

STATE OF NEW HAMPSHIRE
STATE TREASURY
STATE HOUSE ANNEX
25 CAPITOL STREET
CONCORD, NEW HAMPSHIRE 03301

ADDENDUM #1 TO RFP TR 2015-01

Question #1

Why has the State Treasurer's Office issued this RFP? Is there a contract that is up for rebid?

Answer #1

The State of New Hampshire has issued this RFP as part of its due diligence to investigate all available options for portfolio management. The Treasury does not have a contract in place for these services.

Question #2

Which investment managers currently over these assets or are they all managed internally?

Answer #2

The investment managers currently overseeing most of these assets include: Citizen's Wealth Management, TD Wealth, and Fidelity Investments.

Question #3

Does the State Treasurer's Office work with an external investment consultant or is there an investment consultant that is assisting you with the search?

Answer #3

The State of New Hampshire is not currently working with an external investment consultant, and no investment consultant is assisting in this search.

Question #4

Is there one uniform Tax ID for all of these accounts?

Answer #4

Yes, the State of New Hampshire Tax ID is utilized on all accounts.

Question #5

Is there an Investment Policy for the Benjamin Thompson Account?

Answer #5

Please reference the attached policy.

Question #6

What are the Liquidity needs on the Investable assets for the New Hampshire Hospital and Benjamin Thompson accounts?

Answer #6

New Hampshire Hospital has budgeted approximately **\$260,000** for the State fiscal year ending 6/30/2015.

Quarterly income distributions are disbursed from the Benjamin Thompson Trust and have averaged approximately **\$32,000 per year** for the past five years.

Question #7

Can you give us a more detailed breakdown on "other assets"? This breakdown should include any Investment Policy for these assets and how they are currently invested.

Answer #7

The accounts that make up the "other assets" as listed in Appendix A are comprised of a combination of money market and mutual fund accounts (both equity and fixed income), all of which are currently not actively managed.

Question #8

There are Investment Policies for the Second Injury Fund and the Veteran Home Benefit fund. Where are these assets covered on Appendix A?

Answer #8

Both the Second Injury Fund and the Veteran Home Benefit fund are part of the funds which make up the "other" assets as listed on Appendix A. These funds are not currently actively managed.

Question #9

The NH Hospital Account has an Income and Principal account. Can it be assumed that the income generated from the Principal Account gets transferred to the Income Account?

Answer #9

Yes

Question #10

Do any of the other Trust accounts need to have Income and Principal segregated?

Answer #10

No, New Hampshire Hospital's account is the only account set up in this way.

Question #11

It appears that no Foreign Issuers are permitted from a direct purchase point of view, including ADRs. Is there a particular reason or RSA that is driving this choice?

Answer #11

All trust funds over which the state treasury has control and /or custody shall be invested in legal investments allowable under New Hampshire Revised Statute Annotated (RSA) 6:8.

State of New Hampshire
Investment Policy
Benjamin Thompson Trust Fund
As of July 1, 2013

PURPOSE

The purpose of this policy is to outline general guidelines for the accomplishment of the stated objectives while ensuring compliance with state and federal laws for the investment of funds dedicated to the Benjamin Thompson Trust Fund (the "Fund"). This policy is also designed to outline internal controls over the safeguarding of Fund assets. The investment policy delegates management of the Fund's investment portfolio to an investment manager designated by the State Treasurer for management in accordance with RSA 6:8 and 11:5, subject to the guidelines of this policy.

INVESTMENT OBJECTIVE

The Fund will be invested to 1). Obtain long-term appreciation of capital 2). Provide for some current income and 3). Maintain liquidity appropriate for short term cash needs. When making individual investments, the primary considerations will be risk rating, liquidity, income and maturity. It is recognized that income is a product of yield to maturity, therefore; fixed income securities may be purchased either at a discount to minimize initial cash outlay and take advantage of capital appreciation, or at a premium to optimize cash flow when conditions warrant.

LEVELS OF AUTHORITY

The Treasurer is authorized to direct an investment manager to invest the Fund within the guidelines established by this policy.

