Responses to Inquiries
RFP 25-01
Opportunistic Credit Investment Management
February 3, 2025

1. Do you expect all the chosen final managers to be invested in both the US and Europe? Are there other countries outside the US that INPRS will accept exposure to?

   Answer: It is expected the vast majority of the exposure will come from North America and Europe. Global exposure will be allowed (ex-China) to a lesser extent.

2. Regarding criteria #6: *Have a track record in managing a credit portfolio consisting of high yield bonds, leveraged loans, securitized products (e.g., RMBS, CMBS, ABS, CLOs), private debt, stressed / distressed debt in the U.S. and Europe*.

   Would you consider a manager who specializes in securitized products, private debt, and stressed/distressed debt, but does not invest in high-yield bonds or leveraged loans?

   Answer: No, this is a relative value strategy that could, at times, de-emphasize high-yield bonds and/or leveraged loans. However, the ability to invest in those sectors is an important consideration.

3. Is the strategy restricted to investments in US and Europe or is more global exposure acceptable?

   Answer: It is expected the vast majority of the exposure will come from North America and Europe. Global exposure will be allowed (ex-China) to a lesser extent.

4. Will there be any concessions made as it relates to the minimum AUM and track record requirements for emerging and/ or MWDBE managers?

   Answer: Given the size, scale, and skill set believed necessary to successfully execute the required mandate, it is unlikely concessions will be made related to minimum AUM or track record requirements.

5. Regarding criteria 2: If a firm has well over $4bn in AUM across high yield bonds, leveraged loans, securitized products, private debt and stressed/distressed debt (via separate funds) but sub $2bn in multi-asset funds specifically, would it still be eligible to submit a proposal?

   Answer: Yes, if a manager has the size, scale, skill set, and track record across multiple credit sectors investing in both public and private assets, INPRS may consider and evaluate the proposal accordingly.

6. Regarding criteria 3: If a firm has well over $4bn in AUM across high yield bonds, leveraged loans, securitized products, private debt and stressed/distressed debt (via separate funds) but sub $2bn in multi-asset funds specifically, would it still be eligible to submit a proposal?

   Answer: Yes, if a manager has the size, scale, skill set, and track record across multiple credit sectors investing in both public and private assets, INPRS may consider and evaluate the proposal accordingly.

7. Regarding required characteristic number 3 – is it appropriate to respond if we meet this qualification in regard to firmwide multi-asset credit AUM, but not strategy specific?

   Answer: Yes, if a manager has the size, scale, skill set, and track record across multiple credit sectors investing in both public and private assets, INPRS may consider and evaluate the proposal accordingly.

8. Regarding required characteristic number 8 – is it appropriate to respond if the portfolio management team has a verifiable 10+ track record managing multi-asset credit strategies combining the current and previous firms?

   Answer: Yes.

9. Would a manager with a (i) private debt opportunistic strategy investing in the primary market (first and second lien, preferred equity) and secondary (corporate loans and bond)), and (ii) with a CLO strategy be eligible to participate? We typically do not manage our opportunistic strategy to a benchmark. Our strategy is private debt focused and does not have the liquid nature of credit alluded to in some of the RFP questions. Does this rule out our participation?

   Answer: This mandate sits within our public Fixed Income portfolio, which requires a manager's ability to invest in liquid credit. Managers that do not invest in liquid assets will not be considered.

10. Regarding criteria 6 and 8 -> Would it be ok to submit a proposal that is slightly different from the historic track record in multi-asset credit? Our multi-asset credit fund does not include private debt or direct lending (we have a long track record in the space that can be shown separately), but we are planning to include in the proposal.

    Answer: Yes, we expect several respondents will need to show a separate track record in private debt.

11. Would you please confirm where required attachments outside of Attachment C , (i.e. Transmittal Letter, Executive Summary, W-9, IMA and Assumptions) etc., should be uploaded . Is it acceptable to load them all under Section 10. Miscellaneous?

Answer: Yes, it is acceptable to upload all these attachments under Section 10. Miscellaneous.

12. Is a European office a requirement to participate?

    Answer: No.

13. Would participants be required to have managed a European focused fund or is it acceptable to have experience lending to European based companies through a public BDC? Our public BDC is our flagship fund that's been around since the early 2000's.

    Answer: Participants are expected to be able to show a successful track record in Europe, but management of a European-focused fund is not required.

14. What is the overall return target for INPRS' contemplated opportunistic credit mandate?

    Answer: The mandate does not have an absolute return target. The target net return is 150bps over a blended 50/50 High Yield / Leveraged Loan benchmark.

15. What is the tolerance for private credit exposure (i.e., target % of invested capital) in the mandate?

    Answer: Guidelines currently in place allow up to approximately 40% to be invested in private securities.

16. Are there any asset class restrictions (e.g., limitations on equity exposure, etc.)?

    Answer: Yes, there will be guidelines for max asset class exposure depending on strengths and capabilities of chosen manager(s).

