

**Questions and Answers 1**

**RFP No. 25-02**

**Investment Management Services**

 **October 15, 2025**

**Question 1:** The holdings file does not include book yield. Can this be provided?

**Answer:**  The book yield will not be provided.

**Question 2:** Is investment accounting in scope?

**Answer:**   No

**Question 3:** Question 33 says “Your firm must be authorized to act as investment advisor in the State of Texas. Please provide proof of authorization”. What is the preferred way for us to provide proof?

**Answer:**  The Pool does not have a preferred method for this requirement.

**Question 4:** I.8 of the IMA says Advisor shall meet up to a maximum of four times each calendar year. Are those meetings to be virtual, in-person, or a combination of both?

**Answer:**    This is a draft provision subject to change – however, virtual meeting would be considered.

**Question 5:** The draft IMA references Exhibits A, B, C, and D. Exhibits A, B, and C were not included and Exhibit D was included but blank. Will these be provided?

**Answer:** This is a draft agreement, and the exhibits are described in the IMA.

**Question 6:** The proposed portfolio template asks to price the portfolio as of 1/31/2026. We see the portfolio holdings were given as of 7/31/2025. Which date should we use?

**Answer:**  Please price portfolio as of 9-30-25 instead of 1/31/26.

**Question 7:** Section III.3 of the investment policy for the Public Funds Investment Act permits agency-issued mortgage-backed securities in the Government Portfolio. Does this include both residential and commercial agency-issued MBS?

**Answer:**  The Act limits investments to obligations of the US or its agencies. Commercial agency-issued MBS have not been allowed in the government portfolio.

**Question 8:** Does either portfolio have a minimum average credit rating requirement?

**Answer:**  For the government portfolio, the Public Funds Investment Act limits investments to “A” or above. For the corporate mandate, the benchmark is the Barclays US Intermediate Corporate Gond Inde.

**Question 9:** What if rating agencies rate an investment differently, is the Bloomberg median rating methodology applicable?

**Answer:**  We currently don’t use the Bloomberg median rating methodology and have historically considered all the major agency rates.

**Question 10:** Are collateralized loan obligations (CLOs) permitted in the Section 504 Corporate Portfolio?

**Answer:** Not at this time.

**Question 11:** Are there any individual limitations on sectors, issuers, issue, industry, etc.?

**Answer:**  No, except for benchmark considerations.

**Question 12:** The IPS discusses the need to get approval to sell securities at a loss. Does that also hold true for selling securities at a gain? Can we sell securities at both losses and gains if the net result is a realized gain?

**Answer:** No limits on gains; gains can be used to offset losses upon Pool approval.

**Question 13:** Should we fill out one RFP for both mandates or fill out separate RFPs for each mandate?

**Answer:**  Please provide one RFP for both mandates.

**Question 14:** Who is the current investment manager and is the RFP being done due to their contract expiring?

**Answer:**  The Pool utilizes two outside investment managers – Conning Asset Management and Manulife Asset Management. The Pool’s finance staff manages 50% of the Government Portfolio. Contracts are expiring, but the RFP is designed to consider the whole program regardless of contract expirations.

**Question 15:** How does TMLIRP manage liquidity? Since we understand the government portfolio is hold to maturity with limited ability to sell securities at a loss, are liquidity needs met outside of this portfolio?

**Answer:**   The Pool’s Finance department manages cash flow (liquidity) and cash inflows/outflows into the portfolio are limited and have been managed historically with little need to sale investments

**Question 16:** Question 30 asks for a list of our insurance, risk pool, and governmental accounts under management. As that list is near 200 client names, will a representative sampling list be acceptable instead?

**Answer:**  Yes

**Question 17:** The RFP requests a model portfolio structure in question 37; however, the RFP states that losses are not allowed within the government portfolio. Should we account for transition time when proposing a portfolio or should we disregard sell restrictions and assume the question is asking us to provide an optimal portfolio?

**Answer:**    Cash flows are managed by the Pool’s Finance Department and sell restrictions have historically been a non-issue related to this. You may ignore this restriction in recommending an optimal portfolio

**Question 18:** The RFP states that the equity and high yield portfolio is not part of this RFP, but our input is requested on both the allocation and benchmark for the LTB account in question 39. Could a strong response result in a change in manager for this portfolio?

