



*New York State Insurance Fund*  
*Procurement Unit*

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January 9, 2019

The following Q&A will serve as Amendment #1 to NYSIF's Request for Proposals (RFP) for a Muni Asset Manager, bid number 2018-92-INV. Material in this Amendment supersedes any contradictory material in the RFP.

Please note that the due date for the submission of bids **remains unchanged**.

**All bids are due 1/30/19, by 2:00 p.m.(eastern).**

Sincerely,

A handwritten signature in black ink that reads "Alexandria Romano".

Alexandria Romano  
Contract Management Specialist 2

**Muni Asset Manager**

**RFP # 2018-92-INV**

**Amendment 1**

#	Question	NYSIF Response
1	We had an initial question that we were hoping that you can help with. Are you able to confirm the size of the mandate that will be managed by an external manager vs. the portion that will be managed internally by NYSIF? I see that the expected mandate size is listed at \$400mm so does that mean that \$400mm will be outsourced and NYSIF will manage an additional amount? If so, are you able to share what that amount will be?	That is correct. \$400mm will be outsourced. The amount managed internally is subject to change and will not be disclosed at this time.
2	On behalf of ( <i>Firm Name Redacted</i> ), I am qualifying RFP # 2018-92-INV and wish to clarify one of the stated requirements on page 13:  •Lead portfolio manager for the municipal bond strategy must have least 5 years of direct experience managing these portfolios.  Does the lead portfolio manager need to have 5 years of direct experience specifically managing U.S. taxable municipal portfolios, or for U.S. municipal portfolios in general (i.e., tax-exempt)?	The lead portfolio manager must have 5 years of direct experience managing US municipal portfolios in general (taxable and tax-exempt).
3	In regards to RFP # 2018-92-INV, in Appendix F – NYS Certifications can you please define the term 'New York resident business'?	A firm who is submitting a bid through a business office located in New York.
4	Appendix M, Section II: Can you please provide a list of brokers that NYSIF considers to be MWBE? Specifically any dealers that are active in the taxable municipal bond space?	It is the responsibility of the firm to research MWBE firms with broker experience. Per Appendix M, Section II. Contract Goals, "For purposes of providing meaningful participation by MWBEs on the Contract and achieving the MWBE Contract Goals established in Section II-A hereof, the Contractor should reference the directory of MWBEs at the following internet address: <a href="https://ny.newnycontracts.com">https://ny.newnycontracts.com</a> .  Additionally, the Contractor is encouraged to contact the Division of Minority and Women's Business Development at (212) 803-2414 to discuss additional methods of maximizing participation by MWBEs on the Contract."
5	Appendix M, Section II, Paragraph D: Our experience in the taxable municipal bond space tells us there's a small footprint of brokers that meet these requirements, can we make a best efforts case subject to best execution to meet the overall goal of the contract?	Please refer back to Section 1.9. of the RFP, Exhibit 1, Clause 4.d. and Appendix M regarding MWBE requirements and waivers under this procurement.
6	Appendix M, Section II, Paragraph C: Can we count new deal designations towards our participation with MWBE to meet the overall goal?	NYSIF has set a 27% goal for this procurement, which can be met as an MWBE prime or finding MWBE subcontractors to perform work under the contract. It is up to the prime, what tasks/roles the subcontractor would be responsible for. Note: New deal designations would not count toward as meeting MWBE goals.
7	Appendix M, Section II, Paragraph A: Would a percentage holding of New York paper contribute to these requirements?	NYSIF has set a 27% goal for this procurement, which can be met as an MWBE prime or finding MWBE subcontractors to perform work under the contract. It is up to the prime, what tasks/roles the subcontractor would be responsible for. Note: having shares of a company would not count as meeting MWBE goals.
8	Appendix M, Section II, Paragraph B: Would using other MWBE vendors other than those designated by NYSIF count towards the overall requirement? Can these vendors be other than executing brokers?	It is the responsibility of the prime bidder to find MWBE firms to meet the MWBE goal, NYSIF will not be designating MWBE firms. NYSIF has set a 27% goal for this procurement, which can be met as an MWBE prime or finding MWBE subcontractors to perform work under the contract. It is up to the prime, what tasks/roles the subcontractor would be responsible for.
9	Is this a fully discretionary mandate? Will buy and sells need confirmation by NYSIF prior to executing a trade?	Yes, it is a fully discretionary mandate subject to the constraints noted in Attachment B. As Attachment B notes in some cases communication between NYSIF and the Manager would be required.
10	Section 1 – General Information – 1.8 Insurance Requirements page 9 of the (pdf): Are we able to amend the insurance requirements? As a subsidiary to a large insurance firm, we may not be able to provide the exact stated requirements.	Bidders must list and clearly explain any and all exceptions and/or alternatives and/or caveats to any item contained in this RFP in the Comments and Limitations section of their Proposal. Please refer back to RFP Section 4.2.6.