17. Are there any constraints on geography, credit ratings or other?

    Answer: There will be maximum concentration limits for ex-U.S. exposures. Regarding credit ratings, current guidelines stipulate a minimum weighted average rating ("MWAR") of B-/B3.

18. What is the overall view on the preferred liquidity profile of the mandate?

    Answer: There is tolerance for illiquidity, however, this portfolio may be subject to quarterly rebalancing and periodic cash needs. Guidelines currently in place allow up to approximately 40% to be invested in private securities.

19. Is there a desire or willingness to include a hedging component to reduce beta and/or protect against systemic risk?

    Answer: Yes.

20. Could you confirm whether the preferred vehicle structure is a separately managed account or a fund-of-one? (The primary difference lies in the ownership and control of the underlying assets – in a fund-of-one, the fund owns the securities, whereas in an SMA the investor does. In both structures, the fund/SMA is designed to meet the specific needs of a single investor).

Answer: The preferred structure is a separately managed account, but INPRS is open to discussing alternatives.

21. Please confirm whether INPRS is comfortable with investment level leverage.

    Answer: No leverage will be permitted.

22. One of the "essential clauses" notes that the IMA should be governed by Indiana law. If the proposed structure is a fund-of-one and a Delaware partnership, it would be governed by Delaware law as a general matter. Can you confirm that this is permitted?

    Answer: Yes, this is permitted. However, this in no way affects the requirement that a suit (if any) must be brought in an Indiana jurisdiction, and this shall not be construed as any waiver of the System's rights under the Eleventh Amendment of the United States Constitution.

23. Could you please provide more detail on the "Drug-Free Workplace Certification"? How has INPRS gotten comfortable on this point with large managers?

    Answer: Large managers have gotten comfortable making this certification with respect to employees working in the State of Indiana.

24. Could you please provide more detail on the provisions of Manager's Minority and Women's Business Enterprise ("MBE/WBE") participation plans? How has INPRS gotten comfortable on this point with large managers?

    Answer: The provision on Minority and Women's Business Enterprise Compliance would only apply if the manager were seeking designation as a Minority Business Enterprise or Women's Business Enterprise ("MBE/WBE") under Indiana law. There are certain advantages having such designation, but there are reporting and compliance requirements. If the manager is not seeking such designation, then there is no compliance obligation.

25. Is INPRS considering a fund of fund strategy for this mandate?

    Answer: No.

26. Is there a preference for a strategy that combines both public and private credit exposures or is a strategy within the realm of public tradeable credit a better fit?

    Answer: The strategy will combine both public and private credit exposures. Guidelines currently in place allow up to approximately 40% to be invested in private securities.

27. We would like to submit a proposal for a customized separate account strategy and reference our organizations capabilities across various credit asset classes in our submission – would that be acceptable?

    Answer: Yes.

28. **Benchmarks:** How should we approach geographic diversification given the expectation to invest in European assets? Is there a preferred approach to currency hedging? Would currency hedging instruments be subject to the long-only requirement?

Answer: The mandate today includes 10% Morningstar European All Loans Index (USD hedged) in its blended benchmark, but this is subject to change. Manager will hedge non-U.S. dollar denominated exposure back to U.S. dollars.

29. **Duration:** What are the expectations regarding duration management within the portfolio? If there are specified targets or limits, does INPRS utilize a specific approach for measuring the duration of private assets (e.g., empirical vs. modified)? Would duration management instruments like U.S. Treasury futures be subject to the long-only requirement?

    Answer: Investment managers will be responsible for managing the effective duration within the portfolio. Derivatives may be used in conjunction with implementing the investment strategy consistent with the stated guidelines.

30. **Liquidity:** What is the appetite for illiquidity? Can we expect annual or monthly liquidity needs to pay for benefit payments or something else? Will the portfolio be evergreen, or will proceeds be harvested or subject to a distribution schedule? Is this sleeve subject to rebalancing in accordance with total INPRS portfolio guidelines?

    Answer: There is tolerance for illiquidity, however, this portfolio may be subject to quarterly rebalancing and periodic cash needs.

31. **Scope of investments**: Is there an appetite for mezzanine investments or funds that may include an equity component, such as warrants or options?

    Answer: Other securities and obligations which exhibit a similar risk and return profile to high yield bonds, leveraged loans, private debt, and distressed securities and obligations may be used. The strategy will target annualized volatility of less than 5.0%.

32. **Guidelines:** What level of flexibility do we have in adjusting the asset allocation between different credit asset classes? Is there an acceptable level of leverage that can be used within the portfolio? Will drafting investment guidelines be a collaborative process?

    Answer: Manager(s) will have significant flexibility in adjusting the asset allocation between different credit asset classes. This portfolio is not permitted to utilize leverage. Drafting investment guidelines will be a collaborative process between INPRS and selected manager(s).

33. **Success measurement:** Are there other risk-adjusted performance metrics that should be prioritized apart from outperforming a specified benchmark? Is there a target return in mind? Or is INPRS looking to achieve a spread above a high yield / leverage loans index?

