



**Responses to Inquiries
RFP 21-02
Risk Management System**

January 10, 2022

1. Is INPRS willing to agree to a bilateral NDA enabling both parties to share confidential information on the nature of their business and offering?

Answer: INPRS is open to a mutual NDA within the constraints of Indiana law. Any confidential information should be identified consistent with the terms of this RFP.

2. What is the amount of assets are internally and externally managed?

Answer: All assets are externally managed. As of June 30, 2021, the total market value managed externally for INPRS was \$45.8 billion.

3. What is the exact AUM breakdown by asset class?

Answer: The following exhibits are as of June 30, 2021 and located on pages 110 and 114 of our 2021 Annual Report which can be found here: <https://www.in.gov/inprs/files/INPRSAnnualReportBook2021.pdf>. Additional information regarding asset class exposures can be found in the Annual Report as well.

(dollars in thousands)			
June 30, 2021			
Global Asset Class	Amount	Percent	Target %
Public Equity	\$ 8,084,004	21.0 %	22.0 %
Private Markets	5,696,996	14.8	14.0
Fixed Income - Ex Inflation-Linked	6,065,207	15.7	20.0
Fixed Income - Inflation-Linked	2,765,232	7.2	7.0
Commodities	3,177,373	8.2	8.0
Real Estate	2,454,464	6.4	7.0
Absolute Return	3,601,879	9.3	10.0
Risk Parity	6,134,417	15.9	12.0
Cash + Cash Overlay	582,085	1.5	N/A
Total Consolidated Defined Benefit Assets	\$ 38,561,657	100.0 %	100.0 %

The Defined Benefit Plan implemented leverage in August 2021 where notional exposure of the consolidated defined benefit assets now exceeds the market value of the whole.

(dollars in thousands)	
Investment Option	Plan Assets
Consolidated Target Date Funds	\$ 1,457,889
Large Cap Equity Index Fund	1,457,911
International Equity Fund	292,872
Small/Mid Cap Equity Fund	1,035,124
Fixed Income Fund	192,506
Inflation Linked - Fixed Income Fund	49,754
Stable Value Fund	2,315,982
Money Market Fund	61,436
Total Defined Contribution Assets	\$ 6,863,474

Additional pension plans include the Special Death Benefit Fund (SDBF) of \$14 MM, Retirement Medical Benefits Account Plan (RMBA) of \$450 MM, and Local Public Safety Pension Relief Fund (LPSPR) of \$6 MM as of June 30, 2021. The assets of SDBF and RMBA are invested in intermediate U.S. government and U.S. credit bonds. The assets of LPSPR are invested in short-term money market instruments, including but not limited to, commercial paper and securities issued or guaranteed by the U.S. government.

4. How many individual portfolios are in-scope?

Answer: As of December 2021, INPRS managed 459 individual portfolios across the defined benefit and defined contribution plans. Please note that the number of individual portfolios fluctuates over time.

5. How many OTC derivatives are in-scope?

Answer: Please see Note 3, Note 4, and Note 5 to the Financial Statements from pages 47 to 59 of our 2021 Annual Report as of June 30, 2021 found here:

<https://www.in.gov/inprs/files/INPRSAnnualReportBook2021.pdf>

6. How many users are required to have access?

Answer: Nine total. Seven INPRS staff plus access for two individuals from our plan consultant Verus.

7. Can INPRS provide a list or diagram of existing services or software currently being utilized for investment management?

Answer: BNYM NEXEN (custodian platform); Consultants of Aksia (Absolute Return and Private Markets), Mercer (Real Assets), Verus (General Defined Benefit), and Capital Cities (General Defined Contribution); VOYA (DC recordkeeper); MSCI Barra (investment risk management); Bloomberg; Abel Noser; and Burgiss (Real Assets).

8. How has the existing solution or set of solutions fared in the last 12-18 months?

Answer: The existing solution has managed a complex defined benefit plan including the addition of explicit leverage in 2021.

9. Please confirm the number of users you anticipate interacting with the system.

Answer: A minimum of 9 total users: 7 internal users plus access for 2 users for our plan consultant Verus. However, INPRS's investment team currently has 25 positions, and we have a preference for unlimited users to outfit our internal investment team as it may potentially grow over time.

