



State of Connecticut
Office of the Treasurer

Questions Submitted for the High Yield Debt RFP – March 6, 2015

Q	Would Connecticut consider a Europe-focused High Yield portfolio?
A	No. This is a U.S. High Yield mandate, although some small percentage of the portfolio could be invested outside the U.S. if manager exhibits such expertise.
Q	Is the manager permitted to purchase equities outright?
A	No. This is a U.S. High Yield debt mandate.
Q	Would you consider long-short high yield strategies, such as hedge funds?
A	Our Investment Policy Statement for the High Yield Debt Fund prohibits short sales without the written consent of the Treasurer. We are willing to selectively review long-short strategies in the publicly traded high yield markets on a case-by-case exception basis. However, hedge fund strategies are normally housed in our Alternative Investment Fund, which is not part of this mandate.
Q	Are proposed revisions to the IMA allowed and if so, in what format? Would comments jeopardize application?
A	Comments on the IMA should be limited to non-negotiable, “deal-breaker” issues, which can be redlined. We are not able to negotiate certain portions of the IMA due to state statutes. Comments will not impact application unless respondent makes it clear they cannot meet the requirements of the mandate.
Q	Please define LBD risk.
A	Sorry, that was a typo. It should have read “LBO” risk.
Q	Would you please provide a WORD document of the RFP?
A	No. With the exception of the Questionnaire and the Legal and Policy Attachments A – K that are in Word format, the RFP has been provided in PDF format to prevent any changes from being made to the document.
Q	Do you have return targets or volatility targets?
A	At the aggregate fund level, our Investment Policy Statement for the High Yield Debt Fund establishes a minimum performance target of 150 basis points above the benchmark and tracking error in a range between zero and 6%.
Q	Would the State be open to a Merrill or Barclays High Yield Index?
A	The benchmark for the High Yield Debt Fund is the Citigroup U.S. High Yield Market Capped Index as stated in the RFP and in our Investment Policy Statement. Managers will be benchmarked against this index.
Q	Is it acceptable to provide attribution, performance and other benchmark dependent metrics relative to our composite benchmark, the Barclays U.S. High Yield 2% Capped Bond Index?
A	Yes, if you do not have portfolios that are managed to the Citigroup U.S. High Yield Market Capped Index, then you may show attribution and performance to the Barclays U.S. High Yield 2% Capped Bond Index if that is the index you are measured against.
Q	Would performance for the Connecticut account be allowed in manager’s composite?
A	Yes, but only for the exact same mandate and without identifying Connecticut.



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Q	Regarding public pension fund clients, are you asking for those with total plan sponsor assets that exceed \$1 billion or for whom their mandate with our firm exceeds \$1 billion?
A	This question seeks to understand the size of the public pension fund clients your firm services. Thus, it is the size of the pension fund assets, not the size of their mandate with your firm.
Q	Can references be provided from multi-sector mandates and third party platforms?
A	We would expect the manager to have adequate assets in high yield separate accounts to be able to provide three references from clients who have separate accounts in this mandate.
Q	How many copies of the Legal and Policy Attachments (A-K) are needed? Can attachments be bound with rest of RFP response? Do Attachments 1-7 need to be completed after the contract is awarded?
A	As indicated in Section VIII A. (11) of the RFP, “an <u>original</u> (clearly defined as such) proposal, <u>six conforming copies</u> , and <u>one copy in PDF format on a CD-R disk</u> must be submitted.” Section VIII B. (3 A) states “Legal and Policy Attachments should be <u>separately bound</u> .” Legal and Policy Attachments must be completed as explained in the directions and will need to be updated prior to contract execution if the respondent is selected.
Q	Will the Legal and Policy Attachments (A-K) that we submitted recently to the State of Connecticut in response to another RFP be valid for this search as well?
A	Yes as to Attachments A, C, and F, if the submissions were within the past 3 months. No as to the remaining Attachments, which must be completed for each RFP.
Q	Would the State of Connecticut be willing to execute an NDA in advance of the submission of the RFP or could financials be provided at a later date with an NDA?
A	No, we do not sign non-disclosure agreements.
Q	Is self-insurance for commercial crimes and employee dishonesty acceptable upon showing the firms’ financial capability?
A	No.
Q	Our insurance policy contains proprietary information and thus we would not be able to disseminate it to third parties. Would a certificate of insurance in lieu of the insurance policy suffice?
A	We will accept a certificate of insurance as proof of insurance for purposes of the RFP response. However, we reserve the right to request a copy of the firm’s insurance policy. Please refer to Conn. Gen. Stat. sec. 1-210(b)(5) regarding claims of confidentiality.
Q	Our policies provide enterprise-wide coverage which includes confidential information on our parent’s subsidiaries. Will this be an issue if we cannot provide notice of potential claims that may erode the aggregate insurance limits on an enterprise-wide level?
A	We require the information. Please refer to preceding answer for possible claims confidentiality under FOIA.
Q	Would it be acceptable for us to provide the cancellation of insurance notice in lieu of the insurance carrier?
A	No.



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Q	Would you please clarify this statement: “The Treasurer reserves the right to receive the benefit of any insurance coverage obtained by the Manager in amounts higher than the minimums set forth herein.”
A	The Treasurer expects to be made whole in the event of any loss, and recovery would not be limited to the policy limits or the insurance limits required in this RFP.