    Answer: The target net return is 150bps over a blended 50/50 High Yield / Leveraged Loan benchmark with less than 5.0% annualized volatility. In addition, historically the net absolute return target has been 8.0%. When reviewing track records, INPRS will prioritize long-term net excess returns, tracking error, Sharpe and information ratios, max drawdowns, batting average, the source of return, among other metrics.

34. **Investment Management Agreement:** The agreement edits will be subject to the questions above in terms of opportunity set and constraints. Is it acceptable to provide our sample IMA that encompasses

the mandate in its fullest form? Can we provide qualitative comments related to certain parts of the IMA?

Answer: Yes.

35. Will submissions be accepted from managers who meet all the requirement criteria except the AUM #'s listed in 2 & 3?

    Answer: Given the size of the mandate, it is unlikely concessions will be made related to minimum AUM requirements.

36. Please let us know as it pertains to asset allocations between liquid public debt (high yield bonds, leveraged loans, securitized products) and private debt strategies, are there target weights for the proposal between liquid public debt and private debt? Do you envision the weights being static in nature, or can they vary based on prevailing market opportunities? If you envision weights to vary, are there pre-defined ranges that should be considered?

    Answer: We expect the weights to be driven by prevailing market opportunities, subject to asset class concentration limits. Guidelines currently in place allow up to approximately 40% to be invested in private securities. Concentration limits will be set in a collaborative process between chosen manager(s) and INPRS.

37. Please let us know if EM Hard Currency (Sovereign, Quasi-Sovereign, Corporate) is an asset class that can be included in this mandate.

    Answer: Yes, EM Hard Currency is acceptable to include.

38. Please let us know if CLO Equity is an asset class that can be included in this mandate.

    Answer: Yes, CLO debt and equity is acceptable to include.

39. For Section 2.3.3.iii (Financial Statements) of the Business Proposal, please confirm you are asking for financial statements at the parent company (i.e. firmwide) level, and not at the strategy level for the specific strategy we completing the RFP for.

    Answer: Confirmed. Please provide financial statements at the firmwide level.

40. Is there any specific return or volatility objective associated with the opportunistic credit strategy?

    Answer: The target net return is 150bps over a blended 50/50 High Yield / Leveraged Loan benchmark with less than 5.0% annualized volatility.

41. How does the opportunistic credit mandate align with the broader objectives of your total portfolio, including correlation with other asset classes in the portfolio and concentration risk?

    Answer: Objective is to achieve high risk-adjusted returns with a focus on downside protection in performing credit investments with differentiated and diversifying characteristics compared to equities. The portfolio should provide a stable source of income through contractual cash flows across multiple credit sectors.

42. You mentioned that the strategy will be benchmarked to a blend of High Yield and Leveraged Loan Indices? Do you have a blend of these indicates in mind (e.g. 50/50, 40/60…etc)? Do you have a sense for how much active risk (i.e. tracking error) you would like the manager to take relative to the blended HY and Leveraged Loan benchmark? Similarly, do you have a interest rate duration or spread duration target in mind when you developed the benchmark?

    Answer: The benchmark is roughly 50% High Yield and 50% Leveraged Loans. This is a relative value mandate and the portfolio strategy should be executed with an annualized volatility target of less than 5.0%.

43. The RFP indicates a current 2.5% allocation to opportunistic credit. Does this allocation sit within the absolute return portfolio, the private markets portfolio, or as a standalone asset class within the SAA?

    Answer: This allocation sits within INPRS's Public Fixed Income portfolio.

44. Is the intent of this mandate to increase the 2.5% allocation or to replace existing managers? If increasing the allocation, which asset class or strategy would this come from?

    Answer: This RFP is for INPRS's existing 2.5% allocation for Opportunistic Credit, which sits within the Public Fixed Income portfolio.

45. Are there any asset classes, sectors, or strategies you would like us to prioritize or exclude from consideration?

    Answer: The manager(s) will have flexibility to invest across credit sectors based on their determination of relative value, subject to max concentration limits which will be set in a collaborative process with INPRS. Please reference IPS section 9.1 for further guidance regarding general guidelines.

46. Are fund vehicles allowed within this mandate or does the portfolio need to invest in all direct securities?

    Answer: The portfolio should invest in direct securities in a separately managed account; however, we are open to discussing alternative structures that may be more suitable for less liquid or complex securities.

47. The IPS references a 30% cap on allocations to a single fund. Does this cap apply to the opportunistic mandate as well?

    Answer: No; however, this strategy should primarily invest in direct securities in a separately managed account. We are open to discussing alternative structures that may be more suitable for less liquid or complex securities.

48. How do you think about liquidity for this mandate? Are there specific guidelines or allocation ranges for public vs. private (i.e., minimum or maximum exposure)?

    Answer: There is tolerance for illiquidity, however, this portfolio may be subject to quarterly rebalancing and periodic cash needs. Guidelines currently in place allow up to approximately 40% to be invested in private securities.

49. What is the acceptable level of risk for this mandate? Are there any specific drawdown limits or volatility constraints we should consider?

Answer: The target annualized volatility for this mandate is less than 5%.