RESPONSIBILITIES

1. The investment manager will provide a prospectus for any mutual funds held in the fund to the Treasury each year.
2. The investment manager is responsible for ensuring the completion of all paperwork and transactions pertinent to the execution and confirmation of buy/sell orders; for instructing money market dealers with respect to arrangement for payment or collection of monies resulting from the purchase, sale or redemption of securities; and for the maintenance of all necessary records of current holdings. This paperwork shall include, but is not limited to appropriate accounting and internal documents required to track the movement of funds.
3. The Treasurer or investment manager is responsible for insuring compliance with the investment policy.
4. The investment manager shall provide to the State Treasurer's office a written statement, on at least a quarterly basis, that your firm is in compliance with the Office of Foreign Assets Control of the U.S. Treasury (OFAC) requirements and that your firm has the necessary internal controls, processes and policies in place which are adequate to maintain such compliance.

State of New Hampshire
Investment Policy
Benjamin Thompson Trust Fund

As of July 1, 2013

APPROVED INVESTMENTS

The following are approved investment vehicles as defined in RSA 6:8, 387:6, 387:6-a, and 387:14:

United States Treasury Securities

Federal Agency Securities - Federal Farm Credit System, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Tennessee Valley Authority.

Corporate Bonds and Notes - All corporate fixed income securities must be from issuers having an A or better long term debt rating from one or more of the primary rating agencies (Standard & Poor's, Moody's, and Fitch). If an issue falls below a rating of A, a security must be sold.

Money Market Funds - Shares of funds which hold diversified portfolios and are permissible under RSA 387:14 and follow standard rules for such funds as issued by the Securities and Exchange Commission.

Mutual Funds - Shares of open ended mutual funds which hold diversified portfolios of either fixed income or equity investments and are permissible under RSA 387:14. Funds shall reflect the general character of approved individual securities.

Equity Securities (Stocks) - Shares of companies listed on the New York, American and Over-the-Counter Exchanges are permitted.

CONSTRAINTS

Diversification

The selection of investment (asset allocation) options will be evaluated on a market basis when evaluating a transaction's effect on the diversification constraints of the portfolio. The target asset mix is 60% equity, 35% fixed income, and 5% cash. Except for U.S. Treasury and U.S. Government Agency obligations, no more than 10% of the portfolio may be invested in the obligations of any one issuer. Guarantees shall be considered obligations of an issuer for purposes of this requirement.

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Type	Portfolio Limit (*)	Maximum Maturity
U.S. Treasury	None	15 Years
U.S. Gov't Agency	None	15 Years
Corporate Bonds/ Notes	30%	15 Years
Money Market Funds	None	Open
Individual Equities - 1	70%	Open
Equity Mutual Funds - 1	70%	Open
Fixed Income Mutual Funds	30%	Open

(*) - All limits at +/- 10%.

1 - Total equity allocation is 70%.

2 - Total fixed income allocation is 30%.

3- When market fluctuation creates an imbalance of more than +/-10% in the equity/fixed income and cash allocations limits, the manager may defer from rebalancing the portfolio to stay within established asset allocation guidelines and so authorizes the manager to exceed established guidelines for a period of no more than two consecutive quarters unless otherwise instructed by the Treasurer. This is for the purpose of applying sound investment principals to adjust the portfolio in a measured way. The investment manager must provide a rationale(s) at the end of each quarter in which the portfolio ends out of balance by more than +/-10% to defer rebalancing.

Maturity/Liquidity

Consideration is given to the cash flow and maturity characteristics of securities in evaluating liquidity.

Foreign Currency

All investments will be denominated in United States Dollars.

Derivative Securities

Derivative securities that are, in effect a leveraged bet on future movements of interest rates or some price or exchange index are not permitted. Collateralized mortgage obligations, because of

their complexity and prepayment rate uncertainty are prohibited. Treasury Inflation-Protected Securities (TIPS) issued by the U.S. Treasury and whose principal is tied to the inflation rate are not

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considered prohibited derivative securities.

NEW FINANCIAL INSTRUMENTS

The Treasurer must review and approve all investments which are new or extend, materially, the degree of risk currently assumed with existing approved investments.

FOREIGN ISSUERS

Fixed income securities issued in US markets and denominated in dollars by foreign sovereigns are not permitted. Direct purchases of agent depository receipts (ADRs) are also not permitted. Equity or fixed income mutual funds that hold these types of securities are, however, permitted investments, so long as they are permissible under RSA 387:14.