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11	Exhibit C, Contract Provision, Provision 32, Indemnification (page 90 of the pdf): Please confirm whether counterparties, used to execute trades, are considered “agents”, which then we would be obligated to indemnify for NYSIF.	An agent is defined as "One who agrees and is authorized to act on behalf of another, a principal, to legally bind an individual in particular business transactions with third parties pursuant to an agency relationship".
12	Exhibit C, Contract Provision, Provision 38, Performance/Bid Bond (page 91 of the pdf): Does this apply to the performance, payment or Bid bond or negotiable irrevocable letter of credit or other form of security for the faithful performance of the Contract applicable?	No.
13	<p>(<i>Firm Name Redacted</i>) would like to submit an RFP response for the New York State Insurance Fund, RFP # 2018-92-INV. However, there are a few inquiries/comments which need to be address prior. (<i>Firm Name Redacted</i>) manages around \$400m taxable municipal bonds across multiple strategies. We do not, however, have a taxable municipal specific portfolio.</p> <p>We strive to consistently maintain an effective yield advantage versus the benchmark index by investing in undervalued bonds, while cautiously managing the assumption of risk, seeking the optimum balance between risk and reward. Therefore, we focus on the major contributors to fixed income returns, concentrating assets in undervalued securities and sectors, and taking advantage of long term trends in interest rates, as well as the current and changing shape of the yield curve.</p> <p>In conclusion, given the above, would we still qualify for completion of the New York State Insurance Fund RFP # 2018-92-INV?</p>	Per the minimum qualifications NYSIF is seeking a manager that has a dedicated Taxable municipal mandate so unfortunately it sounds like your firm does not qualify.
14	On page 48, section 5 under “Exclusions”, the second bullet states “securities with an average credit rating lower than A- at time of purchase”. What rating methodology applies here? Is it the methodology under section 9 “Communications and Reporting”?	Correct, please see section 9.
15	On page 49, section 8 has a 3% category limit and 1% per issuer limit for BBB rated category at time of purchase. On page 48, section 5 bullet two and section 6 bullet one, both state the credit rating of a security at time of purchase should be A- or above. How should we interpret the limits in section 8 for the BBB category? Which would apply to the taxable municipal mandate?	Section 5 and 6 describe the primary goals of the mandate. The line for BBB securities in Section 8 provides a small (3%) exception.
16	Does Appendix M (page 118-133) and Appendix S (page 140-142), and the related forms, need to be completed by firms not bidding as a MWBE or SDVOB? In other words, what are the requirements, if any, in Appendix M and Appendix S for firms not participating as a MWBE or SDVOB	<p>Per Section 4.2.7, Appendix M and Appendix S must be completed by all bidders.</p> <p>Regarding Appendix M, bidders need to submit Form 101, Form 103 or a copy of bidders current NYSDER MWBE certification and Form 106 or a copy of bidders EEO policy. In addition, should a bidder be unable to fully meet the MWBE goals set forth in this RFP, they should submit the documentation under Form 104.</p> <p>Regarding Appendix S, for purposes of this procurement, NYSIF conducted a comprehensive search and determined that the Contract does not offer sufficient opportunities to set specific goals for participation by SDVOBs as subcontractors, service providers, and suppliers to Contractor. Bidders are required to submit Appendix S, S-100 with their bid.</p>
17	If Form 101 in Appendix M on page 124 is required, could you please describe what is meant by “reporting period”? The form asks for hours worked and number of employees during the “reporting period”. Could you please clarify?	Per Appendix M, the bidder shall submit a staffing plan to document the composition of the proposed workforce to be utilized in the performance of the Contract by the specified categories listed. The reporting period is the anticipated utilization during the 5-year period under this contract.

