

New York State Deferred Compensation Plan Cash Fixed Income (Within Stable Income Fund) Search

RFP Questions and Answers

- 1) My RIA is newly formed in NY and is a Service Disabled Veteran Owned Business (SDVOB). Given that my company is new and therefore doesn't meet some of the requirements mentioned in section V, A, vii, of the RFP, my question is - can these requirements be fulfilled or met by a sub-advisor/Mentor that my company contracts with?

New York State Deferred Compensation Plan Board Staff checked with regards to Veteran-owned businesses bidding on NY State procurements to see if there were any lesser requirements because of their status, or a way to include them. Unfortunately, there's not. To your direct question, the use of a subcontractor / mentor could not satisfy the requirements of this RFP. Thanks for your interest.

- 2) The RFP states SMA as the requested vehicle. Is there any vehicle flexibility to consider a mutual fund or a commingled fund?

NYSDC is only considering separate managed accounts (SMAs) as responsive to this RFP.

- 3) Our Short Duration Fixed Income team has managed a Cash Plus strategy with a track record dating back to its 1996 inception. The strategy has a benchmark duration of half a year or approximately 180 days and is able to invest in securities with a maturity out to three years. Would the New York State Deferred Compensation Board be open to consider relaxing its investment guidelines for the Cash portfolio mandate discussed in the RFP to be more along the lines of the Cash Plus strategy's duration of target of 0.5 year with a maximum maturity or weighted-average duration for amortizing securities of three years?

We have concerns that a weighted-average duration target of 0.5 years and a maximum maturity for amortizing securities of three years may potentially introduce too much interest rate volatility to the overall NAV of the Stable Income Fund. Minor modifications to the guidelines included on page 73 (exhibit F) of the RFP will be considered, but the mandate is for a cash management, not a cash plus strategy.

- 4) Can you share any color on what is prompting the RFP?

The strategy is being re-bid because the term of the existing contract ends in mid 2023.

- 5) On page 28 (appendix B) there is a set of maturity limits by security type. These limits are shorter than the table provided on page 73 (exhibit F) on diversification and there are differences in the credit quality limits (page 74). Can you advise which guidelines the cash pool will follow?

The cash account will follow the guidelines provided on page 73 (exhibit F).

- 6) What are the daily and weekly liquidity requirements for the fund?

The current cash buffer is used daily for participant activity in the Stable Income Fund. It has a target allocation of 3% of the overall Stable Income Fund and a range of 1%-5%. At levels below or above these ranges it is re-balanced to the target allocation.

- 7) How likely will the investment guidelines for the portfolio change given the pending money market reforms?

The guidelines for this mandate are unlikely to be impacted by money market reform as this is a separate account not a registered money market fund.

- 8) Can you rank the most important investment objective for the fund between Safety of Principal, Liquidity and Yield?

While we have not formally ranked these objectives for this mandate, as they are all important, the primary objective of the overall Stable Income Fund is preservation of principal. Therefore, that objective carries significant weight in structuring the guidelines for this mandate.

- 9) Can you describe your method in monitoring the fund performance and your preferred form of communication (i.e. quarterly fund commentary, yearly meeting etc.)?

We monitor performance on a monthly basis and formally review performance on a quarterly basis.

- 10) Under the "Sector Diversification Limits" section of the investment guidelines would corporate commercial paper be categorized as "Corporates (sector maximum 50%)" or "Cash Equivalents (sector maximum 40%)?"

We consider commercial paper as Cash Equivalents and non-commercial paper corporate debt as Corporates.

- 11) Can you estimate the size of the daily flows (subscriptions and redemptions) in relation to the size of the total pool of assets?

Daily participant activity can vary depending on market conditions. Over the last three years the balance of the cash portfolio has varied between \$70 million and \$665 million, with the average balance being about \$320 million and the standard deviation of daily cash flow being about \$15 million.

- 12) Is there a minimum required percentage of the fund that you would like allocated to US Treasury/Govt Agency debt?

No minimum required percentage is currently required under the current guidelines.

- 13) Would breaches of the fund liquidity requirements due to unexpected redemption activity be considered "passive" breaches or something we would need to take corrective action on immediately?

Breaches due to an unexpected redemption would be viewed as passive, but would still require corrective action immediately.