

# NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

## INVESTMENT/CASH MANAGEMENT CONSULTING SERVICES – 2016-RFQ/P-051-AMW

DATE: NOVEMBER 18, 2016

### ADDENDUM #1

The following constitutes an Addendum which can be a Clarification and/or Modification to the above referenced solicitation.

This Addendum is divided into the following parts:

PART 1: Answers to bidder questions; and/or

PART 2: Additions, deletions, clarifications and modifications to the RFQ.

#### **PART 1: Answers to bidder questions;**

No.	PART 1: Questions	PART 1: Answers
1	“The RFP states that “the resulting contract will be based on a total estimated annual budget of \$200,000”. Does this mean that no proposal will be considered with an aggregate fee in excess of \$200,000?”	<i>This amount is provided as a budgetary estimate only. The Authority realizes that the actual amount of the contract to be awarded may be more or less than this amount.</i>
2	“NJEDA’s Summary states “The resulting contract will be based on a total estimated annual budget of \$200,000.00 dollars.” Can you elaborate on the meaning of this statement? Does this mean that the NJEDA will pay the selected vendor a fee of no more than \$200,000.00 annually?”	<i>This amount is provided as a budgetary estimate only. The Authority realizes that the actual amount of the contract to be awarded may be more or less than this amount.</i>
3	“Is it possible to bid on just one of the two mandates, or must all responses be for both mandates?”	<i>The Authority will only consider responses that include both mandates.</i>
4	“The language on references was confusing. Do you require 5 references for each mandate for a total of five, or five annual references for each mandate for a total of 25?”	<i>We are requiring a total of (5) references, one for each of the (5) Client Engagement narratives, per “Section 17(B) – Qualifications/Performance of Proposer on Contracts of Similar size &amp; Scope/Description of the Proposer’s Organization” and “Section 19 – References”.</i>
5	Our legal and compliance policies prohibit us from publicly disclosing client-specific information, to include a prohibition on disclosing client-specific investment returns. Instead, we provide historical performance results of relevant composites. NJEDA’s RFQ/P requests that we	<i>The inability to provide certain information may impact the Authority’s ability to evaluate proposals.</i>

	<p>“Indicate the firm’s ten (10) largest clients, including the portfolio’s annual dollar value and return on investment (ROI) for each of those clients’ assets...” Please comment on the impact on our candidacy if we are unable to provide client-specific information due to our disclosure requirements.</p>	
6	<p>NJEDA’S RFQ/P states “The Controller shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of NJEDA to purchase securities only from those authorized firms.” Does this mean the selected vendor will be mandated to direct/execute trades only through a list of brokers created/approved by NJEDA?</p>	<p><i>A list of broker/dealers would be provided, annually, by the successful bidder, and the Controller shall have the right to reject specific broker/dealers on that list. The Controller shall maintain a copy on file and monitor same for compliance and possible use as other investment matters arise.</i></p>
7	<p>NJEDA’s RFQ/P states “If NJEDA is offered a security for which there is no other readily available competitive offering, quotations for comparable or alternative securities will be documented.” As it can be challenging to practically fulfill this obligation, can you elaborate on the nature of your requirements in this regard?</p>	<p><i>Given the Authority’s investment guidelines, it is rare that this would occur, however, the Authority would consider opportunities for such securities to the extent there are other securities, which meet our guidelines, that can be demonstrated to be similar.</i></p>
8	<p>Can NJEDA provide clarification whether the selected vendor will be permitted to purchase “structured” fixed income securities such as Agency MBS, ABS, or CMBS?</p>	<p><i>Structured fixed income securities, such as the types mentioned, would not be permitted.</i></p>
9	<p>The due date is listed as Wednesday, November 29, but November 29th is a Tuesday. Can you please confirm the actual due date?</p>	<p><i>The corrected RFQ/P bid opening date is “THURSDAY, DECEMBER 1, 2016 AT OR BEFORE 3:00 PM, (EST)”.</i></p>
10	<p>The RFP asks for information on the firm’s ten largest clients. Is the Authority interested in separately managed account clients only, or mutual fund or investment pool clients as well?</p>	<p><i>The Authority is interested in separately managed accounts only.</i></p>
11	<p>Per Exhibit I, is there an MWBE goal? How does this reconcile with RFP #21 (page 8 of RFP) that specifies no joint ventures?</p>	<p><i>There is no required MWBE goal for this procurement. The RFQ/P allows proposers to subcontract, if necessary, per “Section 20-Subconsultant firms/Subcontractors”. Joint Ventures are not permitted, per “Section 21-Joint Ventures.</i></p>
12	<p>Are equity mutual funds allowable investments for the Retiree Benefit Trust? Is the Authority willing to provide the</p>	<p><i>Equity mutual funds are not permitted under current</i></p>