50. Are there any sector, geographic, or credit quality constraints we should be aware of for this mandate?

Answer: Drafting investment guidelines will be a collaborative process between INPRS and selected manager(s). Guidelines will include max concentration limits related to sector and geography. Regarding credit quality, current guidelines stipulate a minimum weighted average rating ("MWAR") of B-/B3.

51. The RFP mentions U.S. and European exposure. Are there specific minimum or maximum limits for allocations to these regions?

Answer: There will be maximum concentration limits for ex-U.S. exposures. Drafting investment guidelines will be a collaborative process between INPRS and selected manager(s).

52. Outside what has been shared in the RFP, are there any Indiana-specific rules / regulations we should take into account when developing the investment strategy?

Answer: No, the Indiana-specific rules and regulations are all taken into account in the RFP package.

53. Our firm meets all eligibility criteria listed but the verifiable track record in the multi-asset class credit space would not directly tie to this mandate. Is that acceptable?

Answer: It is acceptable to share track records for individual asset class segments for which your firm may have longer track records. However, please note INPRS is trying to assess a manager's ability to invest opportunistically across credit sectors by dynamically shifting allocations to take advantage of relative value opportunities.

54. The specific portfolio managers that would be utilized for this engagement bring significant experience in the multi-asset credit space, though their track records were established at prior firms. Can we point to past experiences at other firms even if we are unable to utilize those track records?

Answer: Yes.

55. Is there an expectation that this mandate will ultimately allocate to private debt? If not, does #9 in Section 3 still apply?

Answer: Yes, the ability of the manager to invest in private debt opportunities is an important consideration.

56. Regarding #6 and #9 in Section 3, how is private debt defined?

Answer: Private debt could include non-bank corporate and asset-backed lending.

57. Since INPRS expects to allocate to 2 or 3 managers, are you considering complementary liquid mandates?

Answer: INPRS will evaluate each respondent independently.

58. Can you please clarify whether private securities are in scope for this mandate or does INPERS only prefer public securities in a potential SMA. If private securities are allowed, is there an expected guideline maximum we should be aware of or any types of limitations on privates we should be aware of?

    Answer: The strategy will combine both public and private credit exposures. Guidelines currently in place allow up to approximately 40% to be invested in private securities.

59. Would INPRS consider investing in a Luxembourg domiciled fund or SMA?

    Answer: The preferred structure is a separately managed account, but INPRS is open to discussing alternatives.

60. Does INPRS have specific investment guidelines regarding minimum/maximum allocations to Europe/US? Would INPRS consider a fund offering with a sole focus on Western Europe?

    Answer: Drafting investment guidelines will be a collaborative process between INPRS and selected manager(s). There will be maximum concentration limits for ex-U.S. exposures. INPRS will not consider a fund offering with a sole focus on Western Europe.

61. Does INPRS have a Risk/Return target for this mandate?

    Answer: The target net return is 150bps over a blended 50/50 High Yield / Leveraged Loan benchmark with less than 5.0% annualized volatility. In addition, historically the net absolute return target has been 8.0%.

62. Does INPRS have a preference on liquidity?

    Answer: There is tolerance for illiquidity; however, this portfolio may be subject to quarterly rebalancing and periodic cash needs. Guidelines currently in place allow up to approximately 40% to be invested in private securities.

63. Is there a preference for a flat fee or a tiered fee schedule?

    Answer: No preference.

64. Does the minimum ten-year performance track record apply solely to the proposed strategy, or can it include performance from other credit strategies at the firm?

    Answer: It can include performance from other credit strategies at the firm. However, please note INPRS is trying to assess a manager's ability to invest opportunistically across credit sectors by dynamically shifting allocations to take advantage of relative value opportunities.

65. Would INPRS consider a sector-specific credit strategy?

    Answer: No. The strategy should be able to dynamically invest across multiple credit sectors.

66. Would INPRS consider a closed-ended drawdown structure? If so, we would like to propose a closed-ended drawdown fund. Would INPRS accept a fund-by-fund performance presentation instead of a composite?

Answer: INPRS will not consider a closed-ended drawdown structure. The preferred structure is a separately managed account, but INPRS is open to discussing alternatives. We will accept a fund-by-fund performance presentation. However, please note INPRS is trying to assess a manager's ability to invest opportunistically across credit sectors by dynamically shifting allocations to take advantage of relative value opportunities.

67. In the Questionnaire - Investment Strategy section question 14, our commingled products do not fall within the listed categories in the table indicated, may we add our types of investment vehicle to the table?

Answer: Yes.

68. For an SMA, does INPRS have a preference for a fund-of-one, whereby the manager sets up the entity via LPA, or "balance sheet" SMA via IMA, whereby the manager acts as sub-adviser to the account?

Answer: The preferred structure is a separately managed account, but INPRS is open to discussing alternatives.

69. In Appendix B, section B.2 "Foreign Registration Statement, can we assume that this document is not required for an investment manager domiciled in the U.S?

Answer: The Foreign Registration Statement is with respect to non-Indiana entities. If an investment manager is not formed in Indiana, then it must provide the Foreign Registration Statement in order to do business in Indiana.