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18	In regards to RFP # 2018-92-INV Section 1.8 Insurance Requirements, elements detailed in this section are not applicable to investment management services and as such a potential manager would not be able to comply. Are these requirements open to negotiation and/or adjustment?	Bidders must list and clearly explain any and all exceptions and/or alternatives and/or caveats to any item contained in this RFP in the Comments and Limitations section of their Proposal. Please refer back to RFP Section 4.2.6.
19	Exhibit A 21. New York State Information Security Breach and Notification Act. Need more information for review	Additional information on the New York State Information Security Breach and Notification Act can be found on <a href="https://ag.ny.gov/internet/data-breach">https://ag.ny.gov/internet/data-breach</a> . The NYS Information Security Breach and Notification Act is comprised of section 208 of the State Technology Law and section 899-aa of the General Business Law. Copies of these sections can be found on the New York State Legislature Site ( <a href="http://public.leginfo.state.ny.us/lawssrch.cgi?NVLWO">http://public.leginfo.state.ny.us/lawssrch.cgi?NVLWO</a> :).  Per RFP Section 4.2.6. "No comments, limitations or changes are permitted with respect to any of the terms and conditions contained in Exhibit A, Standard Clauses."
20	Exhibit B 3. Sections 73 and 74 of the Public Officers Law. Need more information for review.	Additional information on Sections 73 and 74 of the Public Officers Law can be found on <a href="https://ag.ny.gov/sites/default/files/pdfs/bureaus/public_integrity/public_officers_law_sec_73.pdf">https://ag.ny.gov/sites/default/files/pdfs/bureaus/public_integrity/public_officers_law_sec_73.pdf</a> and <a href="https://ag.ny.gov/sites/default/files/pdfs/bureaus/public_integrity/public_officers_law_sec_74.pdf">https://ag.ny.gov/sites/default/files/pdfs/bureaus/public_integrity/public_officers_law_sec_74.pdf</a> . Public Officers Law is comprised of Article 4 of the Public Officers Law (Section 73 & 74). Copies of these sections can be found on the New York State Legislature Site ( <a href="http://public.leginfo.state.ny.us/lawssrch.cgi?NVLWO">http://public.leginfo.state.ny.us/lawssrch.cgi?NVLWO</a> :).
21	We understand that you want a team of at least 5-members dedicated to the product. Our team is comprised of 5-municipal bond portfolio managers as well as portfolio managers who focus on credit, but are not dedicated to Muni's. Is this acceptable?	Per the minimum qualifications we are requesting a team of 5 members fully dedicated to the product.
22	In the "Performance" section, you request performance of a taxable municipal bond composite and accounts. Since we do not currently have a taxable municipal bond composite, will you accept our tax-exempt municipal bond composite? For context, we manage \$40 billion of muni's and have \$800 million in taxable muni exposure.	Please provide data on your dedicated taxable muni accounts (even if there is no composite). Per Q13 NYSIF requires that the bidder have at least \$50mm in dedicated taxable muni mandates.
23	If we are not able to complete Appendix M with the level of detail requested, is this grounds for elimination?	Bidders must list and clearly explain any and all exceptions and/or alternatives and/or caveats to any item contained in this RFP in the Comments and Limitations section of their Proposal. Please refer back to RFP Section 4.2.6.
24	1. Attachment B, p. 47 pdf, Item 3 Performance Benchmarks: "The total return of the portfolio will be compared to the total return of a customized taxable municipal bond index." i. <del>Is</del> it your objective that the customized benchmark reflect the "Exclusions" listed within this section? (i.e. a benchmark that also excludes securities rated lower than A-, New York City issuers, Essential Service bonds, etc.?) ii. <del>Do</del> you have a target alpha relative to the customized benchmark? iii. <del>Will</del> the benchmark be defined before you select the winning bidder?	i) Yes ii) No iii) Yes. The benchmark will be a screened version of the TXMB Index (ICE BofAML) based on the exclusion criteria noted in Attachment B.