**Answer:** The custom benchmark for the LTB Portfolio is the following:

* 50% weighting to the Barclays US Intermediate Corporate Bond Index
* 13.125% weighting to the FTSE High Dividend Yield Index (TGPVAN)
* 13.125% weighting to the S&P U.S. Dividend Growers Index (SPUDIGUT)
* 4.375% weighting to the FTSE All-World Ex-US High Dividend Yield Index (GPVANOTR)
* 4.375% weighting to the S&P Global Ex-U.S. Dividend Growers TR Index (SPGIGUT)
* 15% weighting to the 95% U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% U.S. Treasury 1-5 Years (I31551US)

The allocations to the purple items above are administered by the Pool’s Finance Staff utilizing Vanguard Funds. Your response should be independent and not consider the possibility of a change in manager.

**Question 19:** The requested reporting date throughout the document is 3/31—would you prefer the data to be as of 6/30?

**Answer:**  Please use 3/31 data.

**Question 20:** Composition of the Corporate—ABS portfolio mandate: You have noted that the portfolio is benchmarked to the Barclays US Intermediate Corporate Bond Index. Do you have a list of asset classes that are allowable/non-allowable in this portfolio? Is it safe to assume that all asset classes in the ‘proposed portfolio template’ file are allowable?

**Answer:**  Per Page 5 of the Investment Policy:

Below is a list of investments that are authorized by the Pool in accordance with the provisions of Chapter 504 of the Texas Labor Code and the prudent person rule:

1. Obligations of corporations rated as investment grade by a nationally recognized credit rating agency and having received a rating of not less than BBB- or its equivalent;

2. Mutual funds invested in below investment grade corporate bonds with a weighted average rating of B or above;

3. Stocks (Equities) of companies traded on US stock exchanges;

4. Mutual funds invested in stocks traded on US stock exchanges;

5. Commercial mortgage-backed securities (CMBS) rated BBB- or above by a nationally recognized credit rating agency;

6. Asset-backed securities (ABS) rated BBB- or above by a nationally recognized credit rating agency;

7. Non-agency residential mortgage mortgage-backed securities (RMBS) rated BBB- or above by a nationally recognized rating agency.

**Question 21:** Will there be an ‘in person’ finals or interview at any point in Texas? If so, roughly when might that be?

**Answer:**  The possibility for “in person” finals or interview will be determined after the analysis of the RFPs. The January Board meeting is on January 22-23 in Johnson City, Texas.

**Question 22:** Is ‘loss harvesting’ permitted in any portfolio and if so, are there limits associated with each portfolio?

**Answer:**  Loss harvesting is not included in the Pool’s investment policy currently.

**Question 23:** On the proposed portfolio template for both portfolios it states: “\*Please price portfolio as of 1/31/2026”

*a. ‎The portfolios provided were as of 7/31/2025. Can you please confirm that you want these priced as of 1/31/2026? If not, should the portfolio work be done as of 7/31/2025 or would you like them updated to a different date?*

*b. If pricing for 2026, would you like us to provide an interest rate and spread forecast to support the assumed investment yields?*

**Answer:** a. *Please price portfolio as of 9-30-25 instead of 1/31/26.*

b. Please price portfolio as of 9-30-25 instead of 1/31/26.

**Question 24:** While the government portfolio is $577mm and the Corporate Portfolio is $127mm the RFP requests that for illustration purposes, the portfolio size for each mandate shall be $200mm.

*a. ‎Is this the assumed size for the template allocations only?*

*b. For portfolio repositioning scenarios, should the individual portfolio be scaled up/down on an equal basis across holdings so that the government portfolio is scaled down to $200mm and the Corporate portfolio is scaled up to $200mm.*

**Answer:**  a. Yes

 b. This acceptable

**Question 25:** Under the "MAJOR CLIENTS AND MONEY UNDER MANAGEMENT" section of the RFP, questions 24 and 25 reference an as of date of March 31, 2025. For questions 23, 26, 27, and 28 of this section, can you please confirm the quarter end date that these should be answered as of - i.e., also as of March 31, 2025, or a more recent available quarter end?

**Answer:** Please use March 31, 2025.

**Question 26:** What is prompting this search, e.g., periodic due diligence, evaluation of investment management structure, other?