70. Can you please disclose your preferred 'as of' date for data/information?

Answer: Preferred 'as of' date is 12/31/2024, but 9/30/2024 is acceptable.

71. Would a separate account that includes allocations to select opportunistic credit primary funds (thereby the account having a "fund-of-funds" component) designed to complement INPRS other exposures be eligible and of interest to INPRS?

Answer: The preferred structure is a separately managed account, but INPRS is open to discussing alternatives.

72. Would INPRS be open to opportunistic credit co-investments as part of a solution?

Answer: Not for this mandate.

73. Would INPRS be open to opportunistic credit secondaries as part of a solution?

Answer: No.

74. Is a formal private debt track record mandatory to submit a response to this RFP?

Answer: Yes.

75. Does this INPRS new mandate expect longer-term exposure to every asset type listed in #6 of Section 3 - Scope of Services, or can the manager invest in some, not all sectors?

    Answer: Manager should have longer-term track records for the majority of sectors listed.

76. Does INPRS require a single track record from a multi-asset credit composite or will discrete track records of each credit segment address requirement 8 of Section 3 – Scope of Services?

    Answer: It is acceptable to share track records for discrete credit segments. However, please note INPRS is trying to assess a manager's ability to invest opportunistically across credit sectors by dynamically shifting allocations to take advantage of relative value opportunities.

77. Can this RFP be approached by a private credit manager who has investment track records in certain, but not all, public fixed income sectors listed?

    Answer: No.

78. Can you please clarify what record keeping requirements are in scope for Question 5 of the *'Investment Vehicles, Fees & Terms'* section of the Questionnaire?

    Answer: For any collective and/or private structures, can the manager provide look-through reporting (e.g., holdings, risk analytics, etc.) to INPRS, INPRS's custodian, and/or other INPRS databases (e.g., risk system)?

79. Can you please clarify the forms and contracts that are in scope for item 15.b within *'Section 3 – Scope of Services'* of the RFP document?

    Answer: The preferred structure is a separately managed account. INPRS expects that its contract terms and form language will be used as much as possible. If the counterparty to the separate account seeks to modify language, INPRS expects to be involved in such negotiation.

80. Can you please confirm if you will accept more than one proposal from one manager?

    Answer: Yes.

81. Does the opportunistic credit mandate permit shorting?

    Answer: No.

82. Will a track record for the proposed investment strategy of just over 4 years be considered?

    Answer: If needed, it is acceptable to share the longer-term track records for individual asset class segments for which your firm may have longer track records. However, please note INPRS is trying to assess a manager's ability to invest opportunistically across credit sectors by dynamically shifting allocations to take advantage of relative value opportunities. Please also share the 4-year track record for the proposed strategy.

83. Our firm meets all eligibility criteria listed for each of the individual asset class segments (including track record). However, we do not have a specific track record for a multi-asset class credit strategy that directly aligns with this mandate. Would this be acceptable?

    Answer: It is acceptable to share track records for individual asset class segments for which your firm may have longer track records. However, please note INPRS is trying to assess a manager's ability to invest opportunistically across credit sectors by dynamically shifting allocations to take advantage of relative value opportunities.

84. Although the proposed contract runs for five years, are there other liquidity guidelines to which managers need to adhere?

    Answer: This portfolio may be subject to quarterly rebalancing and periodic cash needs. Guidelines currently in place allow up to approximately 40% to be invested in private securities.

85. Is the use of leverage permitted?

    Answer: No leverage will be permitted.

86. The RFP references manager benchmarks, but the only potential INPRS benchmark is a reference to an plan-wide assumed rate of 6.25%. Should beating 6.25% be the goal?

    Answer: The target net return is 150bps over a blended 50/50 High Yield / Leveraged Loan benchmark. In addition, historically the net absolute return target has been 8.0%.

87. Section 3, requirement 6, do you envision the having exposure to all the listed sectors?

    Answer: At any given point in time, the portfolio may have significant exposure to certain sectors and little to no exposure to others. The manager should be able to dynamically shift the portfolio allocation to take advantage of relative value opportunities across credit sectors.

88. Section 3, requirement 6, may one use a composite of more than one fund?

    Answer: Yes.

89. If a manager has a multi-asset strategy with less than 4bn of AUM; however, we manage greater than 4bn of the underlying sub-strategies that comprise the multi-asset credit strategy, would you still consider this manager in the search?

    Answer: Given the size of the mandate, it is unlikely concessions will be made related to minimum AUM requirements.

90. If a manager has a multi-asset strategy with a track record of less than 10 years; however, the underlying sub-strategies that comprise the multi-asset credit strategy meet the track record requirement, would you still consider this manager in the search?

    Answer: Yes.

91. Are there any target allocation guidelines between private and public credit across the mandate?

Answer: Guidelines currently in place allow up to approximately 40% to be invested in private securities.

92. Is there any specific guidance on liquidity across the mandate, including specific liquidity buckets (e.g., Level 1-3 assets)?

