



**Responses to Inquiries
RFP 16-06
Risk Parity Management**

1. Is the \$1 billion AUM criteria a required qualification or a preferred qualification? In other words, would you accept a submission from a manager who is managing ~\$500mm in risk parity asset allocation portfolios and an additional \$275 in risk parity portfolios within asset classes? Risk-parity is an important growth area at our firm and is managed by a large, experienced and dedicated team.

Answer: INPRS will consider managers with aggregate Risk Parity AUM of at least \$500 million.

2. Would a manager who managed over \$2 billion AUM in a risk parity strategy for a public pension fund from 2013 to 2015, but who as of 9/30/2016 manages less than \$1 billion in risk parity assets, meet this minimum qualification?

Answer: INPRS will consider managers with aggregate Risk Parity AUM of at least \$500 million.

3. Under minimum qualifications, INPRS states that respondents must be able to demonstrate that they manage significant assets within risk parity of \$1 billion AUM or more. Our current AUM for our risk parity strategy is at \$914.6 million as of 9/30/2016. Can you confirm if the 1 billion figure is required as of 9/30/2016 or might there be some flexibility with the value as long as the ability to manage significant assets is outlined within our proposal?

Answer: INPRS will consider managers with aggregate Risk Parity AUM of at least \$500 million.

4. To assist us in tailoring a fee schedule for INPRS, would you be willing to provide an estimated size for the proposed mandate?

Answer: The mandate size may vary depending upon the number of managers selected and INPRS' current Risk Parity AUM at the time of the selection. As such, please provide a fee schedule at varying sizes.

5. What is the possible mandate size or range?

Answer: The mandate size may vary depending upon the number of managers selected and INPRS' current Risk Parity AUM at the time of the selection.

6. How many managers do you plan to hire for the mandate?

Answer: The number of managers selected will depend upon the responses received.

7. Will the plan consider a commingled fund for this mandate as opposed to a SMA?

Answer: INPRS will consider either a comingled fund or an SMA.

8. As we offer both a commingled fund and separate account vehicle for our proposed product, does the Indiana Public Retirement System have a preference?

Answer: INPRS will consider either a comingled fund or an SMA.

9. If a respondent's proposal relates solely to commingled fund products (i.e., no separate account strategies will be included in the proposal) and the respondent attaches the offering memoranda for the commingled fund products as required by Appendix O of the RFP, will INPRS still require the respondent to identify and explain exceptions (as well as proposed changes) to the investment management agreement attached as Appendix A.2 to the RFP (in the manner described in Section 2.3.5 of the RFP)? The investment management agreement appears more applicable to a separately managed account than an investment in a commingled fund (which often has subscription and other ancillary documents).

Answer: If the response is for a comingled fund only, then the manager can provide the offering memoranda and proposed subscription documents and forego providing commentary on the investment management agreement.

10. If you are currently invested in one of our commingled funds, is the representative Investment Management Agreement not applicable given the terms of your existing governing documentation (i.e., the fund's offering memorandum, subscription agreement, and side letter agreement)?

Answer: If the response is for a comingled fund only, then the manager can provide the offering memoranda and proposed subscription documents and forego providing commentary on the investment management agreement.

11. For investments that would be made through a comingled fund vehicle (where the Investment Management Agreement exists between the Fund and the Manager), would the representative Investment Management Agreement you proposed be applicable, and is a signature required for purposes of this RFP?

Answer: If the response is for a comingled fund only, then the manager can provide the offering memoranda and proposed subscription documents and forego providing commentary on the investment management agreement. A signed Investment Management Agreement is not required for purposes of responding to the RFP.

12. Our Global Asset Allocation team designed their risk parity policy portfolio differently than other providers based on our view that in the long run, the equity risk premium will be rewarded with higher returns. As a result, our policy asset allocation is 50% to equities and 17% each to credit, rates and inflation. We run a lower level of leverage (typically around 150%) than other practitioners due to our higher level of equity risk. In addition, we overlay a dynamic asset allocation on the policy portfolio which reflects our views on asset class values. Would this kind of risk parity approach appeal to you, or are you focused on the more static 25/25/25/25 portfolio construction employed by other providers?

Answer: INPRS is open to considering a variety of strategies within the broader Risk Parity construct.

13. Can you please confirm which of the following documents need to be completed, signed and included with the proposal submitted on October 31?
- a. *A.1 – Essential Clauses*
 - b. *B.1 – Indiana Economic Impact Statement*
 - c. *B.2 – Taxpayer Identification Number Request*
 - d. *B.3 – Application for Certificate of Authority To Do Business In Indiana*
 - e. *Exhibit F – Placement Agent Disclosure Letter*

Answer:

- a. **A.1 – Essential Clauses** – Mandatory component of a complete proposal. We require respondents to acknowledge these terms as being non-negotiable for contract purposes.
- b. **B.1 – Indiana Economic Impact Statement** - Mandatory component of a complete proposal.

c. **B.2 – Taxpayer Identification Number Request** - Mandatory component of a complete proposal.

d. **B.3 – Application for Certificate of Authority To Do Business In Indiana** - It is each Respondent's responsibility to register prior to the initiation of any contract discussions, but registration is not a requirement to submit a response.

e. **Exhibit F – Placement Agent Disclosure Letter** – This must be completed prior to the initiation of any contract discussions.

14. If our firm is already registered to do business in Indiana, do we have to fill out *Appendices B.1* (Indiana Economic Impact Statement), *B.2* (Taxpayer Identification Number Request) and *B.3* (Application for Certificate of Authority To Do Business In Indiana)?

Answer: It would **not** be necessary to fill out *Appendix B.3* (Application for Certificate of Authority To Do Business In Indiana) but *Appendices B.1* and *B.2* **must** be filled out.

15. On page 52, question A in Section B makes reference to Part III Section A. It is unclear as to where Part III Section A is within the questionnaire, can you please be more specific?

Answer: The reference should be to Part IV, Section A, Letter A instead of Part III Section A.

16. On page 59, Appendix D makes reference to Part III (e.g., overall investment decision making process, portfolio construction process, active implementation process, etc.), however, Part III (on page 50) is titled "Investment Team". Can you please clarify?

Answer: The reference should be to Part IV instead of Part III.