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25	<p>2. Attachment B, p. 47 pdf, Item 5 Permissible Investments</p> <p>i. In your definition of U.S. Taxable Municipal Bonds (“Taxable Bonds issued by a U.S. State, Municipality, County Territory, or Quasi-Municipal Corporation”), do you include bonds with corporate CUSIPs that are issued by nonprofit entities under 501(C)(3) of the IRS Code like private universities and hospitals (for example, George Washington University or Kaiser Permanente, for example)?</p> <p>ii. Could you please clarify the definition of “wholly owned instrumentality thereof” in the bullet “General Obligation taxable bonds issued by a U.S. state (or wholly owned instrumentality thereof) that are rated AA- and better by at least 2 of Moody’s, Standard &amp; Poor’s and/or Fitch?” Is the intent of the restriction to also exclude bonds issued by state authorities that act as conduit issuers? Others? We raise the question because the term may be subject to interpretation. Under a more encompassing definition of instrumentality, many municipal issuers in a state could be considered to be instrumentalities of that state.</p>	<p>i) Yes</p> <p>ii) Our intention here is to exclude from the external mandate any bonds with the specified minimum ratings whose security benefits from a state’s general-obligation pledge, irrespective of the issuer itself. For example, a bond issued by a state’s department of transportation that benefits from a general obligation pledge would be excluded from the external mandate. A bond issued by a state, a state agency or other affiliate whose security does not include that state’s G.O. pledge would be eligible for purchase under the external mandate.</p>
26	<p>The questions are in regard to Attachment B Manager’s Investment Specifications section #2 &amp; #5.</p> <p>• Have you identified the customized taxable municipal benchmark to which total return of the portfolio will be compared?</p>	<p>Yes. The benchmark will be a screened version of the TXMB Index (ICE BofAML) based on the exclusion criteria noted in Attachment B.</p>
27	<p>The questions are in regard to Attachment B Manager’s Investment Specifications section #2 &amp; #5.</p> <p>• Are General Obligation Pension Obligation Bonds permissible?</p>	<p>Yes</p>
28	<p>The questions are in regard to Attachment B Manager’s Investment Specifications section #2 &amp; #5.</p> <p>• If such bonds are AA- or higher from two NRSROs are such bonds impermissible because NYSIF manages them?</p>	<p>Yes</p>
29	<p>The questions are in regard to Attachment B Manager’s Investment Specifications section #2 &amp; #5.</p> <p>• Can you please provide an exhaustive list of New York City obligors and affiliates that are excluded from purchase?</p>	<p>The exclusion criteria in Attachment B provides enough context for the purposes of the RFP. Further discussions will be more than welcome if the mandate is awarded to your firm.</p>
30	<p>The questions are in regard to Attachment B Manager’s Investment Specifications section #2 &amp; #5.</p> <p>• Are taxable bonds issued by entities in higher/post-secondary education and/or involved in Essential Services that are rated by only one of Moody’s Standard &amp; Poor’s and/or Fitch permissible under this mandate? (given that NYSIF will manage those rated AA- by at least two of those ratings providers)?</p>	<p>Yes</p>
31	<p>Section 4.2.4 Technical Experience / Description of Proposed Services -The bidder is instructed to “submit as described in the Technical Requirements section of this RFP.” Is our understanding correct that the bidder should embed the entirety of “Section 2 – Technical Specifications” into the proposal under Section 4.2.4 (retaining the original sub-sections of the Technical Specifications Section)? Or is there another format preferred by NYSIF that the bidders should follow? (i.e. providing the responses to the Technical Specifications section in a separate appendix)</p>	<p>Bidders need to address all technical requirements in the RFP outlined in Section 2 and Section 4. It is up to the bidders discretion how they present this information.</p>
32	<p>Bidder Certifications Certifications, Question 6 - Question 6 requires that “the Bidder meets or exceeds all Mandatory Bidder Qualifications...”</p> <p>Can you please define “Mandatory Bidder Qualifications”?</p>	<p>Mandatory Requirements outlined in Section 2.2 of the RFP.</p>

