

Department of Materials Management
Division of Procurement
MONTGOMERY COUNTY PUBLIC SCHOOLS
45 West Gude Drive, Suite 3100
Rockville, MD 20850

July 3, 2013

ERRATUM/ADDENDUM #4

RFP 4342.1, MCPS Retirement System Trust RFP for Investment Consultant Services

Please note the following changes to above-mentioned bid:

Part A, page 3 DELETE the following paragraph, 3.1.10 Risk Management, "The general consultant will perform independent risk management of the Plan. The general consultant will provide separate and independent quarterly risk management reports and present findings to the Board. The general consultant will work with the alternatives consultant, if any, to consolidate risk metrics."

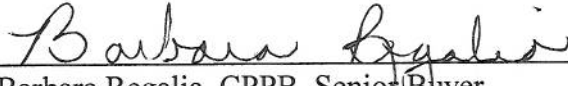
Part A, page 6 DELETE the following paragraph, "For an offeror to be eligible to submit a proposal, it must meet the requirements and indicate how the requirements are met on the **Questionnaire or Alternatives Questionnaire** (Attachment A and Attachment B)."

ADD:

Attach H – Montgomery County Public Schools OPEB Plan Trust

Attach I – MCPS/OPEB Trust Investment Manager Invests

All other terms and conditions remain the same.


Barbara Regalia, CPPB, Senior Buyer
Division of Procurement

BR

Please indicate your acceptance of this notice by signing below and return with your bid or under separate cover.

Accepted: _____
Name and Title

Name of Company: _____

Statement of Investment Policy for
Montgomery County Public Schools
OPEB Plan Trust

(Restated September 2012)

I. PURPOSE

Montgomery County Public Schools ("MCPS") maintain certain programs to provide post-employment welfare benefits for eligible employees (collectively, the "OPEB Plan"). The Board of Investment Trustees ("the Board") recognizes its fiduciary responsibility to invest OPEB Plan assets prudently and solely in the interest of plan participants and their beneficiaries.

The purpose of this Statement of Investment Policy is to:

- Guide the Board in prudently and effectively supervising, monitoring, and evaluating the investment activities of the OPEB Plan,
- Set investment objectives and establish performance criteria against which overall OPEB Plan results can be evaluated,
- Define the responsibilities of the Board its investment managers and vendors, and
- Encourage frequent and effective communication between the investment managers, vendors and the Board.

This Statement of Investment Policy will be reviewed annually and all changes will be approved by the Board.

Commingled investment funds cannot customize investment policies and guidelines to specific needs of individual clients. Therefore, commingled investment vehicles are exempt from the specific investment policies and restrictions specified herein. The MCPS OPEB Plan has determined that the investment practices of the commingled fund(s) are consistent with the spirit of this Statement of Investment Policy, and are not significantly different.

II. STATEMENT OF OBJECTIVES

The Board recognizes that investment results are the key factor in achieving funding objectives, while reliance on contributions is a secondary factor. The OPEB Plan seeks to achieve the following investment objectives:

- To have the ability to pay all benefits and expenses when due;
- To meet or exceed the actuarial earnings assumption over the long term;
- To control costs of administering the OPEB Plan and managing OPEB Plan assets;
- To reduce risk and mitigate potential consequences from volatility in the capital markets through prudent asset allocation decision;
- To achieve a return on assets that tracks that of a baseline portfolio consisting of allocated investments in the following major market indices as follows:

MSCI U.S. Broad Market Index	40%
Barclays Aggregate Bond Index	20%
FTSE All World Ex- U.S. Index	40%
Cash	0%

III. INVESTMENT POLICY GUIDELINES

A. Equity

The objective of the equity portion of OPEB Plan assets is to achieve a positive real rate of return at acceptable risk levels. Emphasis is on total return and favors capital growth over current income. The OPEB Plan may invest in equities subject to the asset allocation ranges established by the Board and set forth in this Statement of Investment Policy. The following guidelines apply to the OPEB Plan's investment in equity assets:

Type – Equity investment shall be in the publicly traded securities of companies listed on the commonly used exchanges in the country of incorporation or a major U.S. stock exchange.

Diversification – Equity investment managers are expected to provide adequate investment diversification of OPEB Plan assets under management.

