those associated with USPS mail delivery?*

**Answer:** Fed Ex, UPS, DHL, and other couriers deliver directly to DOI's office. The USPS does not deliver directly and receipt is delayed.

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47.

**Section: 1.5**  
**Page: 10**

**Question:** *You have indicated that bidders are not to contact DOI staff directly, other than yourself by email. Are there any restrictions on contacting Hewitt Ennis Knupp regarding this proposal?*

**Answer:** Bidders may not contact Hewitt Ennis Knupp regarding this RFP. All contact must be made in accordance Section 1.5 of the RFP.

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48.

**Section: 5.7.4**  
**Page: 11**

**Question:** *Public Disclosure of Proposal: Can you define or provide an example of "good faith legal/factual basis" for assertion that an investment manager's certified financial statements are exempt from public disclosure?*

**Answer:** DOI suggests that bidders consult their own legal counsel with respect to legal justifications for non-disclosure.

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49.

**Section: 5.12.1.5**  
**Page: 11**

**Question:** *We do not have 3 US-based public fund clients in the proposed strategy. We have large public fund clients in primarily investment grade fixed income strategies, some of which do not include an allocation to High Yield. For the Euro-based strategy, would references of our non US-based clients be acceptable?*

**Answer:** If a bidder has less than 3 US-based public fund clients in a proposed strategy, it should list in Table 5.12.1.5 the US-based public fund clients that it has. For purposes of 5.18.1 references, long term non US-based clients would be acceptable.

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50.

**Section: 3.6**  
**Page: 21**

**Question:** *Can you provide some of the reasons why the investment manager's Brokerage Policy or changes to it would be rejected for the Division?*

**Answer:** Rejection would be based upon those situations where the policy or a specific broker-dealer does not meet DOI's standards.

51.

**Section: 3.7**  
**Page: 21**

**Question:** *Considering time zone differences, does the DOI have any plans to accommodate west coast investment managers regarding the trade reporting cut off of 3:30pm EST on trade date? If so, what would the PST reporting time be?*

**Answer:** **The valuation of investments and net assets is performed daily in accordance with N.J.A.C 17:16-69 and accordingly, the timelines as outlined must be adhered to by the advisers.**

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52.

**Section: 5.12**  
**Page: 33**

**Question:** *May we submit multiple strategies for the High Yield mandate?*

**Answer:** **Yes.**

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53.

**Section: 5.12**  
**Page: 33**

**Question:** *If so, should we submit separate Technical Proposals for each proposed strategy?*

**Answer:** **A bidder shall submit one Technical Proposal per proposed Asset Class. If within the proposed Asset Class, there are multiple products/strategies, these shall be listed and expanded upon within the Technical Proposal especially in Section 5.14 where each product/strategy is to be listed and identified. If a bidder wishes to highlight a specific strategy (or strategies) it may do so.**

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54.

**Section: 5.12**  
**Page: 33**

**Question:** *Alternatively, if we do not need to submit separate Technical Proposals for each strategy, which sections do we need to complete for each strategy (i.e. Section 5.15, etc.)?*

**Answer:** **A bidder shall submit one Technical Proposal per proposed Asset Class. If within the proposed Asset Class, there are multiple products/strategies, these shall be listed and expanded upon within the Technical Proposal especially in Section 5.14 where each product/strategy is to be listed and identified. If a bidder wishes to highlight a specific strategy (or strategies) it may do so.**

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55.

**Section: 5.13**  
**Page: 35**

**Question:** *For the Muni mandate, in section 5.13, if we were to use futures, which firms are approved by NJ DOI?*

**Answer:** Counterparties are limited to those with which DOI has directly executed the applicable agreements, including but not limited to Option Agreements, Futures Agreements, Margin Agreements, ISDAs and Dodd Frank Protocol Agreements. The Division does not currently have any executed ISDA agreements in place. A list of counterparties with which the DOI has executed other types of agreements will be provided upon contract award.

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56.

**Section: 5.14**  
**Page: 36**

**Question:** *We maintain a low tracking error to the relative benchmark we currently follow, which has had a nominal allocation to US domestic holdings currently. Is there a presumed target range for US domestic HY securities?*

**Answer:** DOI is seeking an adviser with a strategy focused on U.S. high-yield debt, and not a strategy with a nominal allocation to U.S. domestic holdings. DOI will set maximum non-USD exposure for each selected strategy, based on the strategy and market conditions.

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57.

**Section: 5.18**  
**Page: 39**

**Question:** *In reference to the Investment Adviser Agreement, section 3 (b) (Provision of Non-Discretionary Investment Advice), can the deadline of 3:30 p.m. for submission of the summary of proposed trades and target time for response of 8:30 a.m. the following day be adjusted for a Global High Yield portfolio to allow for a full day of trading in London markets for European High Yield securities?*

**Answer:** Deadlines in the Investment Adviser Agreement may be modified as mutually agreed by the Adviser and DOI. Note that the Adviser may propose a timeframe for any particular trade that will provide for one or more full days of trading in London markets.

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58.

**Section: 5.19**  
**Page: 39**

**Question:** *Instructions state that "Proposal prices must be typed or written in ink." Does this mean that this information should not be completed electronically?*

**Answer:** Prices do not have to be written by hand. They may be electronically generated.

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59.

**Section: 5.4**  
**Page: 30**

**Question:** *Question references 2013 year-to-date but should we provide 2014 year-to-date instead? If so, are there additional exhibits/tables (such as Section 5.12.0) in which we should provide 2014 year-to-date detail?*

**Answer: Yes; in response to question 5.4.2, please provide 2014 year-to-date. Appendix Tables should be completed with information as of 2013. The issued Tables contained the wrong dates.**

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60.

**Section: 5.7**  
**Page: 30**

**Question:** *As we are a private company, we do not publicly disclose our financial statements. We do however, provide a statement of financial condition stating what our auditor opinion. Will this be a sufficient response?*

**Answer: No.**

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61.

**Section: 5.7**  
**Page: 30**

**Question:** *[The firm] only provides the audited statement of financial condition with applicable footnotes -- balance sheet only, is this acceptable to NJ DOI?*

**Answer: Yes.**

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62.

**Section: 5.7**  
**Page: 30**

**Question:** *Do you need [the firm's] bankers information?*

**Answer: Please provide contact information for an individual at the bidder's bank who could provide a reference.**

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63.

**Section: 5.7**  
**Page: 30**

**Question:** *As a private company, we require an updated NDA signed before releasing complete financial statements, as requested on page 30 5.7.1. Financial Capacity of the Bidder. Would New Jersey be willing to sign an NDA in advance of receiving the completed RFP? Alternatively, we could provide you with our sample NDA in our response and if we progress to the next phase, New Jersey could complete the NDA at that time. We welcome suggestions on how best to proceed.*

**Answer:** **DOI will not sign NDAs in advance of receiving proposals. Pursuant to Section 5.7.4, bidders may include financial documents in a separate envelope labeled “Confidential – Financial Information” and DOI will hold those documents confidential. Confidential records of successful bidders will be kept in a contract file with limited access. If DOI receives an OPRA request for those records, and if the requestor challenges the bidder’s assertion of confidentiality, DOI will notify the bidder and the bidder may elect to defend its assertion in a timely manner at its own expense.**

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64.