	document(s) under which the Retiree Benefit Trust was established?	<i>guidelines. Documents related to the establishment of the Trust may be provided to the successful bidder.</i>
13	Regarding Section 17 (Qualifications), Question F, can the Authority clarify the meaning of “security control systems?” Is this referring to the firm’s internal control and/or information technology systems? Or, is the Authority referring to the procedure for the custody of assets?	<i>Security control systems refer to each of these examples.</i>
14	Regarding Section 22 (Substitution of Staff), will the Authority consider negotiating this provision to allow our firm to replace personnel with notice in the event that we may not have the opportunity, or time, to secure the Authority’s written consent prior to replacement?	<i>In the event there is need for substitution of staff the Authority will make every effort to provide a timely reply to the consultant firm.</i>
15	Will the Authority accept our exceptions to the form of contract, which includes the items detailed in the attachment?	<i>No, the authority will not accept the exceptions to Exhibit L, Specimen form of “Professional Services Contract”. (Submitted attachment is at the end of the Addendum.)</i>
16	Regarding Section 6 (Indemnification) of Exhibit L, is the Authority willing to negotiate the indemnification language to limit our firm’s obligation to the circumstances in which our performance has been wrongful, which would include negligent or intentionally wrongful acts?	<i>No, the Authority is not willing to negotiate Exhibit L’s Indemnification language.</i>
17	Regarding Section 14 (General Conditions), Item G (c) of Exhibit L, is the Authority willing to negotiate to accept our firm’s policy that we do not agree to liquidated damages provisions?	<i>The question mischaracterizes the cited provision as liquidated damages. Section 14(G)(c) of the Contract for Professional Services provides for a regulatory charge in support of the Public Policy of the State of New Jersey against discriminatory practices. Such charges are only reserved for firms not adhering to these anti-discrimination policies as set out in Section 14(G) of the Contract for Professional Services.</i>
18	Is the Authority willing to accept our firm’s standard investment advisor provisions, which are necessary under the Investment Advisers Act of 1940?	<i>No. Without specific citations to the Investment Advisers Act of 1940 and without the exact provisions being sought to be included, the Authority cannot determine what is legally required to be added to the Contract for Professional Services.</i>

19	Why is this RFP being issued?	<i>The agreement with the current vendor has expired and the EDA is now working with that vendor on a month-to-month basis.</i>
20	Who is the incumbent?	<i>Insight Investments</i>
21	What are the current fees being charged for investment management?	<i>The current fee percentages are 8 basis points on the first \$50 million under investment and 6 basis points thereafter and are payable monthly at 1/12 (one-twelfth) the annual fee based on the average net value (cost basis) of the funds under management for the month.</i>
22	Is NJEDA open to investment policy/asset allocation recommendations and changes?	<i>Yes</i>
23	Are there any types of cash flow forecasts available for the two investment pools?	<i>No</i>
24	From our Compliance Team: We will be completing that we are not a SBE on Exhibit H. However, Exhibit I notes that we need a SBE for each subcontractor and will need to complete a Monthly Status report should we win the business. Please note we do not intend to subcontract the investment advisory services that we will be providing. Could you please confirm NJEDA is only referring to subcontracting of investment advisory services for this request?	<i>This requirement would only apply to the subcontracting of services. To the extent no subcontracting is necessary, this would not apply.</i>

**PART 2: Additions, deletions, clarifications and modifications to the RFQ/P;**

No.	PART 2: Additions, deletions, clarifications and modifications to the RFQ/P.	PART 2: Answers
1	The due date is listed as Wednesday, November 29, but November 29th is a Tuesday. Can you please confirm the actual due date?	<i>The corrected RFQ/P bid opening date is "THURSDAY, DECEMBER 1, 2016 AT OR BEFORE 3:00 PM, (EST)".</i>