Market Timing - Equity managers shall have the discretion to shift assets between equity and cash equivalents when they deem appropriate. The Board must be informed in the event an individual investment manager chooses to increase the cash equivalent position beyond 10% of the market value of assets in the investment manager's account.

Marketability / Liquidity – Equity investment managers are expected to ensure adequate marketability of investments under management.

B. Fixed-Income

The objective of the fixed-income portion of OPEB Plan assets is to provide diversification benefits and to achieve a positive real rate of return at acceptable risk levels. The following guidelines apply to the OPEB Plan's investment in fixed-income assets:

Type - Fixed-income investments may include U.S. Government and Agency obligations, securities issued or guaranteed by foreign governments, marketable corporate bonds, and preferred stocks as deemed appropriate by the investment manager.

Diversification - Not more than 10% of the market value of the individual investment manager's account shall be invested in securities of any one issuer, except U.S. Government and Agency obligations. Not more than 20% shall be invested in non-dollar denominated bonds.

Quality - Fixed-income investments shall be made primarily in issues rated "A" or better by Moody's and "A" or better by Standard & Poor's rating agencies. Investment in

lower grade bonds will be permitted on an opportunistic basis, however, holdings of bonds rated "BAA" or lower by Moody's and "BBB" or lower by Standard & Poor's will be limited to 20 % of the fixed-income portfolio. The average quality of an individual investment manager's account must be A or higher.

Duration – The average weighted effective duration of portfolio security holdings shall not vary from that of the Barclays Aggregate Bond Index by more than +/- 20%.

Marketability/Liquidity – Fixed income investment managers are expected to invest in securities that have adequate marketability.

C. Cash Equivalents

Cash equivalent investment of OPEB Plan assets may occur at the investment manager's discretion. Such investments should be prudently diversified and may include:

Any instrument issued by, guaranteed by, or insured by the US Government, Agencies, or other full faith instruments;

Commercial paper issued by U.S. or non-U.S. corporations which is rated both "P-1" and "A-1" by Moody's and Standard & Poor's rating agencies, respectively;

Certificates of deposit, banker's acceptances, or other such irrevocable primary obligations;

Commingled, short-term cash reserve funds managed generally in accordance with the principles set forth above.

The sum on deposit at any one bank or trust company may not exceed twenty-five (25) percent of the paid-in capital and surplus of that bank or trust company.

D. Derivative Securities

Derivative securities, including futures and options, should only be used to hedge market or currency risk exposure or to minimize costs associated with investments in specific countries or securities. At no time will derivatives be used to leverage exposure to specific markets or investments.

E. Prohibited Investments

Montgomery County statutes prohibit investment in Montgomery County and County-related bonds. County statutes also require that real estate investments be made in pooled vehicles in which no more than 10 percent of the pool is invested in real estate located in Montgomery County.

IV. ASSET ALLOCATION

The Board recognizes that the most significant decision affecting the OPEB Plan's ability to meet its stated investment objectives is the asset allocation decision. After review of the long-term performance characteristics of various asset classes and careful consideration of the OPEB Plan's investment objectives and risk tolerance, the following guidelines are established for the allocation of OPEB Plan assets:

<u>Asset Class</u>	<u>Range</u>	<u>Long Term Target</u>
U.S. Equity	35 to 45%	40%
Fixed Income	15 to 25%	20%
Non-U.S. Equity	35 to 45%	40%
Cash	0 to 1%	0%

If investments in any asset class exceed the permissible range, the Board will partially (typically ½ of the distribution range) rebalance back to the target allocation.

The Board will review and revise the asset allocation guidelines from time to time based on analysis of the OPEB Plan's liability structure and expected market conditions over the upcoming five to ten year time horizon. The asset allocation guidelines will be designated in writing and will include acceptable ranges as well as long-term targets.

VI. DELEGATION OF RESPONSIBILITIES

A. Responsibilities of the Board

The Board recognizes its fiduciary responsibility to participants and their beneficiaries. The specific duties and responsibilities of the Board include:

- Establishing sound and achievable investment objectives;
- Developing sound and consistent investment policy guidelines;
- Communicating the major duties and responsibilities of those accountable for achieving investment results;
- Selecting and monitoring the performance of investment manager(s), the consultant, and other vendors as applicable;
- Monitoring and evaluating results to assure that policy guidelines are being adhered to and Plan objectives are being met.