**Section: 3.2.1**  
**Page: 17**

**Question:** *Often high yield deals announce and price within the same day. How does NJ DOI look at new issuance?*

**Answer:** **All trades must be pre-approved. DOI will attempt to provide approval on an expedited basis where circumstances require immediate action.**

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65.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Will DOI direct any trades to be completed by the Investment Advisor that have not been originally proposed by such Investment Advisor?*

**Answer:** **No**

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66.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Does the DOI Liaison “Approval” of each Investment Advisor’s proposed “Trade” require any information beyond that detailed on Page 2 – Section 3b of the Investment Adviser Agreement? If so, please elaborate on the required form and content of such additional detailed information.*

**Answer:** **DOI will provide a template upon contract award to each successful bidder. DOI does not currently intend to require information substantially beyond what is listed in the Investment Adviser Agreement.**

---

67.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Are trade recommendations, research, advice and related DOI approvals viewed as unique and proprietary to each Investment Advisor or is information on “Trade” and “Issuer/debt obligation Approvals” shared across the DOI High Yield Investment Advisor Group?*

**Answer: Information is not shared across advisors.**

---

68.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Does the DOI Liaison “Approval” reference all permissible debt obligations of an issuer or does the approval reference a single, specific permissible debt obligation of such an issuer.*

**Answer: The trade approval is for a specific permissible debt obligation.**

---

69.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Will all trades need prior trade approval and this requirement is non-negotiable?*

**Answer: This RFP is for non-discretionary investment advisory services, not for discretionary investment management services. Investment discretion may not be delegated to any firm hired under this mandate.**

---

70.

**Section: 3.2.2**  
**Page: 17**

**Question:** *What details should be provided when submitting proposed trades, security ID, price, amount? Can ranges of sizes, prices, amounts be submitted?*

**Answer: The information required by DOI in connection with proposed trades is set forth in Section 3(b) of the Investment Adviser Agreement. Advisers may propose a maximum quantity or notional value; a range of prices is not required to be submitted.**

---

71.

**Section: 3.2.2**  
**Page: 17**

**Question:** *If any details change between the time of original submission of proposed trade and execution of proposed trade such as price, or amount, does a new trade proposal need to be submitted before execution of the trade?*

**Answer:** Section 3(c) of the Investment Adviser Agreement permits the Adviser to purchase or sell less than the approved amount as market conditions dictate, provided that it notifies DOI when it elects to do so. The Adviser may not exceed the approved amount without obtaining further pre-approval.

---

72.

**Section: 3.2.2**  
**Page: 17**

**Question:** *In obtaining approval of trades, would DOI be willing to commit to a specific turnaround once daily (ex. Trade pre-clearance request arrives in Trenton by 8:30am, would there be a willingness to commit to turn it around by 9:30am?) We also understand that as opportunities come up throughout a given day, we would only expect best efforts.*

**Answer:** No

---

73.

**Section: 3.2.2**  
**Page: 17**

**Question:** *From a historical standpoint, can you share data indicating the average response time from the DOI liaison(s) in addition to the percentage of requests that were approved, placed on hold or rejected over the past 1, 3 and 5 year time periods?*

**Answer:** DOI does not track response time. Historically, less than one percent of proposed trades have been rejected during the pre-approval process; however, DOI cannot predict the percentage of approvals on a going-forward basis.

---

74.

**Section: 3.2.2**  
**Page: 17**

**Question:** *In obtaining trade approval from the DOI for a specific bonds, how many business days does that approval last for when working an order over multiple days or weeks? Must that same bond be re-submitted each day that the order is not fully executed, i.e., is daily re-approval for working orders required?*

**Answer:** A typical timeframe for purchasing or selling fixed income securities would be two weeks. DOI reserves the right to approve longer or shorter timeframes, as circumstances would require. Section 3(c) of the Investment Adviser Agreement permits the Adviser to execute approved trades within the approved timeframe without re-proposing any unexecuted trades.

---

75.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Regarding pre-approval of trades, what has been NJDOI's average turnaround time on trade list approvals?*

**Answer: DOI does not track response time.**

---

76.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Do you need to know Issuer, Specific Issue, Size and Direction of trade prior to execution?*

**Answer: Yes.**

---

77.

**Section: 3.2.2**  
**Page: 17**

**Question:** *3.2.2 states "Contractor shall obtain approval of trades from the Designated DOI Liaison(s) . . . . before any trades can be executed." We expect to execute all trades for DOI within your investment guidelines and under the terms of the Investment Management Agreement ("IMA"). Therefore, for all trades done within the guidelines and IMA, can we assume that approval has been granted and therefore do not have to submit individual trades for approval?*

**Answer: No. All trades must be recommended to DOI for preapproval.**

---

78.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Is the trading pre-approval process in fact applicable to a Fixed Income mandate such as this one?*

**Answer: Yes.**

---

79.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Can you please provide some additional detail on the intent of the pre-trade clearance requirement? Specifically, we are trying to evaluate the practical impact of this requirement on our trade allocation procedures / systems. Typically, [the firm] allocates trades to portfolios throughout the day and requires a sense of the capacity of the accounts on its platform to size its orders with trading counterparties during trading hours. Is the intention that [the firm] would not be able to allocate any trades to NJ without first receiving sign off from DOI? Is it possible to pre-clear securities and/or issuers? Is approval required for an add-on to an existing position? Is pre-approval required for sales as well as purchases where exits may be more time sensitive?*

**Answer:** **Yes, all trades must be recommended to DOI for preapproval, including add-ons to an existing position and including both purchases and sales. DOI will attempt to provide approval on an expedited basis where circumstances require immediate action. An adviser may obtain "pre-clearance" for a particular trade during a proposed timeframe (generally two weeks).**

---

80.

**Section: 3.2.2**  
**Page: 17**

**Question:** *With respect to the lower tier of the high yield fixed income market, investment opportunities are often limited in fast-moving markets. Depending on the client's degree of responsiveness, a trade preapproval requirement may cause a client to miss an investment opportunity or otherwise impede a manager's ability to obtain best execution. With that concern in mind, would the State of New Jersey be amenable to a modified preapproval requirement, such as a daily preapproval of all open trade orders? Such an approach, which generally could be handled before the markets open, may limit transaction costs while nonetheless enabling the State to maintain control over the investments targeted by the manager for its portfolio. Any insight that you can provide regarding this requirement is greatly appreciated.*

**Answer:** **Pre-approvals are valid for the length of an approved timeframe. A typical timeframe for purchasing or selling fixed income securities would be two weeks, although DOI reserves the right to approve longer or shorter timeframes, as circumstances require. This process should reduce the need for a daily preapproval of all open trade orders.**

---

81.