    Answer: This portfolio may be subject to quarterly rebalancing and periodic cash needs. Guidelines currently in place allow up to approximately 40% to be invested in private securities

93. Is there appetite for an allocation to real estate debt?

    Answer: Real estate debt is a permissible inclusion.

94. We note from your RFP that you are seeking to increase your strategic allocation to Opportunistic Credit and that you are seeking a manager with a track record of managing multi-asset credit portfolios consisting of high yield bonds, leveraged loans, securitized products (e.g. RMBS, CMBS, ABS, CLOs), private debt, stressed / distressed debt in the U.S. and Europe.

    i. Are there any specific mandate features or limitations that you are targeting / solving for in the allocation. Examples might include: portfolio yield and the distribution thereof / liquidity across the portfolio and the need for future liquidity from the account / hedging, including hedging of currency, rates etc as well as broader systematic macro and market hedging / liquidity limits for the underlying collateral / leverage limits / concentration limits for individual positions or individual sub-strategies / anything else;

    ii. Are there any specific asset classes that you would specifically not want to see in the portfolio? Examples of strategies not listed above that we include in existing opportunistic multi-asset accounts include: Convertible Bonds, Land Bank Finance, CRE and Consumer Whole Loans, Lower Middle Market Direct Lending, etc; and

    iii. Are there any other specific targets, exclusions or mandate limits that we should be aware of when preparing our submission.

    Answer: The manager(s) will have flexibility to invest across credit sectors based on their determination of relative value, subject to max concentration limits which will be set in a collaborative process with INPRS. Please reference IPS section 9.1 for further guidance regarding general guidelines. This portfolio may be subject to quarterly rebalancing and periodic cash needs. Guidelines currently in place allow up to approximately 40% to be invested in private securities. Manager will hedge non-U.S. dollar denominated exposure back to U.S. dollars. No leverage will be permitted.

95. Your RFP seems to focus on a true SMA structure versus a Fund of One arrangement, albeit we note (on page 52 of the RFP) that you do ask for details of the legal structure that we would propose. We have managed both SMA and Fund of One structures in the past and believe strongly that, for a number of reasons, a Fund of One structure works better in a Multi Asset Credit structure given the complexity and administrative burden associated with maintaining the necessary number of custody and / or prime broker accounts / other relationships with the wide range of counterparties needed to trade, hedge and borrow effectively across a broad range of underlying strategies. We are also finding that, whether for KYC purposes, the provision of leverage and / or any number of other reasons,

counterparties are increasingly looking for us to utilise one single fronting vehicle (a comingled SPV), particularly in situations where timing is tight and that this is very difficult to achieve with a true SMA structure, resulting in certain vehicles being excluded from specific transactions. Given this, would you be open to a proposal structured as a Fund of One, versus a true SMA, and / or would a Fund of One proposal be viewed equally or is there a specific preference for a SMA?

Answer: The preferred structure is a separately managed account, but INPRS is open to discussing alternatives.

96. The Fee Schedule set out in the RFP (Exhibit B, Page 38) makes provision for only a single Annual Fee which we assume, based on the layout of Schedule B, might vary depending on AUM. However, in question 2 of the Investment Vehicles, Fees & Terms section of the RFP (page 52) you ask whether the managed would be 'willing to accept a performance-based fee arrangement'. We believe strongly that performance fees are a very good way to align interests as between the investor and the manager and act as a significant incentive for the achievement of goals, when structured right. We would therefore wish to propose a fee structure that includes an incentive fee arrangement. Is that acceptable and, if so, how would you like us to complete Exhibit B?

Answer: Yes. Please reformat the table to more cleanly display your proposed fee structure.

97. Is there any specific return or volatility objective associated with the opportunistic credit strategy?

Answer: The target is 150bps over a blended 50/50 High Yield / Leveraged Loan benchmark with target annualized volatility (standard deviation) of 5.0%. In addition, historically the net absolute return target has been 8.0%.

98. How do you think about liquidity for this mandate? Are there specific guidelines or allocation ranges for public vs. private (i.e., minimum or maximum exposure)

Answer: There is tolerance for illiquidity, however, this portfolio may be subject to quarterly rebalancing and periodic cash needs. Guidelines currently in place allow up to approximately 40% to be invested in private securities.

99. You mentioned that the strategy will be benchmarked to a blend of High Yield and Leveraged Loan Indices? Do you have a blend of these indicates in mind (e.g. 50/50, 40/60…etc)?

Answer: The mandate has historically used a 50/50 blend.

100. Do you have a sense for how much active risk (i.e. tracking error) you would like the manager to take relative to the blended HY and Leveraged Loan benchmark?

Answer: The portfolio strategy should be executed with an annualized volatility target of less than 5.0%.

101. Similarly, do you have an interest rate duration or spread duration target in mind when you chose the benchmark?

Answer: No, investment managers will be responsible for managing duration within the portfolio.

102. Our firm meets all eligibility criteria listed for each of the individual asset class segments (including track record). However, we do not have a specific track record for a multi-asset class credit strategy that directly aligns with this mandate. Would this be acceptable?

