

**REQUEST FOR PROPOSALS FROM  
FINANCIAL ORGANIZATIONS FOR THE PROVISION OF ACTIVE AND PASSIVE  
U.S. EQUITY MANAGEMENT SERVICES FOR THE DEFERRED COMPENSATION  
PLAN FOR EMPLOYEES OF THE STATE OF NEW YORK AND OTHER  
PARTICIPATING PUBLIC JURISDICTIONS (“PLAN”)**

**RFP RESPONDENT QUESTIONS AND ANSWERS**

1. For item “a” under minimum requirements it states proposing active small strategies must have a minimum of \$1 billion in product assets under management. Would separately managed accounts within our strategy count as a “product” or would it have to be a preexisting vehicle (e.g. a mutual fund) with daily liquidity? We currently run in excess of \$1B for SMAs in our small-cap strategy, however our existing pooled vehicle (an LP structure with monthly liquidity) is below \$1B. We would certainly be willing to consider offering a new vehicle, however my understanding is the vehicle must already manage at least \$1 billion so I would like to confirm with you.

**The minimum applies to the product, not the vehicle. SMAs count toward the minimum.**

**NYSDC is seeking a collective vehicle that is daily valued and daily liquid that accepts their assets.**

**Please note that NYSDC seeks to be no more than 10% of a strategy’s assets and no more than 25% of a vehicle’s assets, though these constraints are not binding.**

2. I am contacting you in regard to the NYS equity manager search that was recently posted on Callan’s website. As you may know, our firm has both a Small Cap Core and SMID Cap Core equity strategy that are run by the same portfolio management team, adhering to the same investment philosophy and process. We would like to propose both the Small Cap Equity fund and the SMID Cap Equity fund. However, while small cap strategy assets total approximately \$2 billion, our SMID Cap strategy has approximately \$500 million in assets, which is below the \$1 billion requirement as stated in the RFP. Can you reply as to whether you would encourage us to respond with both strategies or only small cap?

**Respond to the Small Cap RFP, as this is the strategy that meets the minimum stated in the RFP.**

3. Our questions:
  - a. Will your client consider a CIT if they are the maiden investor?  
**No.**
  - b. Will your client consider a CIT if they are not the maiden investor, but the AUM of the CIT is modest (less than \$100 million)?

**No, as they seek to be no more than 25% of a vehicle's assets.**

- c. Will your client consider the R-6 share class?

**It depends on the size of the fund, as the client seeks to be no more than 25% of vehicle assets.**

4. Please confirm that the minimum AUM required to participate is not per vehicle, it is per strategy. So, if we have less than \$1 billion within our Small Cap Core mutual fund, but more than \$1 billion in aggregate between our Small Cap Core mutual fund and Small Cap Core separately managed account clients, we are eligible to participate?

**Yes.**

5. Is the 10% cash maximum a hard and fast guideline that must be met at all times, or is it a target?

**It is a target.**

6. Please make available other investment constraints, such as the 10% cash maximum constraint.

**Those would be provided as part of contract negotiations.**

7. If selected, what is the approximate initial investment allocation to a Small Cap Value or Small Cap Core manager? A target range or a minimum \$ amount would also be helpful. **Assets from current managers (participant assets by investment option are specified in the RFP) will be mapped in the case of replacements being made.**

8. To be eligible for selection under this New York State Deferred Compensation Plan ("Plan") RFP, must the investment manager have a formal Affirmative Action Plan in place, or commit to having an Affirmative Action Plan in place, as of the date it enters into an investment management agreement with the Plan? Or, is it sufficient if the investment manager has a written Equal Employment Opportunity Plan as opposed to a formal Affirmative Action Plan?

**An EEO Plan is acceptable.**

9. Do you have a feel for absolute preference on structure? The RFP states they will consider all options, but helpful for us to know if there is a "leaning"...for small cap core, we have "I" shares of the 40 act fund as most efficient and of course, we can manage an SMA...the CIT however has been set up but is unfunded.

**Provide your best thinking. Unfunded collective vehicles and separate accounts will not be considered.**

10. In part V., section A. (vii.), the minimum requirements state, "the proposing Small or SMID Active Growth, Core or Value strategy must have a minimum of \$1 billion in product assets under management."

If the investment adviser's proposed Small Growth strategy has greater than \$1 billion in assets under management, but less than \$100-million in the mutual fund product, does the adviser not meet the minimum requirements for this RFP? In this case, the mutual fund is accounted for in the adviser's GIPS composite.

**The \$1 BN minimum is for the product, not the specific vehicle, but NYSDC seeks to be no more than 25% of a vehicle's assets so a mutual fund with under \$100 million in assets would not be considered.**

11. As of March 31, 2016, our US Large Cap Select Growth strategy shows \$4.1B in AUM in both the Callan and eVestment database. This number is not inclusive of the multi-asset clients that we manage assets for in the same US Large Cap Select strategy. If we include those assets, AUM would be \$5.3B. As a global firm with multiple products, we do not show aggregate numbers on databases as it would be double counting our AUM. Collectively amongst all our strategies our LCG team manages just under \$11B. Can you please let me know if we can be included in the search or will the products be chosen from a list that is screened off of asset levels on the databases?