**Section: 3.2.2**  
**Page: 17**

**Question:** *It is stated that the Designated DOI Liaison(s) shall provide approval, holds, or rejections of proposed trades "by close of business the same Business Day;" please verify whether notification will be same day or by 8:30 a.m. the following day per the Investment Adviser Agreement*

**Answer:** **Please see Amendment #2 posted to DOI's website.**

---

82.

**Section: 3.2.2**  
**Page: 17**

**Question:** *As to the requested daily list of trades, can you advise regarding what specific details are required in the trade file?*

**Answer:** As noted in Section 3(b) of the Investment Adviser Agreement, the summary of proposed trades shall include information such as the name of the issuer, trade direction (buy or sell), a brief description of the obligation, a security identifier, the proposed timeframe for purchasing or selling each position, a brief edscription of the rationale for each proposed transaction, and the quantity or notional value of each proposed transaction.

---

83.

**Section: 3.2.2**  
**Page: 17**

**Question:** *Is it possible for the turnaround time to be expedited in special circumstances, such as for new issues?*

**Answer:** DOI will attempt to provide approval on an expedited basis where circumstances require immediate action.

---

84.

**Section: 3.2.2**  
**Page: 17**

**Question:** *If a trade is approved for purchase, is there a limit for when the trade has to be executed (i.e. the same day, the next day, 5 days, etc.)?*

**Answer:** Pre-approvals are valid for the length of an approved timeframe. A typical timeframe for purchasing or selling fixed income securities would be two weeks, although DOI reserves the right to approve longer or shorter timeframes, as circumstances require.

---

85.

**Section: 3.2.2**  
**Page: 17**

**Question:** *If approved trades are not completed on the day of approval, do they need to be resubmitted on the following day?*

**Answer:** Pre-approvals are valid for the length of an approved timeframe. A typical timeframe for purchasing or selling fixed income securities would be two weeks, although DOI reserves the right to approve longer or shorter timeframes, as circumstances require.

---

86.

**Section: 3.2.2**  
**Page: 17**

**Question:** *If a trade is approved on a particular day, does it need to be resubmitted for approval for another day in the future or is the security considered approved until the trade is executed?*

**Answer:** **Pre-approvals are valid for the length of an approved timeframe. A typical timeframe for purchasing or selling fixed income securities would be two weeks, although DOI reserves the right to approve longer or shorter timeframes, as circumstances require.**

---

87.

**Section: 3.2.4**  
**Page: 18**

**Question:** *Will the NJ DOI seek the advice of the Contractor only for all voluntary corporate actions (and not mandatory), or will other parties outside of the NJ DOI participate in the voting decision of proxies or corporate actions?*

**Answer:** **DOI will have sole discretion in voting proxies and electing corporate actions. DOI will base its decisions on the recommendation of the adviser, as well as any other information available to it.**

---

88.

**Section: 3.2.4**  
**Page: 18**

**Question:** *We would like to confirm that the Investment Adviser, after providing their recommendation and receiving approval or rejection from the DOI, will take the appropriate action to elect on the corporate action, not the DOI.*

**Answer:** **No, DOI will take the action and execute any required legal documents.**

---

89.

**Section: 3.2.4**  
**Page: 18**

**Question:** *These are the conflicting statements:*

*In the Investment Management Agreement, it states in point 10 that the DOI will review our recommendation and inform the Investment Adviser if the recommendation has been approved or rejected.*

*In the RFP, on page 18 in point 3.2.4, it states that the DOI will review the recommendation and inform the Contractor what actions have been taken*

**Answer:** **The statements are intended to be read consistently. The adviser is expected to make recommendations to DOI on corporate and/or legal actions, and DOI will consider the recommendation in determining what action to take. DOI will inform the adviser of its decision(s) and action(s).**

---

90.

**Section: 3.2.5**  
**Page: 18**

**Question:** *Could you please clarify what level of involvement is required on the Contractor's part?*

**Answer:** The adviser will be required to assist DOI in maximizing its tax benefits by providing information and forms in connection with foreign tax requirements to the extent the adviser has access to such information and forms. The adviser will not be required to provide tax advice.

---

91.

**Section: 3.2.5**  
**Page: 18**

**Question:** *In 3.2.5, this paragraph says that "contractor will provide advice with respect to such foreign tax requirement as DOI may reasonably request." Is there any flexibility here? We do not provide tax advice.*

**Answer:** The adviser will be required to assist DOI in maximizing its tax benefits by providing information and forms in connection with foreign tax requirements to the extent the adviser has access to such information and forms. The adviser will not be required to provide tax advice.

---

92.

**Section: 3.2.6**  
**Page: 18**

**Question:** *Is the Investment Manager responsible for tax reclaims, which are typically a function of the custodian? [The firm] is not a tax adviser.*

**Answer:** The adviser will be required to assist DOI in obtaining tax reclaims by providing information and forms to the extent the adviser has access to such information and forms. DOI's custodian will be responsible for actually filing the forms. The adviser will not be required to provide tax advice.

---

93.

**Section: 3.2.6**  
**Page: 18**

**Question:** *Can you please clarify what level of involvement is required on the Contractor's part?*

**Answer:** The adviser will be required to assist DOI in complying with foreign ownership reporting requirements in each applicable market by notifying DOI of the purchase, sale and ownership of securities, and by providing information and forms to the extent the adviser has access to such information and forms.

---

94.

**Section: 3.3.1**  
**Page: 18**

**Question:** *Managers that have full discretion should be able to provide better performance when compared to those of nondiscretionary managers. NJ DOI's selected manager(s) will manage on a nondiscretionary basis due to the requirement that all trades must be pre-approved by the NJ DOI. Given that, will the contractor's performance be measured against a customized "discretionary" style peer group of investment advisors over the three- and five- year rolling periods? Who will define the peer universe?*

**Answer: DOI will determine the appropriate peer group to properly evaluate the performance of each adviser.**

---

95.

**Section: 3.3.2**  
**Page: 18**

**Question:** *What measure of risk-adjusted return will be used to measure net of fees rate of return versus the selected appropriate benchmark?*

**Answer: DOI will determine the appropriate risk-adjusted net of fee rates of return to properly evaluate the performance of each adviser.**

---

96.

**Section: 3.4.1**  
**Page: 19**

**Question:** *What information and deadlines will you require from managers?*

**Answer: DOI has not yet determined the required content or deadline for required monthly reports.**

---

97.

**Section: 3.4.3**  
**Page: 19**

**Question:** *Can you define what "immediate" reporting of compliance violations means (i.e. within 24 or 48 hours or 1-3 business days, etc.)?*

**Answer: DOI expects all violations to be reported the same day as they are discovered by the adviser.**

---

98.

