



Pension Reserves Investment Management Board

84 State Street, Suite 250
Boston, Massachusetts 02109

Steven Grossman, Chair
Michael G. Trotsky, CFA, Executive Director

September 6, 2011

Dear Potential Provider:

The Massachusetts Pension Reserves Investment Management Board (PRIM) is requesting proposals from qualified firms interested in providing foreign currency execution investment management services.

In order for proposals to be considered by PRIM, each prospective provider must respond to the Request for Proposal (RFP) by submitting an electronic copy of its proposal via e-mail, received by **3:00 p.m., EST, Monday, October 3, 2011** to ssamuels@mapension.com. In addition, an original and 1 copy of the proposal should be sent and received by **3:00 p.m., EST, Monday October 3, 2011** to:

Sarah N. Samuels, CFA
Investment Officer
Pension Reserves Investment Management Board
84 State Street, Suite 250
Boston, Massachusetts 02109

Further instructions for proposal submission are included in the RFP. Questions concerning the RFP must be submitted by **3:00 p.m., EST, Wednesday, September 14, 2011**.

We appreciate the time and effort required to respond to this RFP. Each firm submitting a proposal to PRIM can be assured that the same time and effort will be expended in evaluating the proposals that are submitted for consideration. We look forward to your response.

Sincerely,

Michael G. Trotsky, CFA
Executive Director

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

84 State Street, Suite 250, Boston, Massachusetts 02109

Steven Grossman, Chair
Michael G. Trotsky, CFA, Executive Director

REQUEST FOR PROPOSALS

**FOREIGN CURRENCY EXECUTION
INVESTMENT MANAGEMENT SERVICES**

September 6, 2011

Table of Contents

I. INTRODUCTION.....	4
II. BACKGROUND INFORMATION.....	4
A. LEGAL STRUCTURE OF PRIM.....	4
B. PRIM’S ADVISORS.....	5
C. GENERAL DESCRIPTION OF PRIM’S ASSETS.....	5
D. SUDAN, TOBACCO AND IRAN DIVESTITURE.....	5
III. SCOPE OF SERVICES.....	6
IV. PROPOSAL SPECIFICATIONS	7
A. PROPOSAL DEADLINE.....	7
B. REQUIRED ATTACHMENTS AND ENCLOSURES.....	7
C. PUBLIC RECORD.....	8
D. WITHDRAWAL/IRREVOCABILITY OF RESPONSES.....	8
E. WAIVER/CURE OF MINOR INFORMALITIES, ERRORS AND OMISSIONS.....	8
F. COMMUNICATIONS WITH PRIM.....	9
G. QUESTIONS RELATING TO THIS RFP.....	9
H. INCURRING COSTS	9
I. REJECTION OF PROPOSALS.....	9
V. SELECTION PROCESS.....	10
A. NON-QUALIFYING PROPOSALS.....	10
B. SELECTION OF FINALISTS.....	10
C. SELECTION OF INVESTMENT MANAGERS(S).....	10
VI. MINIMUM CRITERIA	12
VII. SELECTION CRITERIA.....	13
VIII. QUESTIONNAIRE.....	15
IX. FEE PROPOSALS	23
X. REPRESENTATIONS AND WARRANTIES.....	24
XI. EXHIBITS	26
A. PRIM ASSET ALLOCATION & CURRENT INVESTMENT MANAGERS.....	28
B. DISCLOSURE FORMS.....	31
C. CHAPTER 32 OF THE MASSACHUSETTS GENERAL LAWS & CONFLICT OF INTERESTS.....	36
D. PRIM INVESTMENT POLICY.....	37
E. PRIM’S HISTORICAL FOREIGN EXCHANGE STATISTICS.....	38

Pension Reserves Investment Management Board



REQUEST FOR PROPOSALS

FOREIGN CURRENCY EXECUTION INVESTMENT MANAGEMENT SERVICES

I. INTRODUCTION.

The Massachusetts Pension Reserves Investment Management (PRIM) Board is soliciting proposals from firms interested in providing foreign currency execution investment management services. The Board will accept and evaluate proposals to provide, as needed, foreign currency execution investment management services for PRIM's foreign currency transactions. More detailed descriptions of these services are set forth under the heading "SCOPE OF SERVICES".