**ATTACHMENT REFERENCED IN QUESTION #15**

**[FOR REGULAR IA CLIENTS]**

**SECTION \_\_\_\_ . INVESTMENT ADVISOR PROVISIONS**

**(a) Services of Advisor.** The Client hereby engages the Advisor to serve as investment advisor under the terms of this Agreement with respect to the funds described in this Agreement and such other funds as the Client may from time to time assign by written notice to the Advisor (collectively the "Managed Funds"), and the Advisor accepts such appointment. In connection therewith, the Advisor will provide investment research and supervision of the Managed Funds investments and conduct a continuous program of investment, evaluation and, when appropriate, sale and reinvestment of the Managed Funds assets. The Advisor shall continuously monitor investment opportunities and evaluate investments of the Managed Funds. The Advisor shall furnish the Client with statistical information and reports with respect to investments of the Managed Funds. The Advisor shall place all orders for the purchase, sale, loan or exchange of portfolio securities for the Client's account with brokers or dealers recommended by the Advisor and/or the Client, and to that end the Advisor is authorized as agent of the Client to give instructions to the custodian designated by the Client (the "Custodian") as to deliveries of securities and payments of cash for the account of the Client. In connection with the selection of such brokers and dealers and the placing of such orders, the Advisor is directed to seek for the Client the most favorable execution and price, the determination of which may take into account, subject to any applicable laws, rules and regulations, whether statistical, research and other information or services have been or will be furnished to the Advisor by such brokers and dealers. The Custodian shall have custody of cash, assets and securities of the Client. The Advisor shall not take possession of or act as custodian for the cash, securities or other assets of the Client and shall have no responsibility in connection therewith. Authorized investments shall include only those investments which are currently authorized by the state investment statutes and the applicable covenants and as supplemented by such other written instructions as may from time to time be provided by the Client to the Advisor. The Advisor shall be entitled to rely upon the Client's written advice with respect to anticipated drawdowns of Managed Funds. The Advisor will observe the instructions of the Client with respect to broker/dealers who are approved to execute transactions involving the Managed Funds and in the absence of such instructions will engage broker/dealers which the Advisor reasonably believes to be reputable, qualified and financially sound.

**(b) Pool Compensation.** Assets invested by the Advisor under the terms of this Agreement may from time to time be invested in (i) a money market mutual fund managed by the Advisor or (ii) a local government investment pool managed by the Advisor (either, a "Pool") or in individual securities. Average daily net assets subject to the fees described in this Agreement shall not take into account any funds invested

in the Pool. Expenses of the Pool, including compensation for the Advisor and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.

**(c) Other Compensation.** If and to the extent that the Client shall request the Advisor to render services other than those to be rendered by the Advisor under this Agreement, such additional services shall be compensated separately on terms to be agreed upon between the Advisor and the Client.

**(d) Expenses.** The Advisor shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel for managing the Managed Funds. Except as expressly provided otherwise herein, the Client shall pay all of its own expenses including, without limitation, taxes, commissions, fees and expenses of the Client's independent auditors and legal counsel, if any, brokerage and other expenses connected with the execution of portfolio security transactions, insurance premiums, and fees and expenses of the Custodian.

**(e) Registered Advisor; Duty of Care.** The Advisor hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940. The Advisor shall immediately notify the Client if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Advisor agrees to perform its duties and responsibilities under this Agreement with reasonable care. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which the Client may have under any federal securities laws. The Client hereby authorizes the Advisor to sign I.R.S. Form W-9 on behalf of the Client and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.

**(f) Advisor's Other Clients.** The Client understands that the Advisor performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Client agrees that the Advisor, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Managed Funds. The Advisor shall not have any obligation to purchase, sell or exchange any security for the Managed Funds solely by reason of the fact that the Advisor, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.

**(g) Force Majeure.** The Advisor shall have no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from

events beyond its control, including interruption of the business activities of the Advisor or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.

**(h) Disciplinary Actions.** The Advisor shall promptly give notice to the Client if the Advisor shall have been found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission (“SEC”) or any other agency or department of the United States, any registered securities exchange, FINRA, or any regulatory authority of any State based upon the performance of services as an investment advisor.

**(i) Independent Contractor.** The Advisor, its employees, officers and representatives, shall not be deemed to be employees, agents (except as to the purchases or sale of securities described in subparagraph (a) above), partners, servants, and/or joint ventures of the Client by virtue of this Agreement or any actions or services rendered under this Agreement.

**(j) Books.** The Advisor shall maintain records of all transactions in the Managed Funds. The Advisor shall provide the Client with a monthly statement showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month. The statement shall be in the format and manner that is mutually agreed upon by the Advisor and the Client.

**(k) Brochure and Brochure Supplement.** The Advisor warrants that it has delivered to the Client prior to the execution of this Agreement the Advisor's current SEC Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). The Client acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.

**(l) Execution.** Each party to this Agreement represents and warrants that the person or persons signing this Agreement on behalf of such party is authorized and empowered to sign and deliver this Agreement for such party.