**Section: 3.4.5**  
**Page: 19**

**Question:** *[The firm] is not currently SOC1 certified but is currently evaluating undergoing the process to become certified. Can you please confirm whether submissions from non-SOC1 certified Contractors will be accepted? If SOC1 Compliance determines part of the selection criteria, are you able to provide a sense of the weight of this criteria in the selection process?*

**Answer: Submissions from non-SOC1 bidders will be accepted. DOI will review all submitted material, including SOC1 reports (where available) and audited financial statements, to determine the financial health and operational strengths of the bidder.**

99.

**Section: 3.5.1**  
**Page: 20**

**Question:** *Could you please describe more in detail the securities lending program? Are high yield corporate bond holdings expected to part of the securities lending program? Will there be limits on term of lending? 1 day, 1 month, etc.?*

**Answer:** All investments, including high yield corporate bond holdings, are eligible for the securities lending program and there are generally no limits on the term of lending. DOI has the right to limit specific securities from being loaned if circumstances warrant the restriction.

---

100.

**Section: 3.5.1**  
**Page: 20**

**Question:** *What percentage of your High Yield portfolio do you currently lend in your Sec lending program? Do you anticipate this same level going forward?*

**Answer:** DOI does not track the lending of high-yield fixed-income securities separately from other fixed-income securities. In any event, DOI cannot predict future demand for loaned securities.

---

101.

**Section: 3.6.3**  
**Page: 20**

**Question:** *How many ISDA/Dodd Frank Protocol Agreements counterparties do you anticipate having in place when the contract is awarded and portfolios are allocated?*

**Answer:** DOI will disclose this information upon contract award.

---

102.

**Section: 3.6.5**  
**Page: 21**

**Question:** *Does DOI have to approve each broker we trade with?*

**Answer:** DOI does not have to approve each broker, provided that DOI has approved the bidder's broker-dealer selection policies and procedures. Note that DOI reserves the right to refuse trading authority to specific broker-dealers.

---

103.

**Section: 3.6.5**  
**Page: 21**

**Question:** *The investment manager will have to provide NJ DOI with its approved broker dealer policy as NJ DOI will have to approve. Any changes to the investment manager's broker dealer policy will have to be provided to NJ DOI for review and prior approval. What happens if the investment manager has a proposed change that NJ DOI does not like but the investment manager needs to make the proposed change to meet other obligations?*

**Answer:** DOI does not intend to disapprove changes that are reasonably required to meet the adviser regulatory and/or statutory obligations; however, if DOI does not approve such changes, they may not be implemented with respect to DOI's account.

---

104.

**Section: 3.7.1**  
**Page: 21**

**Question:** *[The firm] has worked with State Street as a Custodian on several other of its mandates. In our experience, many leveraged loans and structured products assets (CLO debt and equity tranches) typically require longer than 3 days to reconcile. Is there flexibility to include these types of assets in the portfolio? If so, can you provide additional color on the process for reconciliation for assets that take longer than 3 days and the ability to expedite the reconciliation process?*

**Answer:** Investments and net assets are valued daily on a trade date basis. While certain assets may not settle within the three day month-end reconciliation period, it is anticipated that every effort would be made by the adviser to ensure that valuations would be materially accurate within the specified reconciliation timeframes in the RFP.

---

105.

**Section: 3.8.2**  
**Page: 22**

**Question:** *"Technological Requirements" – regarding the pre-trade approval, if we submit a list of issuers at the start of the mandate, how long does that approval stand for? Indefinite?*

**Answer:** Each trade must be recommended to DOI for preapproval, not just a list of issuers. Upon approval, the adviser may execute trades within the approved timeframe. A typical timeframe for purchasing or selling fixed income securities would be two weeks. DOI reserves the right to approve longer or shorter timeframes, as circumstances would require.

---

106.

**Section: 3.8.2**  
**Page: 22**

**Question:** *"Technological Requirements" – regarding the pre-trade approval, would the approval encompass any buys and sales in bonds of those issuers?*

**Answer:** Yes, all trades must be recommended to DOI for preapproval, including both purchases and sales.

---

107.

**Section: 3.8.2**  
**Page: 22**

**Question:** *“Technological Requirements” – regarding the pre-trade approval, what are the repercussions if we buy something that was not on the pre-approved issuer list? Would the trade be acceptable so long as we provide daily trade reports?*

**Answer:** **In the event the adviser makes a purchase that without obtaining prior approval, the adviser shall bear responsibility for any loss or execution costs resulting from reversing the trade. Providing a daily trade report including a trade does not constitute pre-approval of the trade.**

---

108.

**Section: 3.8.2**  
**Page: 22**

**Question:** *Generally, our firm can meet the needs of 3.8.2, under Technological Requirements, but we would like to see an example of a report that would be required and confirm what format would be required for the report (csv, xls, etc) in order to confirm that we can comply with requirements. Is it possible for you to provide this information?*

**Answer:** **DOI expects that pre-trade approval requests and post-trade summary reports will be provided in Excel spreadsheet form. DOI will provide a proposed template to successful bidders. This process may be placed into an integrated internet environment. It is anticipated that Contractor will work with DOI to facilitate the upgrade of this process.**

---

109.

**Section: 3.8.2**  
**Page: 22**

**Question:** *“Technological Requirements” – regarding the pre-trade approval, can you please define the exact timeline for trade approval and how the Division would like to approach any potential lag-time that may occur?*

**Answer:** **The proposed timeline for trade approval is set forth in Section 3(b) of the Investment Adviser Agreement.**

---

110.

**Section: 4.2.1**  
**Page: 23**

**Question:** *FedEx is unable to deliver packages to P.O. Boxes. Would you kindly provide an address for Courier Delivery.*

**Answer:** **As stated in Section 4.2.1, clearly marked proposals shall be sent to the attention of Gina Costello at the following address:  
50 West State Street, 9th Floor  
Trenton, NJ 08608**

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111.

**Section: 4.2.2**  
**Page: 23**

**Question:** *Delivery to DOI's Consultant: I believe that HEK's office have moved from the 10 S. Riverside Plaza address.*

**Answer:** Amendment #1 to the RFP, dated April 1, 2014 fixes the address of Hewitt Ennis Knupp's offices. In addition to proposals sent to DOI, proposals shall also be sent to Hewitt Ennis Knupp at:

**Attn: Brady O'Connell**  
**Hewitt Ennis Knupp**  
**200 East Randolph Street, 15th Floor**  
**Chicago, IL 60601**

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112.

**Section: 4.3.1**  
**Page: 24**

**Question:** *Section 4.3.1 Forms makes reference to section 4.6. the RFP does not contain a section 4.6. (we are able to locate section 4.5.1 but not 4.6) Would you kindly provide a copy of this section. Or do you mean sections 4.4 and 4.5 should be included?*

**Answer:** This is an error. The RFP should read and is hereby corrected:

"4.3.1 VOLUME 1

• Section 1 - Forms (Sections 4.4 and 4.5)"

---

113.