**Answer:**  Due diligence and evaluation of investment structure are the primary factors.

**Question 27:** Which investment managers have received this RFP?

**Answer:**  The RFP is a publicly advertised procurement open to all firms.

**Question 28:** Please confirm whether or not investment accounting services are within the scope of this RFP.

**Answer:**   Investment accounting services are NOT within the scope of the RFP.

**Question 29**: The TMLIRP Investment Policy that was provided with the RFP mentions an "annual actuarial reserve review" (Section IV, *Maturity Requirements for Bond Investments*). Can TMLIRP provide a copy of the most recent annual review for reference? Also, along with a "Staff Actuary", does TMLIRP use an external actuary? If so, can you please provide who is utilized?

**Answer:**  Please see attached actuarial report.

**Question 30:** The investment policy and investment management agreement state that there shall not be any loss on a sale of investment with prior approval for the Executive Director or Chief Financial Officer.  How should realized losses be approached as part of the model portfolio recommendations?

**Answer:**    Historically, this provision has had little impact on the portfolio since the Pool’s Finance Department manages cash flow. Your model portfolio should consider minimal impact due to this provision.

**Question 31:** The Investment Policy states that realized loss limitations do not apply to investments authorized under Chapter 504 of the Texas Labor Code. If this applies to the fixed income investments held in the LTB Portfolio, what practical limitations on realized losses apply to this portfolio?

**Answer:** There are no limitations on losses realized on the LTB Portfolio.

**Question 32:** The proposed portfolio template asks for the portfolio to be priced as of 1/31/2026 which is in the future and the holdings provided are priced as of 7/31/2025.  Can you confirm the dates you would like the model portfolios and portfolio templates priced?

**Answer:**  Please indicate the pricing date on your RFP response.

**Question 33:** Will TMLIRP provide actuarial projections for liability payouts? If available, projections for each liability segment will support development of a model portfolio.

**Answer:**  See attached actuarial reports.

**Question 34:** Do TMLIRP’s actuarial projections include alternative scenarios for loss development, including the capture of elevated inflation scenarios?

**Answer:**  See attached actuarial reports.

**Question 35:** Will TMLIRP provide cash flow forecast estimates to support a model portfolio that meets liquidity and cash management needs?

**Answer:**  The Pool Finance Department manages cash, and the RFP responses can assume minimal cash flow needs.

**Question 36:** Does TMLIRP seek a minimum exposure to Agency MBS within the Government Bond mandate?

**Answer:** No

**Question 37:** TMLIRP permits Agency MBS, but prohibits CMOs. Would TMLIRP permit CMO structures, such as Agency Multi-Family CMOs, in the Government Bond mandate, subject to compliance with Section 2256.009 of the Public Funds Investment Act?

**Answer:**  The Pool prohibits CMOs and the law prohibits CMOs with stated final maturity dates of greater than 10 years. The Pool would be open to make a change.

**Question 38:** Are any operational changes or strategic initiatives planned that may impact investment strategy?

**Answer:** Nothing specific currently, but changes are possible.

**Question 39:** Will TMLIRP confirm that the maximum maturity of 30-years is the stated legal final maturity for an investment?

**Answer:**  The maximum maturity is 30 years currently.

**Question 40:** Within the LTB Portfolio, are CLOs permitted under the ABS sector?

**Answer:**  Not currently.

**Question 41:** Does TMLIRP specify any diversification requirements at an issuer, industry, or sector level?

**Answer:**   No, but the investment manager should consider the list of authorized investments and the benchmarks.

**Question 42:** Does TMLIRP currently participate in a Securities Lending Program through its Principal Custody account?

**Answer:**  No

**Question 43:** Are there limitations applicable to the credit quality of the LTB Portfolio, such as a minimum average quality or maximum amount of ‘BBB’ quality issues?

**Answer:**    There are no explicit limits except for the benchmarks.

**Question 44:** The fee proposal template provides break-points.  Does TMLIRP want all fee proposals to use those same break points, or is TMLIRP open to proposals that use different breakpoints?

**Answer:** Please use the fee proposal template as presented and you may provide a fee proposal that uses different breakpoints.

**Question 45:** RFP Question #35 – Please confirm the date range for our view of the Federal Open Market Committee’s monetary policy.