**If the assets are managed for the same Large Cap Select Strategy, then yes, it would meet the \$5 BN minimum.**

12. Our firm offers a commingled trust with a share class that calculates a daily NAV gross of fees. Is the NY Deferred Compensation Plan's third party administrator able to support a gross of fee share class?

**Yes.**

13. Is it possible to obtain a Word version of the questionnaire?

**The Word version is available on Callan's website (click on the RFPs icon in the bottom left corner of the home page).**

14. Request for Proposal, Section IV. "Timing and Procedures Governing Submission of Proposals", Item B. "Form and Substance of Proposals" (pg. 7)

"All contracts with the Board are subject to the terms of the Plan and the Rules and Regulations of the Board ("the Rules and Regulations"), as both are amended from time to time, and all other applicable requirements of State law. A copy of the Rules and Regulations may be obtained from the Board's Web site, [www.goer.ny.gov/nysdcp](http://www.goer.ny.gov/nysdcp)."

Will New York State Deferred Compensation Plan provide the amendments to the terms of the Plan and the Rules and Regulations of the Board when changes occur or will it be incumbent on the manager to monitor for any updates?

**The New York State Deferred Compensation Board will provide updates to all vendors.**

15. Exhibit A: Standard Clauses for New York State Contracts, Section 20. “Omnibus Procurement Act of 1992” (pg. 6)

“... (a) The Contractor has made reasonable efforts to encourage the participation of New York State Business Enterprises as suppliers and subcontractors, including certified minority and women-owned business enterprises, on this project, and has retained the documentation of these efforts to be provided upon request to the State;...”

In our capacity as Investment Manager, we do not consider the third party service providers of research, technology, or services as suppliers or subcontractors, and, as such, we do not consider the section above to be applicable. Do you agree with our interpretation?

**You are correct, this particular item pertains to subcontractors or third party providers used by the potential bidder. If your firm uses neither, this does not apply.**

16. Appendix B, Vendor Responsibility Questionnaire, Question 14 states “If not incorporated in New York State, please provide a copy of authorization to do business in New York. [www.dos.state.ny.us](http://www.dos.state.ny.us)” The link does not work, please provide the required form and instructions as soon as practicable so that we may comply. Please also confirm whether the authorization to do business in New York can be obtained after selection, or must be part of the RFP submission.

**Please refer to the web site: [www.dos.ny.gov](http://www.dos.ny.gov) for form information.**

17. Please clarify the definition of “New York State agency” as stated in Appendix B, Vendor Responsibility Questionnaire, question 29. Further and specifically, should we include a contract relationship with a corporate municipal instrumentality and political subdivision of the State of New York?

29. Has the vendor been a contractor or subcontractor on any contract with any New

York State agency in the past five (5) years?

List the agency name, address, and contract effective dates. Also provide state contract identification number, if known.

**For Question #29, please list relationships with any New York State entity (including authorities).**

18. What is the Project Title/Procurement Name for this opportunity?

**The procurement title is the RFP title for which your firm is responding.**

19. What is the Contract Procurement Number for this opportunity?

**This can be left blank or insert “N/A”. The contract # will be assigned once the selection process is completed.**

20. Can you provide fillable PDF or fully functional Word versions of Appendix B and Appendix C?

**Yes, these are posted on Callan's website.**

21. Question about minimum requirement C, cash holdings: The product we are considering for NYSDC's Active Large Cap Growth search is an actively-managed US equity growth mutual fund strategy that is a part of the Morningstar OE Large Growth peer category. It has a 40+ year track record and has achieved top-quartile returns over YTD, 3, 5, 10 and 15 year periods within this OE Large Growth category (time periods ending 4/30/2016). Total expense ratio is under 40 bps. However, the strategy does not have a stated prospectus cash maximum, and at times, the fund's cash has exceeded 10%. It meets all other minimum requirements. It appears it would not qualify for this search, but just wanted to confirm our interpretation of minimum requirement C. Would such a strategy be considered?

**Such a strategy would be considered. The maximum in 10% cash is a target.**

22. Is the Board willing to consider separate account strategies?

**No.**

23. Is the Board willing to be the initial (seed) investor in a collective investment trust?

**No.**

24. Is there a preference or requirement for how the performance information should be provided (e.g., GIPS compliant composite performance versus live pooled fund performance)?

