

**WSIB Procurement 20-05, Target Date Fund Manager Search
Questions & Answers**

- 1) **With respect to the TAP, who is responsible for selecting, trading and valuing the underlying securities?**

The WSIB

- 2) **Detail what marketing support this mandate requires.**

The Department of Retirement Systems (DRS) produces participant facing correspondence for the target date funds (Retirement Strategy Funds). While DRS has responsibility for communications with participants, it is desired that the target date fund manager serve as an external adviser, keeping Washington State informed as to the best thinking around effective communication strategies with participants.

- 3) **Provide the current account vehicle structure (e.g., Collective Investment Trust, Separate Account, Mutual Fund) of the rollup target-date series and underlying investments.**

The Retirement Strategy Funds are separate accounts that hold the underlying components within them. The underlying components are:

- *US Large Cap Equities – Collective Investment Trust*
- *US SMID – Growth Equities – Collective Investment Trust*
- *US SMID – Value Equities – Collective Investment Trust*
- *International Equities – Collective Investment Trust*
- *Global REIT – Collective Investment Trust*
- *US High Yield Fixed Income – Collective Investment Trust*
- *TIPS – Separate Account*
- *Core Fixed Income – Separate Account*
- *US Short Duration Fixed Income – Collective Investment Trust*

- 4) **Provide a listing of your current key service providers (e.g., recordkeeper, custodian and transfer agency).**

The WSIB custodian is State Street Bank for the Total Allocation Portfolio (TAP) and WSIB managed components of the glide path (currently 2 fixed income funds). Custodians for other firms managing investment funds (generally a commingled structure) that are open to more than one investee are selected and managed by the investment manager. Any manager selected by the WSIB will be required to use the WSIB's custodian bank if the mandate is separately managed on behalf of the WSIB. Alliance Bernstein manages the rebalancing between glidepath components, movement of fund level cash flows, unitization and reconciliation (fund, vintage, retirement plan, and glide path) and Super NAV calculations. Voya will be the record keeper for participant accounting and this contract is managed by the Department of Retirement Systems (DRS).

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- 5) **Confirm our understanding of the Super NAV; we believe it to be the rollup of the underlying sleeves valued at the target-date vintage level.**

As it is currently structured, yes.

- 6) **Detail any unique ongoing service requests you believe we should be aware of.**

The WSIB will require a due diligence meeting twice a year, once in Olympia and once on-site with the target date fund manager to discuss the firm, glide path, research initiatives, risks, regulations and investment management of the underlying asset class components that the target date fund manager manages.

- 7) **Provide a sample listing of reports and expected due dates.**

Please see attached files.

- 8) **To provide certain services for custom TDFs such as calculating daily NAVs, we need to custody the underlying assets. Before bidding on these services (specifically those services associated with ‘Strongly Preferred’ capabilities), we would like to confirm that we would be assigned the role of providing custody for the target date fund assets. Can you confirm? Thank you.**

Custodian bank selection is a separate and distinct service solicited under a separate RFP. The WSIB is required by law to retain the custody of assets we manage through a contract signed by the state Treasurer. This includes some current components of the glide path such as the TAP and two internally managed fixed income funds. Each selected investment firm managing assets included in the glide path in a separate account will also be required to use our custodian bank. The only instance where the WSIB’s custodian would not be used is if an underlying component of the glide path is in a commingled fund structure. In that instance, the custodian of the fund is selected by the commingled fund manager which is standard practice.

- 9) **We would like to confirm our understanding of our role in manager selection. Our understanding is that we would not be expected to select underlying managers. We do understand that we would need to be available to provide for the management of some or all of the asset classes, and that in that instance we may play a role in determining which of our proprietary strategies are used. Can you confirm that our understanding is correct and if not, clarify? Thank you.**

In general, your understanding appears to be correct. Below are clarifying points that might help:

- *The selected manager will be required to utilize its proprietary products for those components of the recommended glide path outside of passive equity, core fixed income and Treasury Inflation Protected Securities.*
- *The WSIB retains the right to competitively bid any component of the glidepath, including the selected manager’s proprietary strategies. The WSIB will be responsible for the selection of the investment manager(s).*

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- 10) **Can WSIB share any details about the forward-looking levels of risk, total and excess returns that have been assumed for the Total Allocation Portfolio?**
Please request copy of Capital Market Assumptions from the Search Coordinator.
- 11) **Can WSIB elaborate on the operational support that the WSIB Operations team provides today for the TDFs?**
WSIB operations computes NAVs for two underlying funds that are managed internally and provides those to the record keeper daily and current target date fund manager. It is anticipated they will also provide a monthly NAV for the TAP which is current practice. Currently, the operations support for computing the Super NAV, coordinating and moving cash flows between the glide path options, unitization of each TDF (vintage, retirement plan, and underlying funds) are all done by the TDF manager.
- 12) **Can WSIB provide a list of the existing asset classes available to complete the components of the glidepath?**
Please refer to Question #3. It is anticipated that the WSIB's TAP, which has exposure to private asset classes, will be included in the future.
- 13) **Do most employees in the WSIB system accrue a pension benefit? Is the pension accrual fairly uniform across the population? Please describe the typical pension benefit, and distribution of accrued pension benefits at retirement, if available.**
All employees in the system accrue a Defined Benefit pension. Please go to the Washington State Department of Retirement Systems website at <https://www.drs.wa.gov/>
- 14) **What is the median and average retirement age?**
Firms that progress in the search will be provided this information at a later point.
- 15) **Please provide the median and average participant salary, participant contribution rates, and matching contribution rates for participants in the WSIB plans, segmented by age cohort.**
Firms that progress in the search will be provided this information at a later point.
- 16) **What income replacement percentage (of final pre-retirement income) do you aim to replace with the defined contribution plan? Same question for the pension plan?**
There is currently no target replacement income percentage.
- 17) **What investment vehicles are utilized in the current Target Date Fund underlying investments? Do you expect all underlying fund investments to be available to accept daily in/outflows?**

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Please refer to Question #3. We expect all underlying fund investments to accept daily in/outflows.

- 18) **Do you expect to strike a daily NAV on the WSIB Total Allocation Portfolio? Will the TDFs be purchasing/redeeming units of the TAP portfolio through a liquid investment sleeve?**

No and no

- 19) **What vehicle is currently being utilized for the custom target date strategies? Who currently holds the legal entity of the Target Date account?**

Please refer to Question #3. The answer to the second question is the WSIB.

- 20) **Would WSIB expect the custom target date manager to take over the existing vehicles or create a new vehicle?**

Please refer to the answer to Question #9.

- 21) **To ensure all requested operational functions are provided for in our proposal, are you able to outline the services related to the custom target date strategies that will need to be transitioned from the current asset manager?**

All of them will be transitioned which includes daily super NAV calculations, cash flow management and rebalancing, fund level unitization and reconciliation, etc.

- 22) **How much investment does WSIB expect outside of their proprietary funds? What role, if any, would the custom target date manager have in selecting underlying managers outside of WSIB's proprietary funds?**

Please refer to the answer to Question #9. In addition, the selected manager in conjunction with the WSIB will decide on the appropriate allocation between the WSIB managed funds and externally managed assets.