B. Responsibilities of the Investment Manager(s)

The responsibilities of each investment manager retained by the Board include the following:

- Be (1) registered as an investment advisor under the Investment Advisors Act of 1940, (2) a bank, or (3) an insurance company qualified to manage, acquire, or dispose of assets of the OPEB Plan under the laws of the State of Maryland.
- Exercise complete investment discretion subject to the guidelines and restrictions outlined in this Statement of Investment Policy and in any written investment management agreement between the Board and the manager. Such discretion includes decisions to buy, hold, or sell securities in amounts and proportions reflective of the manager's current investment strategy.
- Investment manager may select any broker or dealer that it reasonably believes will provide best execution.
- Report all significant or material matters pertaining to the management of OPEB Plan assets including changes effecting the business structure or organization, and professional personnel.
- On a quarterly or more frequent basis, as requested, provide written reports on portfolio activity and valuations at market, and on current investment strategy.
- Initiate written communication to the Board regarding changes to this Statement of Investment Policy, if in the opinion of the investment manager such changes are in the best interest of the OPEB Plan.

As fiduciary, the investment manager is expected to diversify the portfolio under their management to minimize the risk of large losses. The manager is expected to invest OPEB Plan assets with care, skill, prudence, and due diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with such aims.

C. Responsibilities of the Consultant

The responsibilities of the Consultant retained by the Board shall include the following:

- Assist the Board in its duties regarding the development, oversight and general ongoing implementation of the investment objectives and guidelines;
- Assist the Board in the selection of investment managers, the custodian and such other service providers as may be required for the general management of the OPEB Plan;
- Assist the Board in its duties regarding the overall evaluation of the investment of OPEB Plan assets by reporting formally, if requested, at least quarterly on investment results; and
- Keep the Board informed of market developments that may impact the management of the investment of OPEB Plan assets.

D. Responsibilities of the Custodian

The custodian may be retained by the OPEB Plan and would be charged with the responsibility for safekeeping securities, collections and disbursement, and periodic accounting statements.

VII. PROXY VOTING

Proxy voting rights are an asset of the OPEB Plan. The Board recognizes the responsibility to ensure those rights are exercised in the best interest of OPEB Plan participants and their beneficiaries to the extent they are available. The proxy voting decision is usually secondary to the decision to own a security for investment purposes.

The Board will review and consider proxy voting guidelines specified in investment management contracts consistent with the best interests of OPEB Plan participants and beneficiaries. When feasible, investment management contracts should require the investment manager to report votes annually to the Board. In the event of any conflict of interest or potential conflict of interest with respect to any proxy vote, the investment manager should be required to notify the Board and the Board shall vote or appoint a third party to vote the proxy.

The OPEB Plan may from time to time hold investments in commingled or mutual funds (Funds). The Plan may periodically receive proxies from these Funds which allow the OPEB Plan to vote on various issues including but not limited to election of directors or Board, investment policies, fees, Fund structure, Fund liquidation or termination. All such proxies shall be reviewed by the Board, its Chairman or a MCPS staff member to whom responsibility for review has been delegated. In addition, the Board may retain a consultant or outside proxy voting service to make recommendations regarding the voting of these proxies.

Either the Board or the Chairman may determine how, and if, the proxy will be voted based on analysis of recommendations from its consultant, outside proxy voting services or MCPS staff member. All proxy votes by the Chairman will be reported to the Board at its next regularly scheduled meeting.

Proxies will be voted by the Board or the Chairman taking into consideration the financial interests of the Plan and in a manner which maximizes the value of the OPEB Plan's investment in the Fund. It is expected that in most cases proxies will be voted in support of the Fund's management regarding routine business, except where doing so would negatively impact the long-term value of the OPEB Plan's investment in the Fund. Non-routine matters will require more consideration and review of all relevant facts and circumstances. Matters relating to social, human rights, environmental and similar matters will be considered in the context of whether they have a demonstrable positive economic impact on the OPEB Plan's investment in the Fund.

VII. EVALUATION AND REVIEW - Performance Standards

The objective of the evaluation and review process is to monitor the progress of the OPEB Plan assets in achieving the overall investment objectives. Particular attention will be directed toward determining whether:

- The total fund is achieving its stated objectives;
- Investment managers are performing satisfactorily in relation to the objectives set forth in this Statement;
- Investment managers are adhering to the guidelines set forth herein and in any applicable investment management agreement;
- Investment managers are adhering to their stated philosophy and style; and
- The overall policies and objectives continue to be appropriate, reasonable, and achievable.