10. Please confirm the following number of:

- Separate accounts – 43 portfolios as of June 30, 2021
- Number of managers using co-mingled vehicles – 5 managers as of June 30, 2021
 - Number of unique Commingled funds – 8 commingled funds as of June 30, 2021
- Private Equity Funds – 258 as of June 30, 2021 (does not include Private Credit or Private Real Asset portfolios)
- Hedge Funds – 31 as of June 30, 2021 (includes Absolute Return and Risk Parity strategies)

11. Do you have a relationship with Burgiss Private Informant for the collection of the underlying portfolio companies of your Private Equity Managers?

Answer: No. Private equity portfolio companies are available via consultant and Real Estate is available via Burgiss Private I.

12. Regarding C.5 question 4, similar clients provide their assumptions on an annual basis, please specify if you'll need this on a more frequent basis.

Answer: Most actuarial-related analysis is conducted annually. Liquidity analysis is conducted monthly.

RFP 21-02 Risk Management System

13. Regarding C.2 question 17, please provide additional clarification on what is meant by ‘style analysis’ i.e. ex- ante v ex-post?

Answer: Please explain your system’s capability to generate risk factor analysis from holdings-based data and/or returns-based data on an ex-ante basis (i.e., forward looking and updated risk model) and/or an ex-post basis (i.e., backwards looking realized information). Common specific style factors include size, value, momentum, and volatility.

14. Please provide the approximate number of unique securities held across your managers within asset below:

- CORPORATE BONDS
- GOVERNMENT AGENCIES
- WHOLE LOANS
- MUNICIPAL BONDS
- INTEREST RATE FUTURES
- INTEREST RATE OPTIONS
- SBA
- DERIVATIVES
- CMBS
- CMO
- STRUCTURED
- ABS

Answer: Our custodian provides the following applicable breakdown for unique fixed income securities from public market investment managers as of June 30, 2021.

Security Type	Number within Defined Benefit Plans	Number within Defined Contribution Plans
Corporates	1,344	4,713
Government Related	939	741
Securitized	1,400	11,062
<i>ABS</i>	582	1,103
<i>MBS Passthrough</i>	250	8,058
<i>Covered</i>	16	9
<i>CMBS</i>	106	895
<i>CMO</i>	446	997
Treasuries	1,395	414

Swaps	629	3
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15. The second paragraph on page 17 of the RFP refers to *Paragraph 2.3.6* of the RFP. Paragraph 2.3.6 is missing. Can you please send us that paragraph?

Answer: There is a typographical error on page 17 of the RFP. The second paragraph on page 17 of the RFP should refer to ***Paragraph 2.3.5***. Changes respondents wish to make to the language provided in the Sample Contract for Services should be included in the Business Proposal in the section where respondents list any assumptions they've made in developing their response to the RFP.

16. Attachment A on page 33 of the RFP is a blank page. Can you please tell us if we are missing something?

Answer: Attachments A and B on pages 33 and 34 of the RFP are attachments to the Sample Contract for Services. These attachments will be drafted during contract negotiations.

17. Attachment B on page 34 of the RFP is a blank page. Can you please tell us if we are missing something?

Answer: Attachments A and B on pages 33 and 34 of the RFP are attachments to the Sample Contract for Services. These attachments will be drafted during contract negotiations.

18. Regarding C.5 question 1, what is INPRS currently using to address their requirements around liquidity risk, credit/counterparty risk? We would like to have a better view of the current system which is meeting these requirements.

Answer: INPRS has developed a proprietary liquidity risk analysis. Credit risk is addressed through several metrics, including credit spread duration, OAS, and credit ratings. Counterparty risk is not captured in the current risk system.

19. Regarding C.8 question 2, can you please elaborate/give us more details on this question? Under what context are these functionalities required/currently used by INPRS?

Answer: This question seeks to identify additional valuable features housed within a singular solution to potentially consolidate particular investment functions.

INPRS currently does not have daily trade history or trigger/threshold capabilities within its risk management system; such information and services are currently provided solely by our custodian. Regarding the latter, an example could include an ongoing compliance feature such as evaluating whether a market cap specific equity portfolio manager invests outside of a specified allowable market cap range (e.g., a mid-cap equity manager investing in small-cap equities). INPRS's current solution does include active share and cash information.