Answer: It is acceptable to share track records for individual asset class segments for which your firm may have longer track records. However, please note INPRS is trying to assess a manager's ability to invest opportunistically across credit sectors by dynamically shifting allocations to take advantage of relative value opportunities.

103. The specific portfolio managers that would be utilized for this engagement bring significant experience in the multi-asset credit space, though their track records were established at prior firms. Can we point to past experiences at other firms?

Answer: Yes.

104. Will a track record for the proposed investment strategy of just over 4 years be considered?

Answer: If needed, it is acceptable to share the longer-term track records for individual asset class segments for which your firm may have longer track records. However, please note INPRS is trying to assess a manager's ability to invest opportunistically across credit sectors by dynamically shifting allocations to take advantage of relative value opportunities. Please also share the 4-year track record for the proposed strategy.

105. Could you please confirm how INPRS is defining private debt? Is this focused on middle market, sponsor backed direct lending? Or does INPRS want to include other alternative credit opportunities in its definition? If so, could you specify which sectors INPRS is interested in, such as asset-based lending, specialty finance, private RE private placements, etc.? Gaining insight into this will greatly assist us in aligning our proposal with INPRS's strategic objectives.

Answer: Private debt could include non-bank corporate and asset-backed lending.

106. Does INPRS have a maximum allowable allocation to 'private debt' within the Multi-Asset Credit mandate?

Answer: Guidelines currently in place allow up to approximately 40% to be invested in private securities.

107. Is there a current benchmark utilized by the multi-asset credit manager?

Answer: The current benchmark is 50% ICE BofA High Yield Index, 40% S&P UBS Leveraged Loan Index and 10% Morningstar European All Loans Index (USD Hedged).

108. Does INPRS have an expectation for how much duration will be exhibited from the mandate?

Answer: Investment managers will be responsible for managing the effective duration within the portfolio.

109. A transmittal letter, appendices (Appendix A.1, A.2, Appendix B), and exhibits (Exhibit B. Fee Schedule; Exhibit F. Placement Agent Disclosure Letter) are required per instructions in the RFP, and

we do not see a designated location for upload in InHub. Is there a preferred method / question to which INPRS like us to submit those documents in InHub?

Answer: Please upload to Section 10. Miscellaneous.

110. We see that separately managed accounts are preferred. We are happy to accommodate that. Just so we know, do you also consider Fund-of-One the same as SMA?

Answer: The preferred legal structure is an SMA, which we consider to be different than a Fund-of-One. INPRS is open to discussing alternatives.

111. Are there any ongoing distribution/yield targets?

Answer: No.

112. Are there any restrictions within public credit (e.g., credit ratings)?

Answer: Current guidelines stipulate a minimum weighted average rating ("MWAR") of B-/B3.

113. Are there any specific duration objectives?

Answer: Investment managers will be responsible for managing the effective duration within the portfolio.

114. Are there any specific liquidity considerations that the team should be aware of when constructing the proposal?

Answer: This portfolio may be subject to quarterly rebalancing and periodic cash needs.

115. What strategies do you consider to be part of stressed / distressed debt?

Answer: Distressed securities could include debtor-in-possession financings, rescue financings, exit financings, and stock or equity-linked securities, among other strategies.

116. Are there any limitations within private credit beyond a potential liquidity constraint (e.g., limitations on permissible strategies)?

Answer: No.

117. What are the expectations on deployment timeline?

Answer: Accounts are likely to be funded in July 2025 and liquid assets should be deployed within a reasonable timeframe (1-2 months). We recognize illiquid assets would be slower to deploy. Performance measurement will begin once approximately 95% of capital is deployed.

118. Are there any FX limits to consider (e.g., as pertains to EMD Local)?

Answer: Manager will hedge non-U.S. dollar denominated exposure back to U.S. dollars.

119. What is the performance benchmark that should be used and is there a tracking error limit that should be considered?

Answer: The benchmark is roughly 50% High Yield and 50% Leveraged Loans. The portfolio strategy should be executed with an annualized volatility target of less than 5.0%.

120. Are there preferences on fund-of-one vs SMA of funds vs SMA of SMAs at the total solution level?

Answer: The preferred structure is a separately managed account, but INPRS is open to discussing alternatives.

121. What is the permitted use of leverage and the role of derivatives within the portfolio?

Answer: Derivative instruments may be used for hedging purposes only.

122. At a high level, our proposal would include a public fixed income SMA with allocations across the credit spectrum (e.g., High Yield, Leveraged Loans, CLOs, Emerging Markets Debt) coupled with diversified private credit strategies (e.g. direct lending, private placements, asset backed financing, mezzanine, portfolio finance, opportunistic credit), likely accessed via comingled vehicles for efficiency though potentially via SMA. We expect that the portfolio would be roughly 75% public and 25% private, with a multi-asset class team managing across both public and private strategies and asset class specialists selecting credits within each strategy. We are also open to a fund-of-one structure that wraps the whole portfolio. Is this roughly in line with expectations?

Answer: Yes.