**Section: 4.3.2**  
**Page: 24**

**Question:** *Reference is made to section 4.6, however we do not see the section.*

**Answer:** This is an error. The RFP should read and is hereby corrected:

"4.3.1 VOLUME 1

• Section 1 - Forms (Sections 4.4 and 4.5)"

---

114.

**Section: 4.3.2**  
**Page: 24**

**Question:** *We would like to confirm that Volume 1 and Volume 2 should be in two separate binders/discs.*

**Answer:** Yes. Volume 1 and Volume 2 should be separated.

---

115.

**Section: 4.4.2**  
**Page: 26**

**Question:** *Can we provide the publicly available range of ownership for those members who own greater than 10%, as disclosed in our Form ADV?*

**Answer:** Yes.

116.

**Section: 4.4.2**  
**Page: 26**

**Question:** *Can we provide business address rather than personal address?*

**Answer: Yes.**

---

117.

**Section: 4.5.1**  
**Page: 27**

**Question:** *We are a global investment manager, based in the U.S., and with a subsidiary office in London, where additional members of our investment team are located. Would this pose a problem given this requirement?*

**Answer: All firms doing business with the State of New Jersey must comply with all applicable laws, including the requirement that all services performed under the contract be performed within the U.S.**

---

118.

**Section: 5.13.7**  
**Page: 35**

**Question:** *Would the NJ DOI entertain the creation of a single investor fund solely created for the NJ DOI to be the vehicle to deliver our proposed strategies? If such structure is allowed, would the DOI need to approve all trades within such structure?*

**Answer: DOI 's global custodian will maintain and hold custody of each adviser's designated portfolio(s) as a separate subaccount. A fund would not be appropriate for this mandate.**

---

119.

**Section: 5.13.8**  
**Page: 35**

**Question:** *We are unable to located this table. Would you please provide.*

**Answer: "Table 5.13.0" should read "Table 5.12.0"**

---

120.

**Section: 5.14.4**  
**Page: 35**

**Question:** *In the RFP document, this question states “List applicable portfolio constraints or guidelines and describe any other quantitative or qualitative risk controls....”  
In the accompanying excel “Appendix” document, tab 5.14.4 is marked “VOID” and requests top and bottom five country overweights.*

*Does this question require a response, and, if so, should the RFP document question or the Appendix document question be answered?*

**Answer:** **Exclude the 5.14.4 Table from the response, but please provide an answer to the corresponding question within the RFP.**

---

121.

**Section: 5.14.5**  
**Page: 36**

**Question:** *Please confirm hedging is allowed in the HY mandate.*

**Answer:** **Permissible investments include foreign currency hedging (N.J.A.C. 17:16-81), Futures Contracts (N.J.A.C. 17:16-82), Swap Transactions (N.J.A.C. 17:16-83), Covered Call Options (N.J.A.C. 17:16-84) and Put Options (N.J.A.C. 17:16-85). All proposed transactions are subject to DOI pre-approval. Under no circumstances shall Contractor execute any legal agreement (including, but not limited to, Option Agreements, Futures Agreements, Margin Agreements, ISDAs or agreements in connection with the Dodd-Frank Act) on DOI's behalf. Counterparties are limited to those with which DOI has directly executed applicable Agreements. The DOI does not currently have any executed ISDA agreements in place. A list of counterparties with which DOI has executed Dodd Frank Protocol Agreements will be provided upon contract award.**

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122.

**Section: 7.7.3**  
**Page: 48**

**Question:** *Many State Retirement Plans view a highly qualified Investment Advisor's domicile in such State as an objective advantage in the scoring and selection process. Furthermore, DOI Meeting Minutes have referenced a similar interest on various occasions over the last few years. Will a New Jersey firm domicile be viewed and scored positively and explicitly in this search?*

**Answer:** **New Jersey-based firms are not evaluated differently than other firms as part of this mandate.**

---

123.

**Section: 8.1.4**  
**Page: 53**

**Question:** *[The firm] is not currently in possession of a New Jersey Certificate of Employee Information Report or operating under a federally approved or sanctioned Affirmative Action program. Can you please clarify, however, if possession of these will determine part of the selection criteria? [The firm] would anticipate completing the Affirmative Action Employee Information Report as requested if it were awarded the contract.*

**Answer:** Pursuant to N.J.A.C. 17:27-3.5 and -4.3, a vendor may submit evidence of compliance with affirmative action requirements following notification of award, but must do so prior to the execution of the contract. Please be advised that compliance may be demonstrated by the submission of a) evidence that the vendor is operating under a Federally approved or sanctioned affirmative action program, b) evidence that the vendor has been issued a certificate of employee information report in accordance with N.J.A.C. 17:27-4.6, or c) a completed employee information report.

---

124.

**Section: 8.1.4**  
**Page: 53**

**Question:** *Our firm does not have offices in the state of New Jersey. As such, would we be subject to minority and women employment targets established by the State? If so, what specific targets would we be subject to (the guidelines the RFP references do not appear to reference what the targets would be for an out-of-state contractor)?*

**Answer:** Bidders should seek advice from legal counsel regarding compliance with applicable State statutes and regulations.

---

125.

**Section: 8.1.4**  
**Page: 53**

**Question:** *What are the potential penalties if the State determines that we have not made a “good faith effort” to comply with the targets? Please provide specific references to any applicable statutes and regulations.*

**Answer:** Bidders should seek advice from legal counsel regarding compliance with applicable State statutes and regulations.

---

126.

**Section: Appendix**  
**Page:**

**Question:** *Tab 5.14.4 is currently marked as void. Should we exclude this tab from our response? What if we are proposing a Global High Yield Bond strategy?*

**Answer:** Yes, exclude the 5.14.4 Table from the response, but please provide an answer to the corresponding question within the RFP.

---

127.

**Section: Appendix Tables**  
**Page:**

**Question:** *In Question 5.12, the Excel tables end in 2012. Would you like us to add 2013 to these tables?*

**Answer:** Yes. Updated Tables can be found on DOI's website titled: **Appendix Tables Revised as of 4/21/14.**

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128.

**Section: Appendix Tables**  
**Page:**

**Question:** *Would it be appropriate to provide all data as of December 31, 2013? Additionally, the RFP Appendix Tables currently requests data for 2010 through 2012. As December 31, 2013 appears to be the reference date in the technical proposal, should we respond for the three years ending December 31, 2013 in the excel file?*

**Answer:** Yes. Updated Tables can be found on DOI's website titled: **Appendix Tables Revised as of 4/21/14.**

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129.

**Section: General**  
**Page:**

**Question:** *Is the investment strategy of the portfolio limited to long only? Or can the portfolio be long and short?*

**Answer:** DOI is seeking advice on long-only portfolios.

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130.

**Section: General**  
**Page:**

**Question:** *Can the portfolio be formulated by a portfolio of managers rather than a single manager?*

**Answer:** Bidders should disclose the individuals and/or entities involved in formulating a proposed strategy.

---

131.

