

Indiana Deferred Compensation Plans

Broad Agency Announcement- Passive SRI Equity Search

BAA Questions and Answers

1. The RFI generally refers to “passive domestic mid/large cap broad or large cap broad SRI equity fund.” Please provide your definition for passively managed? For example, is this strictly a market-capitalization weighted benchmark replication or is there some acceptance for risk parameter adjustments?

The Committee defines passive managed as a systematic process of replicating the underlying positions and performance of a stated benchmark index with the goal of minimizing tracking error and costs.

2. Under Section II, “Business Focus”, page 4, the RFI requests the breakdown of total passively managed assets by the firm as of 6/30/2017. We do not currently have any passively managed assets under management and the proposed product would be our first passively managed strategy. Would the proposed product still be considered?

Yes. All passively managed SRI strategies will be considered; however, the preference is for an established product with a three-year track record and greater than \$500 million in assets.

3. On page 3, the RFI states, “All vehicle types will be considered; however, mutual fund and collective investment trust vehicles are preferred.” Would a separately managed account also be considered?

Yes; however, the product must support daily valuation and any other contractual requirement of the recordkeeper as outlined in Exhibit A.

4. On page 3, the RFI States, “Additionally, it is desirable that the investment process have a track record of a minimum of three years in the manner in which it is operating currently.” The proposed product would be a new strategy and therefore does not have a live track record, however it would mirror an internal benchmark with a live track record maintained for over 10 years. Is this an acceptable alternative?

Yes, your product will be considered.

5. Under Section III, “Product Information”, page 7, the RFI states, “Does your strategy qualify as an ESG compliant?”. Does the term “ESG compliant” refer to a specific definition or classification? If so, where can this be found?

No. “ESG Compliant” refers to the acknowledgment of specific Environmental, Social, Governance criteria that govern the underlying positions in the product. Please specify in

your response what these factors or criteria are and if the product is required to adhere to them or is merely aware of them.

6. While it is stated that all vehicle types will be considered, can you please share how strong the preference is for a mutual fund or collective investment trust vehicle given our firm's proposed strategy only being available via a separate account?

Any vehicle will be considered as long as it meets the recordkeeping requirements as outlined in Exhibit A. Please note that Empower requires investment managers to provide a daily NAV and share balance. As a result, mutual fund and collective investment trust vehicles are preferred.

7. If the client will consider a separate account, we will be able to value the strategy daily, however, there is no mechanism to interact with NSCC. As for Trades, we would need notification prior to 11AM PST for same day trading, would this be possible?

No.

8. Can you please define the term "broad" when referencing a passive domestic mid/large cap broad or large cap broad SRI equity fund? Is there a preference for a particular index?

"broad" is in reference to the absence of a style bias (growth/value). There is no index preference.

9. Can you clarify whether or not \$500 million or more would need to be managed within the proposed strategy or \$500 million or more in total within related strategies?

\$500 million in strategy assets is preferred; however, products with lower assets will still be considered.

10. It states that a 3-year track record is desirable. Is it a requirement?

No. Products with limited track records will still be considered.

11. We are interested in responding to this BAA but do not have a domestic SRI Equity Fund. We have a Global Equity Index Fund, will our response be considered if we suggest and provide all requested information on this Fund?

Yes.

12. Is it possible that you would entertain utilizing:

a. A collective investment trust (CIT) solution

Yes; however, the product must support daily valuation and any other contractual requirement of the recordkeeper as outlined in Exhibit A.

b. Which is based on a global equity index

Yes.

13. We are proposing an ETF vehicle, wherein the product would be purchased through a broker dealer or authorized participant. Record-keeper requirements appear to be tailored for a mutual fund. Will Empower be able to handle the mechanics of an ETF in a 401K plan (i.e., modified daily pricing information)?

No.

14. Regarding the minimum three year track record, will the plans accept FINRA compliant back tested performance data for funds that do not have three full years of performance?

Yes.

15. Is the \$500 million minimum assets under management firm level, strategy level or fund specific level?

The \$500 million minimum assets under management is at the strategy level; however, products with lower assets will be considered.

16. Is there a description of the social screens to be used? [For example, do the screens include alcohol, firearms, tobacco, human rights violations, carbon neutral, or other similar screens.]

No. Please outline, in detail, the screening criteria that you use in your response to the BAA.

17. In regards to the above search – are systematic strategies, designed to outperform an index (with tracking error) under consideration? Or is minimal tracking error the priority; managed specifically to an index?

No. The Committee is seeking a passively managed product that minimizes tracking error around its stated benchmark.