Total Fund

Investment results are expected to track the return of a policy level benchmark composed as described in Section II, Statement of Objectives net of fees.

U.S. Equity

The return of the total U.S. equity allocation is expected to track the MSCI U.S. Broad Market Index net of fees.

Fixed-Income

The return of the total fixed income allocation is expected to track the Barclays Aggregate Bond Index net of fees.

Non-U.S. Equity

The total non-U.S. equity allocation is expected to track the FTSE All World Ex-U.S. Index net of fees.

Montgomery County Public Schools Retirement System Trust

RFP 4342.1

Question 13 - Investment Detail as of March 31, 2013

Investment Manager	Fund/Strategy	Inception/Vintage	Market Value (\$)	% of Portfolio
<i>Global Equity</i>				
BlackRock	MSCI ACWI IMI Index	Mar-12	307,983,731	
State Street	MSCI ACWI IMI Index	Mar-12	<u>306,533,920</u>	
			614,517,651	52.4%
<i>Investment Grade Fixed Income</i>				
BlackRock	US Debt Index Fund	Mar-12	113,011,733	
ING	Core Fixed Income	Sep-99	60,054,719	
State Street	US Debt Index Fund	Mar-12	<u>114,854,373</u>	
			287,920,825	24.5%
<i>Alternatives - Bank Loans</i>				
Eaton Vance	Floating Rate Fund	Mar-13	<u>13,110,346</u>	
			13,110,346	1.1%
<i>Alternatives - Commodities</i>				
Black River	Black River Commodity Trading Fund	Feb-13	24,556,125	
CoreCommodity	Founders I	Feb-13	<u>23,990,018</u>	
			48,546,143	4.1%
<i>Alternatives - Hedge Funds</i>				
Anchorage Capital	Anchorage Capital Partners	Nov-11	15,204,575	
Blue Crest	All-Blue	Nov-11	10,840,143	
Brahman Partners	Brahman Partners III	Nov-11	8,797,830	
Highline Capital	Highline Capital	Mar-12	5,287,020	
Owl Creek	Owl Creek II	Nov-11	5,698,885	
Och Ziff	OZ Domestic Partners II	Oct-11	11,796,517	
York Capital	York Credit Opportunities	Nov-11	<u>14,887,336</u>	
			72,512,306	6.2%
<i>Alternatives - Private Equity</i>				
Golub Capital	Golub Capital Partners VIII	2012	7,151,463	
HarbourVest	HarbourVest V	2005	4,078,118	
HarbourVest	HarbourVest VIII - Cayman Buyout Fund	2006	3,937,335	
HarbourVest	HarbourVest VIII - Cayman Mezzanine Fund	2006	740,821	
HarbourVest	HarbourVest VIII - Cayman Venture Fund	2006	3,728,615	
HarbourVest	Dover Street VII	2007	3,893,089	
HarbourVest	HarbourVest VI	2008	2,506,405	
RCP Capital	RCP Fund VII	2010	<u>1,368,889</u>	
			27,404,735	2.3%
<i>Alternatives - Real Estate</i>				
BlackRock	Granite Fund	Dec-07	42,188,706	
UBS	Trumbull Property Fund	Dec-99	<u>42,813,844</u>	
			85,002,550	7.2%
<i>Cash</i>				
ING	Disbursement Account		11,495,731	
BNY Mellon	Cash Account		8,492,831	
BNY Mellon	Beta Overlay Collateral		<u>4,647,374</u>	
			24,635,936	2.1%
Total			1,173,650,492	100%

Montgomery County Public Schools OPEB Trust
RFP 4342.1
Question 13 - Investment Detail as of March 31, 2013

Investment Manager	Fund/Strategy	Inception/Vintage	Market Value (\$)	% of Portfolio
<i>Global Equity</i>				
Vanguard	Total Stock Market Index	Sep-07	18,119,861	
Vanguard	FTSE All-World ex-US Index	Sep-07	<u>16,862,093</u>	
			34,981,954	80.9%
<i>Investment Grade Fixed Income</i>				
Vanguard	Total Bond Market Index	Sep-07	<u>8,237,285</u>	
			8,237,285	19.1%
Total			43,219,239	100%