**Section: General**  
**Page:**

**Question:** *Given that we currently manage a portfolio, should we complete the RFP like this would be an additional allocation to the current portfolio, or a separate mandate?*

**Answer:** Current advisers to the portfolio should respond to the RFP as a new and separate mandate.

---

132.

**Section: General**  
**Page:**

**Question:** *Our US-based affiliate manages US core fixed income locally. Global fixed income mandates thus far have been managed by the US affiliate as well, utilizing the resources of our headquarters in Europe to construct a model portfolio on which the US-based mandate is based. The European headquarters is not currently registered with the SEC. There would of necessity be some minor variance due to local time zone trade execution which would be carefully monitored. Is this process acceptable?*

**Answer:** Without knowing what variances are being proposed and why, DOI cannot comment on their acceptability.

---

133.

**Section: General**  
**Page:**

**Question:** *We are interested in knowing if the DOI currently manages high yield and municipal fixed income allocations internally? If so, what percentage of the high yield and municipal fixed income allocations were managed internally by the DOI verses externally through the use of external non-discretionary Contractors?*

**Answer:** Yes, DOI currently manages high yield and fixed income allocations internally. DOI received advice from non-discretionary advisers on approximately 85-90 percent percent of the portfolios.

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134.

**Section: General**  
**Page:**

**Question:** *As experienced investment managers of high yield and municipal securities, we believe that discretion in the portfolio management and trade processes, such as the ability to participate in new issues and block execution across multiple client portfolios, enhances our ability to meet the return expectations of our clients. Would New Jersey be willing to consider reviewing and/or negotiating the terms of discretion with the Contractor in order to be able to access the best investment choices possible?*

**Answer:** This RFP is for non-discretionary investment advisory services, not for discretionary investment management services. Investment discretion may not be delegated to any firm hired under this mandate.

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135.

**Section: General**  
**Page:**

**Question:** *Can the DOI provide any guidance on fee ranges utilized for current high yield bond managers?*

**Answer:** Current fees range from approximately 0.20% to 0.65%

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136.

**Section: General**  
**Page:**

**Question:** *Is there a particular duration or maturity target, or guidelines, for the High Yield and Muni mandates?*

**Answer: No.**

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137.

**Section: General**  
**Page:**

**Question:** *What is the investment rationale for a tax-exempt public pension to invest in Munis?*

**Answer: DOI invests in municipal bonds when such investments are consistent with the diversification goals of its asset allocation plan, and when the return on such bonds is expected to be commensurate with the risk associated with the investment.**

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138.

**Section: General**  
**Page:**

**Question:** *What is the typical turnaround time for pre-trade approval by the Designated DOI Liaison? I understand the Liaison will attempt a same business day response, but is there a typical turnaround time that we can expect?*

**Answer: DOI does not track average turnaround time, but it is not uncommon for trades to be approved by DOI on the same day as they are received, provided that they are received early in the day. DOI will use its best efforts to meet the timeframes set forth in the Investment Adviser Agreement, but it cannot guarantee a specified turnaround time.**

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139.

**Section: General**  
**Page:**

**Question:** *What is the typical percentage of proposed trades that are rejected?*

**Answer: Historically, less than one percent of proposed trades have been rejected during the pre-approval process; however, DOI cannot predict the percentage of approvals on a going-forward basis.**

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140.

**Section: General**  
**Page:**

**Question:** *When proposed trades are rejected, what are the typical reasons?*

**Answer: Criteria that may be used in rejecting a trade include, but are not limited to, trading outside the adviser's proposed strategy and issuer characteristics that would indicate that the expected return is not commensurate with the risk associated with the investment.**

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141.

**Section: General**  
**Page:**

**Question:** *Is there any flexibility to the requirements of pre-trade approval as described in the RFP?*

**Answer:** **The specifics of the pre-approval processes can be negotiated to a limited extent so long as they comply with applicable regulations, statutes, policies, and procedures.**

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142.

**Section: General**  
**Page:**

**Question:** *As referenced in Section 8.1.1 on page 52 (and elsewhere in the RFP questionnaire) it states that the Investment Adviser Agreement stipulates the Contractor is providing non-discretionary advice and that all trades are subject to DOI approval. We are assuming that this is intended to be a non-discretionary mandate for all trades but would appreciate confirmation of this. We would be interested in understanding what criteria is considered when evaluating a trade. Could you let us know, historically, what percentage of trades (by number of trades and by size of trades) have been rejected in your pre-approval process in these and other asset classes? Additionally, would you please provide us with an example of a trade (and the rationale for rejection) that you have rejected in high yield fixed income or other asset classes managed on a non-discretionary basis?*

**Answer:** **Yes, this contract is for non-discretionary advice with respect to all trades. Criteria that may be used in rejecting a trade include, but are not limited to, trading outside the adviser's proposed strategy and issuer characteristics that would indicate that the expected return is not commensurate with the risk associated with the investment. Historically, less than one percent of proposed trades have been rejected during the pre-approval process; however, DOI cannot predict the percentage of approvals on a going-forward basis.**

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143.

**Section: General**  
**Page:**

**Question:** *How often in the past has the DOI not approved a trade?*

**Answer:** **Historically, less than one percent of proposed trades have been rejected during the pre-approval process; however, DOI cannot predict the percentage of approvals on a going-forward basis.**

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144.

**Section: General**  
**Page:**

**Question:** *Is the NJ DOI interested in considering (investment grade) intermediate-term municipal bond strategies or are they only interested in long-term national municipal bond strategies?*

**Answer:** **DOI is interested in considering municipal bond strategies that are consistent with applicable statutes, regulations and policies, including, but not limited to, N.J.A.C. 17:16-17.**

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145.

**Section: Investment Adviser Agreement**  
**Page: 2**

**Question:** *Section 3(c): Can you give an example of a typical approved timeframe?*

**Answer:** A typical timeframe for purchasing or selling fixed income securities would be two weeks. DOI reserves the right to approve longer or shorter timeframes, as circumstances would require.

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146.

**Section: Investment Adviser Agreement**  
**Page: 2**

**Question:** *In reference to the Investment Adviser Agreement, section 3 (b) (Provision of Non-Discretionary Investment Advice), will there be a limit on the number of bonds that may be included on the summary of proposed trades?*

**Answer:** Yes .

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147.

**Section: Investment Adviser Agreement**  
**Page: 2**

**Question:** *In the Investment Adviser Agreement, there are references to Exhibits A, B, C and D but we cannot locate these Exhibits from the NJ DOI website. Does the investment manager need to review/comment on these Exhibits as part of the RFP submission? We cannot review billing methodology to provide comments.*

**Answer:** No. The Exhibits referenced in the IAA are specific to the awarded contract and will not be finalized until contract award. Specifically, Exhibit A is the High Yield RFP; Exhibit B is the firm's response to the RFP; Exhibit C is DOI's list of Designated Individuals; and Exhibit D is the firm's proposed fees.