II. BACKGROUND INFORMATION.

A. Legal Structure of PRIM.

The Pension Reserves Investment Management (PRIM) Board is charged with the responsibility of investing and reinvesting the assets of the Pension Reserves Investment Trust (PRIT) Fund. The PRIT Fund is a pooled investment fund consisting of the assets of the State Employees' and Teachers' Retirement Systems as well as assets of other public employee retirement systems in the Commonwealth of Massachusetts (referred to as participating and purchasing systems). The PRIT Fund's primary investment objective is to accumulate assets through investment earnings and other revenue sources to meet future pension liabilities. As of July 31, 2011, the PRIT Fund had assets of approximately \$50 billion. PRIT funds are generally invested with a longer-term perspective and higher target returns than most retirement systems. The Fund was originally established to address the unfunded liability of the pension system. The Massachusetts State Teachers' and Employees' Retirement Systems Trust Fund ("MASTERS") merged into the PRIT Fund as of December 31, 1996.

The nine-member PRIM Board is chaired by the State Treasurer and Receiver-General of the Commonwealth, Steven Grossman. The Governor or his designee is also a member of the Board. Other members include appointees of both the Governor and Treasurer, and four representatives of State employees and teachers. All members, except the Chair, serve without compensation.

The Board oversees the Fund under the terms of its Operating Trust dated July 15, 1988 and most recently amended on September 22, 1998. The members of the Board, in conjunction with the Executive Director, who serves at the pleasure of the Board, determine policies and make decisions concerning the administrative and investment operations of the Fund.

The PRIM Board has established advisory committees (Investment, Administration/Audit, Real Estate/Timber, and Compensation) to provide a broad range of input to the Board. These committees are generally comprised of Board members and private citizens with investment or business expertise. All significant policies and investments are ultimately approved by the Board.

B. PRIM's Advisors.

Outside advisors are engaged for their particular expertise and retained to assist the Board and its staff in the areas of General Portfolio Strategy and Investments, Real Estate, and Private Markets. FX Transparency is the foreign currency consultant, Hewitt EnnisKnupp is the general consultant and hedge fund-of-fund consultant, NEPC is the asset allocation consultant, Hamilton Lane is the private equity consultant, Cliffwater is the direct hedge fund consultant, and Townsend provides real estate consulting services. KPMG is the Fund's auditor. In addition, KPMG is the Real Estate, Hedge Funds and Timber auditor. Deloitte & Touche is PRIM's tax advisor. BNY Mellon is the Fund's custodian and is responsible for providing record-keeping and analytic performance for the Fund.

C. General Description of PRIM's Assets.

Exhibit A.1 includes a description of PRIM Board's target asset allocation as of August 2, 2011.

D. Tobacco, Sudan and Iran Divestiture

On October 7, 1997, the Massachusetts legislature enacted, and the Governor signed into law, Chapter 199 of the Acts of 1997, which forbids the PRIT Fund from purchasing securities "of any company which derives more than 15 per cent of its revenues from the sale of tobacco products." The legislation also required the PRIT fund to divest itself of all such securities within three years; this divestment was largely completed before

the end of 1997. PRIM provides investment managers with a quarterly listing of these restricted securities.

On November 2, 2007, the Massachusetts legislature enacted, and the Governor signed into law, Chapter 151 of the Acts of 2007, which forbids the PRIT Fund from purchasing the securities of companies determined to be doing business in the Sudan. The legislation required the PRIT fund to divest itself of all such securities within 12 months. PRIM provides investment managers with a quarterly listing of these restricted securities.

On August 4, 2010, the Massachusetts legislature enacted, and the Governor signed into law, Chapter 232 of the Acts of 2010, which forbids the PRIT Fund from purchasing the securities of companies determined to be doing business in Iran. The legislation requires the PRIT fund to divest itself of all such securities within 12 months. PRIM provides investment managers with a quarterly listing of these restricted securities.

E. Additional Information.

Please refer to PRIM's website at www.mapension.com to obtain additional information about PRIM, including the PRIM Board's Operating Trust Agreement.

III. SCOPE OF SERVICES.

The purpose of this RFP is to retain an investment manager(s) to execute foreign currency transactions, as needed, on behalf of PRIM. This includes foreign currency transactions relating to spot fx trades, income repatriation, tax reclaims, and restricted currency trades for some of the PRIT Fund's mandates, as needed.

PRIM's goal is to select investment manager(s) based on PRIM's evaluation of submitted Proposals in accordance with the Selection Criteria contained in Section VII of this RFP. Proposals submitted for other services will **NOT** be accepted. Investment manager(s) selected to perform these services will be required to perform the following additional services for PRIM: (1) submit monthly transaction statements within two weeks of each calendar month end; (2) attend semi-annual performance reviews in Boston, Massachusetts; and (3) participate in annual on-site visits by PRIM staff.