**The track record should be entered into the Callan database for the live pooled fund that is being proposed; GIPS compliant composite performance should also be entered if the live pooled fund does not have a five year track record for the period ended March 31, 2016.**

25. Could you confirm what the size of a potential mandate could be for the small cap core and small cap value mandates?

**Assets from current managers (participant assets by investment option are specified in the RFP) will be mapped in the case of replacements being made.**

26. Would you consider an enhanced indexed product?

**No.**

27. Our SMID cap product is benchmarked against the S&P 1000 as oppose to the Russell 2500. Does its benchmark preclude it from the search?

**No, as long as the manager is willing to be benchmarked to the Russell 2500 for performance measurement and participant communications.**

28. Can you confirm that the AUM requirement is based at the strategy level or the vehicle level?  
**Strategy level, but note that NYSDC seeks to be no more than 10% of a strategy's asset and 25% of a vehicle's assets.**
29. If you are submitting responses for multiple products, do you need to submit Firm related attachments that are applicable to all responses for every submission? For example, if you are submitting 3 products do you need to submit 9 copies of the attachments?  
**Please submit related attachments to all 3 hard copy RFP responses.**
30. What type of vehicle(s) does the New York State Deferred Compensation plan prefer for the US Equity Small Cap Core search?  
**A daily valued, daily liquid collective vehicle that accepts that the Plan's assets.**
31. If proposing a mutual fund for this mandate does Appendix B, the vendor responsibility questionnaire need to be completed?  
**Yes.**
32. Is the New York State Deferred Compensation plan amenable to a side letter to address Exhibit A?  
**This is acceptable. Please note that the final contract will include Appendix A Standard Clauses for New York State Contracts as an Exhibit and the selected vendor must comply with Appendix A in its entirety.**
33. For this RFP must we submit forms ST-220-TD and ST-220-CA now, or wait until the contract is awarded?  
**No, these can wait until the contract is awarded.**
34. Will Separate accounts be considered?  
**No.**
35. Will pooled group trusts that accept 457 plans be considered?  
**A group trust must be daily valued and daily liquid.**
36. Can we combine our Small Cap and Mid Cap assets to comply with the \$2.5 billion in AUM requirement for the SMID cap passive piece?  
**No.**
37. Who is the plan administrator? What kind of data do they want to see? When is the pricing due on a daily basis?  
**The plan administrator is Nationwide Retirement Systems, and the custodian is State Street. Daily pricing is due by 7:00 PM EST.**

38. Will the Board consider separate accounts for this mandate?

**No.**

39. Or are daily-valued pooled vehicles such as mutual funds and CITs the only vehicles under consideration?

**Yes.**

40. Subsection (a) of the Minimum Requirements states that the active large cap growth or value strategy must have a minimum of \$5 billion in product assets under management. We are considering proposing two of our firm's substrategies (Relative Value Large Cap and Relative Value Dividend Appreciation) within our overall Relative Value strategy. How does the Board define "product assets"? Would "product assets" comprise all assets at our firm's strategy level (Relative Value) or calculated separately for each individual substrategy (Relative Value Large Cap and Relative Value Dividend Appreciation) being proposed?

**Assets will be considered at the product strategy level, so Relative Value Large Cap and Relative Value Dividend Appreciation assets cannot be combined to meet the minimum.**

41. Would you please provide guidance on how to answer Question 2. Clients - A, B & C on pages 21 & 22 for a '40 Act mutual fund product? Most clients come through platform providers and are embedded in an omnibus account.

**Please provide the clients as a whole by platform provider if you are not able to break them out individually.**

42. Regarding your response to question #13 for the target date and balanced fund RFP in the posted Q&A, does NYSDC's preference to remain less than 20% of the assets of the product being proposed refer to the aggregate strategy or the AUM of the proposed vehicle?

**NYSDC prefers to be no more than 10% of a strategy's assets and 25% of a vehicle's assets.**

43. Can the plan's record-keeper, Nationwide, calculate a daily NAV based off of a tiered management fee schedule?

**The recordkeeper and custodian are able to.**

44. Our firm plans to propose a fund that is part of a collective trust. The agreement adopting the terms of the trust would be with our affiliated trust company. We are a subadvisor to the affiliated trust company. Certain of our personnel are also officers of the affiliated trust company.

(a) One of the conditions is that the vendor must agree to the general terms and conditions on Exhibit A, but we, as a subadvisor, are not a party to the adoption

agreement. Would the board be willing to enter into a separate agreement with us, the subadvisor, relating to Exhibit A?

**The firm who is contracting with the Board is subject to the terms of Appendix A – Standard Clauses for New York State Contracts.**

(b) Given the facts stated above, would it be permissible for us to complete the vendor responsibility form instead of the affiliated trust company?

**The Vendor Responsibility Questionnaire is completed by the vendor that is party to contract negotiations and indicated on the final contract.**

45. Are they looking for an “income”/yield strategy to possibly take T. Rowe Price’s place, or more a traditional LCV strategy? We have both, but do not want to overwhelm you all.

**Please propose your best thinking. NYSDC will consider different types of active large cap value strategies that would be benchmarked to the Russell 1000 Value Index.**