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148.

**Section: Investment Adviser Agreement**  
**Page: 2**

**Question:** *Because trades are required to be pre-approved we will need to add that The New Jersey Division of Investment acknowledges that it may lose the benefit of more favorable commission rates or more favorable executions that may be obtained when the investment manager aggregates client orders with clients that do not require pre-approval of trades. In addition, there may be times when such trading arrangement occurs after the investment manager has completed the execution of other transactions in the same security for other clients.*

**Answer:** DOI understands that the preapproval process may result in delays that may impact trading in certain markets or for specific securities.

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149.

**Section: Investment Adviser Agreement**  
**Page: 2**

**Question:** *You seem to answer this in (c), but we would like to confirm that adds and trims to current positions also need approval.*

**Answer: Yes. All trades must be recommended to DOI for preapproval, even if DOI already holds a current position in the security.**

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150.

**Section: Investment Adviser Agreement**  
**Page: 2**

**Question:** *What is your average turnaround time in terms of approving a trade? If requests are provided early in the day, is it common to receive a timely, same-day turnaround on approval? The firm would seek to trade the positions with our institutional block of clients, aiding in best execution. Also, with roughly 50% of new issuances being issued the same day they are announced, a same-day turnaround would facilitate participating in new issues that meet investment style criteria.*

**Answer: DOI does not track average turnaround time, but it is not uncommon for trades to be approved by DOI on the same day as they are received, provided that they are received early in the day.**

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151.

**Section: Investment Adviser Agreement**  
**Page: 2**

**Question:** *In a situation where a manager feels a bond is a risk of significant losses in a short period of time, is the manager prevented from selling the bond until approval is received?*

**Answer: Pre-approval is required for all trades. DOI will attempt to provide approval on an expedited basis in situations where an adviser warns there is a risk of significant loss.**

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152.

**Section: Investment Adviser Agreement, Section 15**  
**Page: 5**

**Question:** *Section 15: “The Client hereby agrees and consents to receive all client communications electronically, including but not limited to the Adviser’s Form ADV, client account statements, fee invoices, periodic reports, privacy statement (if required by applicable law) and any other communications or documents which the Adviser may deliver in the future in accordance with applicable laws (“Communications”). Please note that by consenting to electronic delivery, you will not receive these documents in paper form. The Client further acknowledges that its consent authorizes the Adviser to deliver all Communications to the Client via e-mail or by sending the Client an e-mail that includes a hyperlink or directs the Client to a website address where the information is posted, and can be read and printed. The Client agrees that such delivery shall be deemed effective delivery to the Client whether or not the Client accesses or reviews the Communication. The Client understands and agrees that it is the Client’s responsibility to notify the Adviser with any change to its contact information, including its email address.”*

**Answer:** **DOI is not amending Section 15 of the Investment Adviser Agreement at this time. A successful bidder may propose, during negotiations, changes to Section 15 of the Investment Adviser Agreement, so long as they comply with applicable regulations, statutes, policies, and procedures.**

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153.

**Section: Investment Adviser Agreement, Section 16**  
**Page: 5**

**Question:** *We would need to amend “Part II” to read “ADV Part 2A and 2B”.*

**Answer:** **Section 16 of the Investment Adviser Agreement will be amended accordingly.**

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154.

**Section: Investment Adviser Agreement, Section 13**  
**Page: 5**

**Question:** *“Bidder” would like to further discuss provision 13 of State of New Jersey’s Investment Adviser Agreement as “Bidder” normally operates with a heightened exculpation standard*

**Answer:** **DOI is not amending Section 13 of the Investment Adviser Agreement at this time. A successful bidder may propose, during negotiations, changes to Section 13 of the Investment Adviser Agreement, so long as they comply with applicable regulations, statutes, policies, and procedures.**

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155.

**Section: Investment Adviser Agreement**  
**Page:**

**Question:** *Is State of New Jersey open to negotiating a limited indemnity for the Investment Adviser with regards to claims related to the investment activity of the account? As currently drafted, the IAA is silent on indemnity.*

**Answer:** **No. The State of New Jersey is not authorized under State law to provide indemnification.**

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156.

**Section: Investment Adviser Agreement, Section 10**  
**Page: 1**

**Question:** *We would like to make the following insertion (see language in red) to the Investment Adviser Agreement. “Investment Adviser will provide advice to Designated Division Liaison(s) by e-mail on the exercise of rights, options, warrants, conversion privileges, and redemption privileges, and the tender of securities pursuant to a tender offer (“corporate actions”) by no later than 1 p.m. prevailing U.S. Eastern Time three (3) Business Days prior to the response deadline or, if Investment Adviser has not received information about such action more than three (3) Business Days prior to the response deadline, as promptly as possible after Investment Adviser has received such information. On a few occasions, but not often, there are circumstances where the Investment Adviser cannot make the best decision on behalf of our clients on an event until very close to the actual deadline. (i.e. we were negotiating better terms on a consent offer, Plan of Reorganization, etc...). In these cases, we would need flexibility on the 3 day deadline. The Designated Division Liaison(s) will review the recommendation(s) and inform Investment Adviser whether such corporate actions have been approved or rejected by no later than 9 a.m. prevailing U.S. Eastern Time the next Business Day after receiving Investment Adviser’s advice regarding the corporate action.”*

**Answer:** **DOI is not amending Section 10 of the Investment Adviser Agreement at this time. A successful bidder may propose, during negotiations, changes to Section 10 of the Investment Adviser Agreement, so long as they comply with applicable regulations, statutes, policies, and procedures.**

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157.

**Section: Terms & Conditions, Section 3**  
**Page: 3**

**Question:** *The Public Work Contract would not apply to the scope of work outlined in this proposal.*

**Answer:** **Sections 3.1, 3.2, 3.4, 3.5 and 3.7 of the Standard Terms and Conditions are not applicable to this contract. Sections 3.3 and 3.7 are applicable.**

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158.

**Section: Terms & Conditions, Section 4.1**  
**Page: 4**

**Question:** *We would need to amend the language as we would only be able to provide indemnity only where losses (direct, and not indirect, special or consequential) result from a breach of Investment Adviser’s obligations with respect to the Account.*

**Answer:** **A successful bidder may propose, during negotiations, changes to Section 4.1 of the Standard Terms and Conditions, so long as they comply with applicable regulations, statutes, policies, and procedures.**

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159.

**Section: Terms & Conditions, Section 6**  
**Page: 8**

**Question:** *Is this Section 6 applicable to investment management contract?*

**Answer:** **Yes, Section 6 of the Standard Terms and Conditions is applicable.**

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160.

**Section: Terms & Conditions, Section 6.1**  
**Page: 8**

**Question:** *Does the section 6.1 apply to investment management contract? Fee rates may be subject to this but not amounts since for investment management the amounts vary with assets under management throughout the period of the contract.*

**Answer:** Yes, Section 6.1 of the Standard Terms and Conditions is applicable. The Section refers to prices, which may include a rate, rather than a fixed amount.