IV. PROPOSAL SPECIFICATIONS.

A. Proposal Deadline.

The completed proposal, which must include all attachments, must be received electronically via e-mail by Sarah Samuels at ssamuels@mapension.com by 3:00 p.m. EST on Monday, October 3, 2011 (the "Proposal Deadline"). Any Proposal delivered after the Proposal Deadline will not be considered. In addition, an original and one hard copy of the Proposal should be sent and received by 3:00 p.m. EST on Monday, October 3, 2011 to:

Ms. Sarah N. Samuels, CFA
Investment Officer
Pension Reserves Investment Management Board
84 State Street, Suite 250
Boston, Massachusetts 02109

All electronic documents submitted must be 10MB or smaller in size. If necessary, the respondent must separate the RFP submission into multiple emails to ensure that the size requirement is met. The respondent is responsible for ensuring that a complete electronic RFP response is received prior to the Proposal Deadline.

Copies of this RFP can be obtained electronically through the PRIM Board website at www.mapension.com.

B. Required Attachments and Enclosures.

In addition to the responses to the RFP questions, the following information must be included with each response.

- 1. Cover Letter.** The Proposal must be accompanied by a cover letter, which will be considered an integral part of the Proposal, and which shall be signed by at least one individual who is authorized to bind the firm contractually. This cover letter must include: (a) an executive summary of the firm's proposal, (b) the firm name, address and telephone/fax numbers; (c) the name of the primary contact at the Respondent for the PRIM account should the respondent be selected; (d) the title or position which the signer of the cover letter holds in the firm; and (e) a statement to the effect that the Proposal is a firm and irrevocable offer to provide services to PRIM.
- 2. Representations and Warranties.** The Representations and Warranties contained in Section X of this RFP, signed by an authorized officer of the firm, must be included as an attachment to the cover letter referenced in (1) above. **A**

SIGNED REPRESENTATIONS AND WARRANTIES MUST ACCOMPANY YOUR SUBMISSION OR IT MAY NOT BE CONSIDERED.

3. **Disclosure Statement.** Attached to this RFP as Exhibit B are two Disclosure Statements, one for PRIM and one for Public Employee Retirement Administration Commission (PERAC). Each firm submitting a Proposal must complete the two disclosure forms and submit them as an attachment to the cover letter referenced in (1) above. **YOU MUST COMPLETE AND SUBMIT BOTH THE PRIM AND PERAC DISCLOSURE FORMS OR YOUR SUBMISSION MAY NOT BE PROCESSED.**
4. **Fee Proposal.** Each response must include a “Fee Proposal.”
5. Any additional material must be submitted separate from the response.

C. Public Record.

Chapter 66, Section 10 and Chapter 4, Section 7(2)(h) of the Massachusetts General Laws state that, upon the expiration of the Proposal Deadline, Proposals shall be deemed a public record and as such shall be subject to requests for public disclosure. However, please note Section 23(6) of chapter 32 of the General Laws:

(6) Confidentiality of certain records. Any documentary material or data made or received by any member of the (PRIM) board which consists of trade secrets or commercial or financial information that relates to the investment of public trust or retirement funds, shall not be disclosed to the public if disclosure is likely to impair the government's ability to obtain such information in the future or is likely to cause substantial harm to the competitive position of the person or entity from whom the information was obtained. The provisions of the open meeting law shall not apply to the PRIM Board when it is discussing the information described in this paragraph.

D. Withdrawal/Irrevocability of Responses.

A proposer may withdraw and resubmit a Proposal prior to the Proposal Deadline. No withdrawals or re-submissions will be allowed after the Proposal Deadline.

E. Waiver/Cure of Minor Informalities, Errors and Omissions.

PRIM reserves the right to waive or permit cure of minor informalities, errors or omissions, and to conduct discussions with any proposers and to take any other measures with respect to this RFP in any manner necessary to serve the best interest of PRIM and its beneficiaries.