**Answer:**  Per the RFP - What is your view of Federal Open Market Committee’s monetary policy since 2000?

**Question 46:** RFP Question #37 – For the portfolio repositioning of the Government portfolio, do we need to avoid realizing losses?

**Answer:**  For the RFP, you do not need to avoid realizing losses.

**Question 47:** RFP Question #37 – Should the government and corporate model portfolios only include asset classes that are currently included in the list of authorized investments in TML’s current Investment Policy Statement?

**Answer:**  Yes

**Question 48:** RFP Question #39 – Should we approach this question holistically to recommend a strategy and benchmark for the LTB portfolio that is not limited to investment-grade fixed-income securities?

**Answer:**  Recommended changes to the LTB portfolio is open, however, you should consider the appropriateness of investments for the Pool.

**Question 49:** Please confirm the as of date (e.g. the date we should provide characteristics, performance, etc. as of)?

**Answer:** For questions pertaining to company data, please use March 31, 2025 as indicated in the RFP. For portfolio analysis, p*lease price portfolio as of 9-30-25 instead of 1/31/26*.

**Question 50:** Can you please provide a copy of Exhibit B?

**Answer:**  The attached agreement is a draft and describes Exhibit B.

**Question 51:** Are both pools governed by the same code or is one governed by the Prudent Person Rule (504) and the other by the Public Funds Investment Act?  Does this statement apply to the Government Pool? Chapter 504 of the Texas Labor Code grants TMLIRP sole discretion, under the prudent person rule, to establish an account and accumulate and invest assets in such account for the interest of current and future beneficiaries of workers’ compensation death and lifetime income benefits.  Chapter 2556, Government Code (Public Funds Investment Act) does not apply to the investment of these assets.

**Answer:** Please see investment policy – Public Funds Investment Act governs the Government Portfolio, and the Prudent Person Rule governs the LTB Portfolio.

**Question 52:** Is there openness to changing the benchmark for the Government Pool?  The large amount of negative convexity in the present index and portfolio introduce meaningful risk to the alignment of asset and liability duration.  If you were to change the index, would you prefer something of similar duration as it is today or something that more balances the average duration of that index over a cycle?

**Answer:**  The Pool would be open to consider changes to the benchmark of the Government Portfolio. The Public Funds Investment Act lists the authorized investments (see Appendix A). Asset-liability matching and investment of equity (surplus) are key considerations.

**Question 53:** Are there sector weight limits in the Corporate Bond Portfolio?

**Answer:**  No sector limits but the benchmark for the corporate bond portfolio is the - Barclays US Intermediate Corporate Bond Index.

**Question 54:** Is there a defined alpha target for the two strategies?

**Answer:**   No

**Question 55:** The IPS defines gains and losses as the price sold relative to the original cost.  Should this instead be defined as amortized cost or does the program not amortize premiums and discounts over the life of the security?

**Answer:**  The amortized cost is correct – the Pool will provide the amortized cost for the holdings as requested by the investment manager.

**Question 56:** What have liquidity needs traditionally looked like for both pools?  Do you expect this to change in the future?

**Answer:**    The liquidity needs are managed by the Pool’s Finance Department and will have little impact on the management of both mandates.

**Question 57:** Are there minimum and maximum allowable sector weightings for each of the mandates?

**Answer:**  No, except for the benchmarks.

**Question 58:** Is there a tax or regulatory benefit to TMLIRP for owning Texas-based Munis?

**Answer:** No. The Pool doesn’t limit munis to Texas-based munis.

**Question 59:** Q37 – Is there information that can be provided at this time on either liability cash flows or effective duration of liabilities? This information would be helpful as we construct the model portfolios.

**Answer:**  Please see attached actuarial reports.

**Question 60:** Q37 - When preparing the model portfolios, what as of date should be used in comparison to your existing mandates?

**Answer:** *Please price portfolio as of 9-30-25 instead of 1/31/26*.

**Question 61:** Is CUSIP level data needed for the model portfolios, and if so, is there a preferred format? The spreadsheet provided allows for the characteristics of the model portfolios.

**Answer:**  CUSIP level data is not required.

**Question 62:** Q37 - Can book yield on the existing portfolios be provided vs. our systems generating to have a consistent calculation methodology?

