Responses to Inquiries
RFP 20-04
Commodities Investment Management Services

September 25, 2020

1. While you consider both commingled and separate account vehicles, does INPRS have a strong preference for either?

   Answer: INPRS does not have a strong preference. The objective is to gain exposure in the most cost-effective manner on an all-in basis.

2. Per Section 3 - Scope of Services, item number 4. "The Firm and senior team must have a performance track record for managing commodities in compliance with Global Investment Performance Standards ("GIPS") that extends at least seven years." Would you consider a track record that is GIPS compliant for 5 years, but extends for 10 years?

   Answer: INPRS will only consider firms that have a performance track record for managing commodities in compliance with Global Investment Performance Standards ("GIPS") that extends at least seven years.

3. Would you mind clarifying the time the RFP is due? The InHub email communication states 6:00PM EDT (Oct 16) but the downloaded document states 3:00PM EDT (Oct 16).

   Answer: 3:00 PM EDT. The time has been corrected in InHub.

4. Are there gross and net leverage guidelines for the mandate?

   Answer: The portfolio can short up to 25% of the mandate (i.e. The mandate's long position could be as high as 125% when the short position is at its limit of 25%). Net leverage is prohibited.

5. Can we submit more than one proposal for this search?

   Answer: Firms can submit more than one proposal.

6. Would there be a preference for a strategy with a lower tracking error (1%-2%) or one with a higher tracking error (5%)?

Answer: INPRS does not have a preference. The plan is looking for each firm to submit their optimal approach while remaining within the parameters of this RFP.

7. Would you consider an absolute return commodity strategy with minimal net commodity beta exposure?

   Answer: For this mandate, INPRS will not consider absolute return strategies with minimal net commodity beta exposure.

8. Would you consider a core-satellite approach which combines a lower tracking error strategy with an absolute return commodity strategy to result in a higher overall tracking error?

   Answer: For this mandate, INPRS will not consider absolute return strategies.

9. Would you consider a solution which contained a portion of the investment in a separate account and a portion in a commingled vehicle?

   Answer: For this mandate, INPRS will consider a solution which contains a portion of the investment in a separate account and a portion in a commingled vehicle.

10. Would you consider a solution that is constructed to have a lower volatility profile compared to the BCOM Index?

    Answer: Yes, INPRS would consider a solution that is constructed to have a lower volatility profile compared to the BCOM Index.

11. Under "Section 3 - Scope of Services", it states: "9. Strategy is limited to liquid securities including derivatives (futures, forwards, swaps) and public equities (i.e. commodity producers). Private and non-liquid securities are prohibited." For the avoidance of doubt, would non-cleared, bilateral swaps and forwards be allowed? Or would they be considered private?

    Answer: Proposals utilizing non-cleared, bilateral swaps and forward are permissible.

12. Can you please share the active/passive split within INPRS's commodities allocation?

    Answer: All current INPRS commodity mandates are actively managed.

13. Does INPRS have a separate natural resource equity allocation or exposure outside of their commodities allocation?

    Answer: INPRS does not have a separate natural resource allocation, however INPRS has natural resource exposures in other portfolios.

14. While the RFP outlines that commodity strategies can short, the short position can't exceed 25% of the mandate, is there is a gross exposure limit on short exposure?

    Answer: The portfolio can short up to 25% of the mandate (i.e. The mandate's long position could be as high as 125% when the short position is at its limit of 25%). Net leverage is prohibited.

15. In regards to Appendix L - can you please clarify what kind of exposure you would like to see for the "Standard Exposure Report"?

    Answer: Please share all information that you feel is relevant to your strategy.

16. Could you please clarify the size of this mandate?

    Answer: The current commodities portfolio is approximately $2 billion. This portfolio is expected to be split amongst one or more managers / mandates.

17. Would you consider a mandate that tracks a smart beta (i.e. roll select benchmark) provided by a third-party vendor?

    Answer: We will consider strategies that deviate significantly from the BCOM benchmark, however the BCOM will remain the benchmark.