F. Communications with PRIM.

PRIM's Procurement Officer for this RFP is:

Sarah N. Samuels, CFA
Investment Officer – Public Markets
Pension Reserves Investment Management Board
84 State Street, Suite 250
Boston, Massachusetts 02109
Telephone: (617) 946-8469
ssamuels@mapension.com

As of **September 6, 2011**, firms which intend to submit a Proposal should not contact any PRIM staff, members of the Investment Committee, members of the PRIM Board, or employees of the Massachusetts Treasury, other than the Procurement Officer. An exception to this rule applies to persons/entities currently doing business with PRIM, such as PRIM's current investment managers, but any such contact with persons other than the Procurement Officer must be limited to that business, and must not relate to this RFP. In addition, firms which intend to submit a Proposal should not discuss this RFP with any employee of PRIM's custodian, other PRIM managers, consultants, or PRIM's legal counsel or other advisors. **FAILURE TO OBSERVE THIS RULE IS GROUNDS FOR DISQUALIFICATION.**

G. Questions Relating to this RFP.

All questions concerning this RFP, and requests for the complete listing of questions and answers, must be received by the Procurement Officer by **3 p.m., EST, on Wednesday, September 14, 2011** (the "Question Deadline") via e-mail to ssamuels@mapension.com. Questions received in accordance with this section will be answered and circulated by e-mail to all firms who have proposed a question or who request in writing a copy of the questions and the responses. Questions, or requests for the complete listing of questions and answers, submitted after the Question Deadline, will not be considered.

H. Incurring Costs.

PRIM will not be liable for any costs incurred prior to entering into the Contract with the successful proposer or proposers.

I. Rejection of Proposals.

PRIM reserves the right to reject any non-qualifying Proposal, as well as the right to

reject all Proposals submitted under this RFP and to cancel and rescind the procurement for any reason or for no reason.

V. SELECTION PROCESS.

The Selection Process under this RFP will be as follows:

A. Non-Qualifying Proposals.

PRIM will evaluate each Proposal to determine if it was submitted in accordance with the requirements set forth in this RFP, including whether the proposing firm meets the minimum criteria. All non-qualifying Proposals not subject to the waiver/ cure of minor information will be rejected.

B. Selection of Finalists.

The Proposals will be evaluated by a search committee. It is anticipated that the search committee will include a member of the Investment Committee or its representative, as well as PRIM staff. Proposers may be invited to a due diligence interview with the search committee. Based on the Selection Criteria set forth in Section VII of this RFP (including the Fee Proposals), the search committee will select finalists.

C. Selection of Investment Managers(s).

The search committee may conduct a due diligence site visit to the finalists' offices. The search committee will then select the finalists to recommend to the PRIM Investment Committee and the PRIM Board for consideration.

The finalists recommended by the search committee may be required to make an in-person presentation to the Investment Committee, the PRIM Board, or both. The Investment Committee may accept or reject the recommendations of the search committee. The engagement will be awarded by the PRIM Board.

TENTATIVE TIME TABLE.

The following is the tentative time schedule for this RFP process. All dates are subject to modification by PRIM.

Issuance of RFP:	September 6, 2011
RFP Question Deadline:	September 14, 2011 3:00 p.m. EST
RFP Response Deadline:	October 3, 2011 3:00 p.m. EST
Notification of Finalists: (Tentative)	Week of October 10 th , 2011
Search Committee Interviews**: (Tentative)	October 21, 2011
Onsite Visit: (Tentative)	Week of November 7, 2011
Investment Committee Interviews**: (Tentative)	November 15, 2011
PRIM Board Meeting**: (Tentative)	December 6, 2011
Projected Commencement Date:	January 1, 2012

** If selected for an interview, please plan to be in Boston for interviews by the search committee, Investment Committee, and/or Board on the indicated dates.

VI. MINIMUM CRITERIA.

A Proposer must meet the following minimum qualifications. Failure of a firm to meet the minimum qualifications will result in the Proposal's rejection.

A. Basic Minimum Qualifications.

All firms submitting Proposals must meet the following minimum criteria, as demonstrated by detailed responses provided to the questions below:

1. The investment professional(s) must have at least a three year history in providing foreign currency execution investment management services as of June 30, 2011 and must have the ability to manage the foreign currency execution investment management services at PRIM's current level of activity (detailed in Exhibit E).
2. The candidate investment manager must be SEC-registered or exempt from registration, with the nature of the exemption explained. The firm must submit its full Form ADV (Parts I and II).
3. The candidate investment manager must have at least one tax-exempt institutional client invested in foreign currency execution investment management services as of June 30, 2011.
4. The candidate investment manager must have been in operation as an investment management organization for at least three years as of June 30, 2011.
5. The candidate must be willing to include the attached representations and warranties as part of its contract with PRIM if selected to be a manager to the PRIM Board.
6. The candidate investment manager must not be proposing a manager of managers strategy.