**Answer:**  Book yields will not be provided.

**Question 63:** Q37 – Is there a need to build in a specific level of liquidity within the model portfolios?

**Answer:**   No, you can assume minimal liquidity restrictions.

**Question 64:** To what extent should the muni portfolio be overweight to TX issuers vs considering nationally rated issuers?

**Answer:** No restrictions on TX issues.

**Question 65:** Are the 70/20/10 custom benchmark percentages static allocations, or is there room for tactical flexibility across sectors?

**Answer:**  The allocation provides a benchmark. Historically, investment managers have deviated from the allocation.

**Question 66:** Are you asset liability matching for this pool, and if so, do you wish to engage in a ongoing dialogue regarding construction of the govt portfolio custom benchmark to  potentially consider alternative solutions that meet your needs?

**Answer:**  Yes

**Question 67:** You state that realizing losses is generally prohibited for the government portfolio.  Based on the given 7/31/25 prices it looks like (at least) the MBS portfolio is broadly in an unrealized loss position.  That largely limits any sales to reposition the portfolio.  How will you evaluate the proposed model portfolio when it appears that the actual portfolio could be, of necessity, fairly static?

**Answer:**   You may ignore realized losses for the reposition of the portfolio

**Question 68:** For a model portfolio that includes government MBS, do you want specific mortgage pools (cusip level), or are generic MBS (such as “G2SF 5.5% MBS,” “15yr Conv 5.0% MBS,” “UMBS 4.5%”) acceptable? Or, do you not need even that level of detail for the Gov’t MBS?

**Answer:**   You do not need to provide specific mortgage pools (cusip level). Generic pools are acceptable.

**Question 69:**   For the corporate portion, what are the specific guidance for limits on duration, credit quality weights, sector and single issuer exposures vs. the benchmark?

 **Answer:**  There are no limits except that the benchmark is Barclays US Intermediate Corporate Bond Index.

**Question 70:**   Section 7.6 says TMLIRP limits sales of investments in realized losses and there are no restrictions on realized losses in the Corporate Mandate. Under the Sales of Securities Resulting in Realized Losses section, it references the intent to hold securities until maturity and managers may sell if it is prudent; however, consent from the CIO must be given before a sale. The same applies for gains. Since the corporate mandate has no restrictions on losses, do sales at a loss or gain still need CIO approval before execution?

**Answer:** No restrictions on gains and the corporate mandate have no restrictions.

**Question 71:** What is the turnover ratio for the corporate portfolio for the last 1 and 3 years?

**Answer:**  This data is not readily available however, one investment manager has taken a very active approach (selling and buying) and the other manager has had limited trading.

**Question 72:** What is the assumed rate of return assumed by the actuary?

**Answer:** Assumed rate of return for rating and discounting long-term reserves range from 2.5% to 4.4% currently

**Question 73:** The attached corporate template notes the portfolio should be priced as of 1/31/2026 in the footnotes. The RFP is due prior to this date. Please clarify the requested pricing date for the corporates.

**Answer:**  Please price portfolio as of 9-30-25 instead of 1/31/26.

**Question 74:**   Do you want cusip level detail for the corporate portion of the model portfolio?

**Answer:**  Cusip level detail is not necessary if you can provide a model portfolio for the RFP.

**Question 75:** Will the winning bidder receive cash or the existing portfolio with the ability to restructure under realizing gain-loss restrictions?

**Answer:**   There are no restrictions for the corporate mandate. The Pool would have to assess the financial implication of realized losses for possible changes to the government portfolio. There will be some cash added to the portfolios over time.

**Question 76:**   You state that realizing losses is generally prohibited for the government portfolio.  Based on the given 7/31/25 prices it looks like (at least) the taxable muni portfolio is broadly in an unrealized loss position.  That largely limits any sales to reposition the portfolio.  How will you evaluate the proposed model portfolio when it appears that the actual portfolio could be, of necessity, fairly static?

**Answer:**  Realized losses may not be considered for the repositioning.

**Question 77:** For the muni portion of the Government portfolio, what are the specific guidance for limits on duration, credit quality weights, sector and single issuer exposure?

**Answer:**   No limits, but the benchmark for the muni allocation is the Barclays Capital Intermediate Taxable Municipal Index