

TO: RFP potential proposers

FROM: Maria L. Arevalo, MCERA Retirement Plan Administrator

Date: October 18, 2012

SUBJECT: Questions received related to the Request for Proposal for General Investment Consulting Services

1. Is the fidelity bond insurance requirement on page 10 of the RFP negotiable?

MCERA answer: Yes, a one million dollar fidelity bond will meet the requirement.

2. Would MCERA consider an exception to the minimum qualification calling for three defined benefit clients with assets in excess of \$0.5 billion?

MCERA answer: Yes, two defined benefit public retirement systems with assets in excess of \$0.5 billion would meet the qualification

3. What are the annual fees for the existing contract that the County is paying to its current consultant?

MCERA answer: MCERA (not the County of Merced) currently pays annual fees of \$155,104

Are there project-related fees associated with the current arrangement that are not part of the base fee?

MCERA answer: Yes

4. What do you think is the single most important characteristic of an investment consulting firm?

MCERA answer: Expertise and effective communication with Board members

5. What is the biggest concern you have with your investment program?

MCERA answer: There are no concerns with the investment policy and objectives, there are concerns about cost and managers meeting their benchmarks

6. How many firms will be interviewed for the finals process?

MCERA answer: At this time, we anticipate three finalists

7. NEPC has noted in your insurance requirements that the selected firm will maintain a Fidelity Bond. NEPC has opted not to carry an ERISA fidelity bond for our traditional consulting services clients. NEPC will hold an ERISA fidelity bond for those clients in our discretionary and delegated platforms. This has not been an issue for our existing clients but if it is a requirement, we are willing to discuss it during contract negotiations.

MCERA answer: see answer to question #1

8. Do you anticipate making any changes to the asset allocation of the fund? Are you considering any new asset classes?

MCERA answer: The Board has directed the current consultant to conduct an asset allocation study. Recently, the Board has reviewed added value strategies, hedge funds and farmland investing.

9. What issues are under current consideration by the staff and/or committee?

MCERA answer: see #8

10. What strategic decisions are currently pending that the new consultant, should you determine to make a change, would likely become involved with?

MCERA answer: The new consultant would be expected to complete and direct implementation of a new asset/liability study.