123. Would any leverage restriction apply at the fund of funds vehicle level or on a lookthrough?

Answer: No leverage will be permitted.

124. Are there specific fee objectives to consider beyond delivering compelling value for fees paid and net returns that meet objectives?

Answer: No, you've stated correctly.

125. Any restrictions on sectors or industries?

Answer: No restrictions on sectors or industries.

126. Is this search for new assets to be deeployed in opportunistic credit? If no, will existing managers be welcome to rebid? If yes, what is the existing portfolio that you are replacing and what is the main catalyst for the change?

Answer: This search is for INPRS's existing 2.5% allocation to Opportunistic Credit. The catalyst for the search is INPRS's existing Opportunistic Credit managers have managed the mandate to the extent of the contracts. Existing managers are welcome to rebid.

127. Would any leverage restriction apply at the fund of funds vehicle level or on a lookthrough basis to the underlying funds/SMAs as well?

Answer: No leverage will be permitted.

128. Are there any country restrictions (pertaining to EM /Frontier Debt) besides China?

Answer: Please reference Section 9.1.10 in the IPS.

129. Are there any restrictions or guidelines on the minimum and maximum number of underlying funds?

Answer: The portfolio should invest in direct securities in a separately managed account; however, we are open to discussing alternative structures that may be more suitable for less liquid or complex securities.

130. Any other information that you would like for us to consider when constructing and managing the portfolio?

Answer: This is a flexible mandate and INPRS will consider the strengths and capabilities of chosen manager(s) when drafting investment guidelines. Drafting investment guidelines will be a collaborative process between INPRS and selected manager(s).

131. Does INPRS prefer a Fund-of-One or an SMA?

Answer: The preferred structure is a separately managed account, but INPRS is open to discussing alternatives.

132. Would INPRS be open to allocations to any underlying commingled funds – whether via SMA or a Fund-of-One – to gain exposure to a more diversified portfolio for a given sub-strategy?

Answer: The portfolio should invest in direct securities in a separately managed account; however, we are open to discussing alternative structures that may be more suitable for less liquid or complex securities.

133. Given INPRS' target allocation of $1.4B across 2-3 MAC strategies, what is the minimum/maximum target size per mandate?

Answer: The expectation is that assets will be split approximately evenly between chosen managers.

134. Are there minimum/maximum exposure weights to specific asset classes?

Answer: There will be maximum exposure weights in place for specific asset classes. Drafting investment guidelines will be a collaborative process between INPRS and selected manager(s).

135. APRA: If a respondent claims statutory exemption to the public dissemination of certain information that is ultimately rejected by INPRS, will the RFP be sent back to the respondent for review, or would that respondent automatically be disqualified?

Answer: In the bid, a respondent may designate certain material confidential, trade secret, or otherwise protected from public disclosure. However, once submitted, INPRS will determine, in its sole discretion, the appropriate information to disclose. If there is a request for disclosure, INPRS will take reasonable steps to notify the respondent and engage with the respondent to determine any appropriate exemptions to disclosure.

136. Does INPRS prefer a fee structure that is management fee only or performance fee-based?

Answer: INPRS is open to a variety of fee structures.

137. Is there a stated income target (or minimum income target)? Does INPRS prefer to distribute or reinvest available current income?

Answer: There is not a stated income target. INPRS prefers to reinvest available current income.

138. #13. *Have either employee ownership of the firm or demonstrate significant personal investment in the Strategy by the investment team.* Would INPRS consider restricted equity in the firm and carry in the respective funds?

Answer: Yes.

139. Regarding Item 6 in the list of required characteristics, does the strategy need a verifiable track record that specifically includes the outlined investments?

Answer: INPRS views high yield bonds, leveraged loans, securitized products and private debt as key sectors for this mandate. Demonstrable ability to invest in these sectors is an important consideration.

140. Regarding item 8, would a long-term, > 10-year verifiable track record managing multi-sector credit strategies that invest in publicly traded treasuries, investment grade, high yield, emerging markets, and securitized fixed income, along with preferred stock, fulfill this requirement? Does the proposed strategy need to have a ten-year verifiable performance track record?

Answer: It is acceptable to share track records for individual asset class segments for which your firm may have longer track records. However, please note INPRS is trying to assess a manager's ability to invest opportunistically across credit sectors by dynamically shifting allocations to take advantage of relative value opportunities.

141. Regarding item 9, can that mean private debt managers (or does the proposed strategy need to have a verifiable track record of investing in private debt)?

Answer: INPRS is seeking managers with a verifiable track record of investing in private debt.

142. Regarding item 13, what is considered "significant personal investment"?

Answer: Manager should be able to demonstrate alignment.

143. Is a track record that includes privates in this capability required? We have private credit capabilities that are separate from our Multi Asset Capability but not in a blended mandate (i.e. no live track record of blended mandate between MAC and private credit)?

Answer: That is fine. We expect several respondents will need to show a separate track record in private debt.

144. Please clarify exactly what is needed for each subsection in Section 2.3.

Answer: Please reference Appendix C – Questionnaire.