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#	Question	NYSIF Response
33	Bidder Certifications - Freedom of Information Law We consider the names and contact information of the client references we provide to be confidential information. Is NYSIF able to agree to this request? Or would that be considered non-compliant with the Freedom of Information Law?	Bidders should check 'yes' if they believe that any of the information supplied in their bid constitutes a trade secret or that disclosure of the information would cause substantial injury to the Bidder's competitive position and should be exempt from disclosure under the Freedom of Information Law (see Exhibit B, clause 15 for additional information). Please clearly mark in your proposal any sections/items that should be considered confidential.
34	Exhibit B General Specifications Q. 40 – Section c.iii -Is the manager required to obtain a written statement from any labor unions representing employees in the firm?	Yes, the Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union, or representative will not discriminate on the basis of race, creed, color, national origin, sex age, disability or marital status and that such union or representative will affirmatively cooperate in the implementation of the Contractor's obligations herein.
35	Appendix M MWBE / EEO Requirements and Procedures - Our firm is not considered a MWBE. Can you please elaborate as to the basis on which NYSIF will consider waivers for non-MWBE asset managers? If a firm is granted a waiver, does that eliminate the need for a quarterly form 103 Workforce Utilization Report?	If a firm cannot meet the MWBE goals under this contract, they should submit Appendix M, Form 104 and all substantiating documentation required with that form. Requests for waivers will be reviewed after a firm is awarded. If a firm is granted a waiver it eliminates the need for Form 103.
36	Exhibit 1 Sample Contract Agreement Clause 7 - Please clarify what will be increased or decreased (i.e. assets?, investment guidelines parameters?, etc.)	Assets.
37	Question applies to multiple references throughout the RFP - Can you please clarify your definition of a Subcontractor?	SUBCONTRACTOR: Any individual or legal entity (including but not limited to sole proprietor, partnership, limited liability company, firm or corporation) who has entered into a contract, express or implied, for the performance of a portion of a Contract with a Contractor
38	Bid Section 1.9, Paragraph 3 - If the bidder is not a MWBE and does not subcontract any work related to this contract, does any part of Appendix M need to be completed by the bidder?	Please see NYSIF's response to Question 16.
39	Bid Section 2.3, Question 37 What performance statistics should be included and for what time period(s)?	We welcome as much detail as you are able to provide (including monthly account and benchmark returns in a spreadsheet). At a minimum annualized returns and standard risk ratios for the 1 year, 3 year, 5 year and since inception time periods should be provided.
40	Bid Section 2.3, Question 38 - Over what time period(s) should attribution be provided?	We welcome as much detail as you are able to provide. At a minimum please provide attribution for the 1 year, 5 year, and since inception periods.
41	Bid Section 2.5, Paragraph 1 - Is the contract up for renewal after the 5 year period, or will it be put out for re-bidding?	Not material to this RFP.
42	General Question - Is it possible to obtain a non-pdf version the RFP? A Word version of the questionnaire with separate files for the various appendices would be ideal.	A word version of the RFP will not be released.
43	Regarding Permissible Investments: Please clarify quasi-municipal corporation debt. Does this mean taxable munis issued with a corporate CUSIP?	The term “quasi-municipal corporation debt” could include taxable instruments issued with a CUSIP accessed on the Bloomberg terminal service via its “CORP” product key. It is not necessarily limited to such instruments. For example, an industrial revenue bond that otherwise meets the mandate’s criteria could conceivably fall under that term.
44	Regarding Credit quality: Assuming NYSIF internally manages the higher quality part of the muni market, the investible universe for an external manager would likely have an average rating of single A. Given that information, is there any flexibility or appetite to lower the targeted average quality one notch from A+ to A to more properly reflect the universe?	Yes, this will be discussed and potentially refined once the award is given.
45	37. Please provide performance statistics for your third-party institutional municipal-bond strategies (separating taxable strategies from tax-exempt and/or “go anywhere” municipal strategies).  Can you please clarify what is meant by “third-party” institutional municipal-bond strategies?	Any assets managed for a third party client as opposed to internal assets (to help distinguish from general account assets of an insurance company for example).

