

ADDENDUM NO. 2

DATE: October 26, 2018

TO: All Potential Proposers

FROM: Penny Owens, Assistant Purchasing Agent, City of Knoxville

SUBJECT: Addendum No. 2 to the RFP for Pension Fiduciary Investment Advisory Services

PROPOSALS TO BE OPENED: November 1, 2018 at 11:00:00 a.m. (Eastern Time)

This addendum is being published in response to questions asked by potential proposers about the above referenced RFP. This addendum becomes a part of the contract documents and modifies the original specifications as follows:

Question #1: Is the current consultant being considered as part of this process?

Response: The current firm has merged with another, thus the need for this solicitation. The resulting company is welcome to submit a proposal and it is our understanding they will.

Question #2: Do you have a separate alternative assets consultant?

Response: No.

Question #3: Do you currently use fund of funds or direct funds for your alternative investments?

Response: Fund of funds; no direct investments.

Question #4: Do you anticipate making any changes to the asset allocation of the System?

Response: We are in the process of getting back into EMD, but that is not a change in allocation. I'm completing the subscription documents for Investec in their blended strategy which will be funded with the balance of the NT Aggregate Bond Fund.

Question #5: Are you considering any new asset classes?

Response: Not at this time.

Question #6: What is the most important investment issue your System is currently facing?

Response: Meeting our target expected rate of return in the current market.

Question #7: Are there any investment initiatives being planned for the next 12-16 months?

Response: The only investment that is expected is any private equity allocation needed to maintain our 5% to the PE space.

Question #8: How many manager searches have been conducted each year, over the last 3 years?

Response: We have had one PE search each year and then one additional search for the past three years so on average, 2 searches a year. We have made some manager changes in areas (High Yield, for example), but those funds were reallocated to existing managers and mandates adjusted to include high yield opportunistically based on the managers discretion. We also did that with a Global Fixed dedicated manager.

Question #9: Is the fund expecting to have an Asset Liability study done in 2019?

Response: No.

Question #10: Is the scope outlined in the RFP consistent with the current consultant's contract? If not, what items are different?

Response: The scope is consistent with our current contract.

Question #11: Please share the manager roster and their market values or a summary of the number of managers in each sub-asset class. This information is very important in assisting in getting an accurate price for the services in the relationship as they relate to performance reporting and research.

Response: Please see the "Asset Allocation Page September 2017 – CLEAN" attached to Addendum No. 1.

Question #16: Wilshire has reviewed Section 6.6 and has found that the indemnity reads quite broadly and amounts to an unlimited insurance policy for any "act" by Wilshire in the performance of the Agreement, and is not limited to wrongful acts caused by Wilshire. Wilshire would accept liability for damages that result from our own misconduct or wrongdoing, but cannot agree to a provision that would hold us liable for those acts that were performed in accordance with the Agreement. Further, the indemnity includes "any third party" as indemnified parties and Wilshire cannot agree to indemnify those that we are not affiliated with the City and affected by the Agreement. Would the City of Knoxville consider revising the indemnity to delete "third party" and include "wrongful" in front of "acts", or, acknowledge that the indemnity applies only with respect to Wilshire's "wrongful" acts, that the "third parties" are only those that are affiliated with the City and affected by the Agreement, and that such third parties are intended to be included in the exception to the indemnity (i.e., "except where such injury, damage, or loss was caused by the sole negligence of the City, its agents or employees" – the third parties should be included here)?

Response: You may include any exceptions to our terms and conditions in your response. This is the City's standard indemnification clause, included in nearly all contracts.

END OF ADDENDUM 2