18. Can you please confirm the benchmark is the Bloomberg Commodity Index ("BCOM") as you state in the RFP and not the 50% Bloomberg Commodity Total Return Index/50% S&P GSCI Total Return Index as stated in the Investment Policy that shows up when the link in the RFP is clicked?

    Answer: Confirmed, the Bloomberg Commodity Index will be the benchmark.

19. Our understanding from sections 1.13 and 2.3.3(ii) in the RFP is that the Respondent does not need to be registered with the Indiana Secretary of State at the time the RFP submission is due but must be so registered by the contract negotiation date. Please could you confirm that our understanding is correct?

    Answer: The Respondent must register before the contract is signed.

20. The management of the account would be delegated to an affiliated group adviser that is regulated by the Financial Conduct Authority in the United Kingdom and registered with the Securities and Exchange Commission in the US as an investment adviser. Please could you confirm that the Indiana Public Retirement System would be agreeable to providing its consent to such delegation as required by section 36 of the Investment Management Agreement?

    Answer: Upon notice from the manager of such delegation and in the exercise of its sole discretion, INPRS will not unreasonably withhold any such consent.

21. Appendix A – Sample Investment Management Agreement: Respondents proposing to make changes to the agreement are required to indicate whether the change is required or desired. Our understanding is that changes indicated as required that are unacceptable to Indiana Public Retirement System may lead to the Respondent's proposal being considered unacceptable. What is the possible effect of changes indicated as desired? May the Respondent withdraw the change if it is unacceptable to INPRS without its proposal being considered unacceptable?

    Answer: Respondents should mark a change as "required" if the change would be necessary for the Respondent to accept a contract for the services.

If the requested change is not required, the Respondent should mark "desired" so that the parties might be able to negotiate language acceptable as part of the contract process.

22. With regard to the MFN language in Exhibit B of the IMA, can you please confirm that it applies just to fees for Comparable Investors in the *same strategy*? Also, we believe that other investors that have investments of a greater size across multiple accounts (i.e., relationship-based pricing) are excluded from Comparable Investor. Please confirm. If selected, we would like to clarify these points in the language in Exhibit B.

    Answer: INPRS expects MFN provisions as it relates to similar investors. To the extent there are provisions that classify MFN status on specific criteria, INPRS reviews those provisions to confirm they are within market expectations.

23. Page 17 of the RFP indicates that the manager would be unaffected by the MWBE clause in section 44 of the IMA if it does not use a subcontractor. In the context of investment management, does that mean the manager would not have any compliance obligation under section 44 of the IMA if it does not use a sub-adviser? If the manager does not use a sub-adviser but uses a service provider for back-office services, such as accounting and reporting, or other vendors would the manager have any obligations under this section? Those service providers could not bid on the contract given the services they provide.

    Answer: The explanation in the RFP speaks for itself. The contract provision is required by Indiana law. If, after contracting for the services in the RFP, the manager engages subcontractors, the Manager should refer to the list of Minority Business Enterprises/Women's Business Enterprises and determine if a listed enterprise performs the necessary service. If so, the Manager must give the appropriate subcontractor the opportunity to bid to provide those services.

24. Under section 19 of the IMA, would we be required to have the System and the State added as additional insured on our Errors & Omissions (E&O) and Directors & Officers (D&O) liability insurance policies (and provide 30 days' notice of cancellation) as that does not seem applicable in our experience? Also, the $25 million aggregate limit for commercial general liability insurance seems high for investment management. Can that minimum amount be reduced in this contract?

    Answer: Respondents should offer language that reflects what they believe to be industry-standard.

25. What are the Indiana's public records retention requirements for this mandate as referenced in Section 21 of the IMA? Will maintaining all records for at least 7 years suffice?

    Answer: Unless otherwise directed, INPRS records related to revenue should be retained for 6 years and records related to expenditures should be retained for 10 years.