## Muni Asset Manager

RFP # 2018-92-INV

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#	Question	NYSIF Response
46	We understand the investment objective of the portfolio is to generate long-term performance and stable income by investing in taxable municipal fixed-income securities. In addition to the stated objective, is there a preferred yield target for the mandate?	No
47	Related to Section 2, Technical Specifications, Risk Management, question 26, does the NYSIF have a list of MWBE or Veteran Disabled broker-dealer firms that can be provided?	See response to Question #4
48	Does the NYSIF have a preference for incorporating environmental, social and governance (ESG) factors into the portfolio?	No
49	<p>We have the following clarification questions regarding the permissible investments in Attachment B, the Manager's Investment Specifications:</p> <p>A. Are taxable municipal bonds that are issued with corporate Cusips permitted investments?</p> <p>B. In reference to the limitation on higher/post-secondary education and Essential Services that will be managed internally by NYSIF, if a bond has an AA- rating or better by only one rating agency, is it permitted, assuming the security meets the other requirements?</p> <p>C. In reference to the limitation on General Obligation taxable bonds issued by a U.S. state (or wholly owned instrumentality thereof) that will be managed internally by NYSIF, are local government General Obligation within a state permitted, assuming these securities meet the other requirements?</p> <p>D. For performance measurement purposes, a customized taxable municipal bond index can be created based on an existing index, such as the Bloomberg Barclays Taxable Muni Index, and the Manager's Investment Specifications. Would non-index eligible securities that otherwise meet the Investment Specifications be permitted?</p> <p>E. In reference to limits on categories and issuers, is there a minimum issue size limit?</p>	<p>A) Yes</p> <p>B) Yes</p> <p>C) Yes, local government bonds will be permitted as part of the External mandate.</p> <p>D) Yes</p> <p>E) No</p>
50	Our firm outsources certain ancillary middle-office/administrative functions (such as cash availability and reconciliation support; trade settlement; corporate action processing; portfolio accounting and reconciliation; pricing support; portfolio return calculation support; client reporting preparation) for most of its institutional separate account clients pursuant a long established relationship with a NY-based national bank and its affiliate. Our institutional clients are not in contractual privity for this purpose with the bank, which is not engaged in any sub-advisory capacity and has therefore ordinarily not been considered a subcontractor in that sense for investment advisory mandates, though clients give permission for information/data sharing necessary to support such outsourced functions. Would NYSIF expect our firm to treat the bank as a subcontractor for the purpose of responding to the RFP?	Any individual or legal entity (including but not limited to sole proprietor, partnership, limited liability company, firm or corporation) who has entered into a contract, express or implied, for the performance of a portion of a Contract with a Contractor would be considered a subcontractor.
51	<p>Please accept the below question regarding NYSIF's RFP for a Municipal Asset Investment Manager. Our question pertains to Attachment B: Manager's Investment Specifics , Section 5: Permissible Investments , Exclusions.</p> <p>Question: What is the reporting requirement for securities that are upgraded from 'below AA-' to 'AA- or higher' in the investment guidelines excluded sectors, State General Obligations, Essential Service: Water Revenue, Sewer, Wastewater and/or Pollution Control Revenue?</p>	Can be reported quarterly.