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161.

**Section: Terms & Conditions, Section 6.1**  
**Page: 8**

**Question:** *Section 6.1 appears to describe a reduction to the standard fee schedule and not versus other clients?*

**Answer:** Correct.

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162.

**Section: Terms & Conditions, Section 1**  
**Page:**

**Question:** *Section 1: The division of investment has the ability to amend a contract when the director determines it is in the best interest of the state. We would recommend deleting this provision.*

**Answer:** DOI is not deleting Section 1 of the Standard Terms and Conditions. A successful bidder may propose, during negotiations, changes to Section 1 of the Standard Terms and Conditions, so long as they comply with applicable regulations, statutes, policies, and procedures.

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163.

**Section: Terms & Conditions, Section 2.10**  
**Page:**

**Question:** *Section 2.10: It should be raised with the client what local, State and Federal laws, rules and regulations are required to be complied with in performing services under this agreement which are not referenced in the agreement.*

*We would recommend deleting this provision and/or asking what additional laws the investment adviser would be required to comply with as we need to define the universe of laws that investment adviser will be subject to.*

**Answer:** DOI is not deleting Section 2.10 of the Standard Terms and Conditions. The Contractor will be bound by all applicable laws, regulations, policies and procedures of the State of New Jersey. To the extent the applicability of a specific law, regulation, policy or procedure is unclear, the bidder should seek advice of legal counsel. While DOI intends to cooperate with each successful bidder to facilitate its compliance with applicable laws, regulations, policies or procedures, DOI will not commit to advising the bidder of each specific law, regulation, policy or procedure that the bidder will be subject to.

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164.

**Section: Terms & Conditions, Section 5.5**

**Page:**

**Question:** *Section 5.5: What changes of law does the State of New Jersey think could be made that would affect the contract as provided for in Section 5.5*

*We would recommend deleting this provision.*

**Answer:** DOI will not speculate as to future laws or regulations. DOI is not deleting Section 5.5 of the Standard Terms and Conditions. A successful bidder may propose, during negotiations, changes to Section 5.5 of the Standard Terms and Conditions, so long as they comply with applicable regulations, statutes, policies, and procedures. Please be advised that the chosen vendor will be expected, as stated in Section 2.10 of the Standard Terms and Conditions, to comply with all applicable local, State, and Federal laws, rules, and regulations.

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165.

**Section: Terms & Conditions, Section 5.15**

**Page:**

**Question:** *Section 5.6: We do not think this section should be applicable to an investment management contract but this should be confirmed with the State of New Jersey.*

*We would recommend deleting this provision as we do not think it is applicable to investment management services.*

**Answer:** The provisions of Section 5.6 of the Standard Terms and Conditions are applicable to this contract, and are not being deleted at this time. A successful bidder may propose, during negotiations, changes to Section 5.6 of the Standard Terms and Conditions, so long as they comply with applicable regulations, statutes, policies, and procedures.

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166.

**Section: Terms & Conditions, Section 5.15**

**Page:**

**Question:** *Section 5.15: Maintain all records for a period of five years after the date of final payment by client.*

*We would add the following sentence to the end of the provision: “; provided however, internal audit reports relating to the services against the contractor will not be made available to the State, including the Comptroller.”*

**Answer:** DOI is not amending Section 5.15 of the Standard Terms and Conditions at this time. A successful bidder may propose, during negotiations, changes to Section 5.15 of the Standard Terms and Conditions, so long as they comply with applicable regulations, statutes, policies, and procedures.

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167.

**Section: Terms & Conditions, Section 6.3**

**Page:**

**Question:** *Section 6.3d: We would recommend deleting this provision as we do not think it is applicable to investment management services.*

**Answer:** The provisions of Section 6.3 of the Standard Terms and Conditions relating to the shipment of items, commodity contracts, and time and materials contracts are not applicable to this contract; the provisions of Section 6.3 relating to the provision of services are applicable. DOI is not deleting Section 6.3d of the Standard Terms and Conditions at this time. A successful bidder may propose, during negotiations, changes to Section 6.3 of the Standard Terms and Conditions, so long as they comply with applicable regulations, statutes, policies, and procedures.

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168.

**Section: Terms & Conditions, Section 6.6**

**Page:**

**Question:** *Section 6.6: We would recommend deleting this provision and/or asking if this provision is applicable to the services the investment adviser will perform.*

**Answer:** The provisions of Section 6.6 of the Standard Terms and Conditions are applicable to this contract and are not being deleted.

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169.

**Section: Terms & Conditions, Sections 6.2 and 6.7**

**Page:**

**Question:** *Regarding the Terms & Conditions, should we move forward in the search, we may suggest changes to Section 6.2 (Termination) in order to clarify the determination and of removal for cause and Section 6.7 (Confidentiality) in order to make the confidentiality requirements reciprocal. In addition, we would like to discuss the incorporation of, among other items, a securities lending provision and change in local law notification into the ultimate IMA.*

**Answer:** A successful bidder may propose, during negotiations, changes to Sections 6.2 and 6.7 of the Standard Terms and Conditions, and to the Investment Adviser Agreement, so long as they comply with applicable regulations, statutes, policies, and procedures.

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170.

**Section: Terms & Conditions, Sections 4, 5 and 6**

**Page:**

**Question:** *Regarding the Standard Terms and Conditions, should we move forward in the search, we would like to discuss Section 4.1 (Indemnification) and 6.1 (Price Fluctuation) with DOI. We would also like to seek clarification on Section 5.7 (Termination) in order to clarify the determination and repercussions of removal for cause and Section 6.6 (Availability of Funds). For Section 4.2, we would seek to modify as follows:*

*4.2 INSURANCE - The contractor shall secure and maintain in force for the term of the contract insurance as provided herein. All required insurance shall be provided by insurance companies with an A- VIII or better rating by A.M. Best & Company. The contractor shall provide the State with current certificates of insurance for all coverages and renewals thereof, and the certificates shall reflect that the insurance policies shall not be canceled for any reason except after sixty (60) days written notice to the State. Contractor shall endeavor to provide certificates of renewals shall be provided within thirty (30) days of the expiration of the insurance.*

**Answer:** DOI is not amending Section 4.2 of the Standard Terms and Conditions at this time. A successful bidder may propose, during negotiations, changes to Sections 4.1, 4.2, 5.7, 6.1 and 6.6 of the Standard Terms and Conditions, so long as they comply with applicable regulations, statutes, policies, and procedures. Please be advised that DOI cannot agree to indemnify a vendor, due to its sovereign immunity. Any claims against the State related to this contract are subject to the Tort Claims Act (N.J.S.A. 59:1-1 et seq.), and the Contractual Liability Act (N.J.S.A. 59:13-11 et seq.).

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