VII. SELECTION CRITERIA.

PRIM will apply the following criteria in the selection of a foreign currency execution investment manager(s). The search committee will assign a rating of either "Highly Advantageous", "Advantageous", "Acceptable", "Not Advantageous" or "Unacceptable" to all qualifying Proposals in each of the categories listed below. Any Proposal receiving a rating of "Unacceptable" in any applicable category ,may receive no further consideration. Using these ratings as a guide, the search committee will select finalists to move to the next stage of the selection process, and make recommendations to the Investment Committee. For a more detailed description of the selection process, see Section V.

A. Basic Selection Criteria Applicable to all Proposing Firms

1. Stability and General Experience of the Firm.

- a. Stability of the firm, as measured by the organizational structure of the firm; the existence of, or potential for, significant developments in the firm; and the expected financial stability of the firm.
- b. Experience of the firm in providing foreign currency execution investment management services to similar institutional investors, as measured by the firm's history of providing such services; and the similarity of a firm's clients to PRIM.
- c. Adverse organizational issues, such as the existence of litigation or investigations, and/or the existence of financial problems.

2. Quality, Stability, Depth and Experience of Personnel.

- a. Experience of portfolio manager(s) in providing similar services to similar institutional investors, as measured by the length of time the portfolio manager(s) has served as a portfolio manager to such investors; demonstrated expertise in providing such services to other such investors; and demonstrated ability to interact with clients similar to PRIM.
- b. Experience of professionals in providing foreign currency execution investment management services as measured by the length of time dedicated support staff have provided such services to similar institutional investors.

- c. Depth of personnel, as measured by the firm's account/portfolio manager and account/investment management personnel ratios; and back-up procedures for providing services to PRIM in the absence of the portfolio manager(s).

3. Performance and Fees

- a. Estimate of the total cost of performing foreign currency execution investment management services as measured by the Fee Proposal.

It is important to note that the selection of a firm or firms to act as foreign currency execution investment manager(s) to PRIM will not necessarily be based solely on the Fee Proposal, as the Fee Proposal is only one of the selection criteria.

VIII. QUESTIONNAIRE

FOREIGN CURRENCY EXECUTION INVESTMENT MANAGEMENT SERVICES

RESPONDENT NAME: _____

ADDRESS: _____

TELEPHONE #: _____

FACSIMILE #: _____

E-MAIL ADDRESS: _____

CLIENT CONTACT: _____

SIGNED: _____

Name (print): _____

Title: _____

Date: _____

A. COMPANY BACKGROUND AND GENERAL DESCRIPTION

The questions and/or requests made in this RFP should be duplicated in their entirety in the Proposal with each question and/or request repeated before the answer or response.

1. Indicate your firm's fiduciary classification:

- Bank
- Insurance Company
- Registered Investment Advisor/
(Investment Advisors Act of 1940)
- Affiliate of Fiduciary
(Name and Classification): _____
- Other (Please Explain): _____

2. Give a brief history of the firm, including:

- a. The month and year of SEC 1940 Act registration.
- b. The month and year the firm began offering foreign currency execution investment management services.
- c. The month and year the firm began offering foreign currency execution investment management services for U.S. tax-exempt clients.

3. Describe the ownership of the firm, including but not limited to:

- a. Ownership structure, including parent organizations.
- b. Affiliated companies or joint ventures.
- c. If an affiliate, designate percent of parent firm's total revenue generated by your organization.
- d. If a joint venture partner, identify the percentage of ownership and revenues recognized by each partner to the combined entity.
- e. Describe in detail any material developments in your organization (e.g. changes in ownership, personnel, business, etc.) over the past three years.

4. Provide an organizational chart diagramming the relationships between the professional staff as well as the parent-subsidiary, affiliate, or joint venture entities.

5. Please describe the levels (U.S. dollar amounts) of coverage for SEC-required (17g-1) fidelity bonds, errors and omissions coverage and any other fiduciary coverage, which your firm carries. List the insurance carriers supplying the coverage.
6. Over the past five years, has your firm or any of its affiliates or parent, or any officer or principal been involved in any business litigation, regulatory or legal proceedings? If so, provide a detailed explanation and indicate the current status. **Also provide completed Form ADV (Parts I and II).**
7. Describe in detail any actual or potential conflicts of interest your firm may have in providing to PRIM the services called for by this RFP. Include any activities of affiliated or parent organizations, brokerage activities, investment banking activities, or any past or current relationships 1) with PRIM Board members, PRIM Committee members, and/or PRIM investment staff or 2) with PRIM's consultants, which include Hewitt EnnisKnupp, The Townsend Group, Hamilton Lane, Cliffwater, NEPC, and FX Transparency. Include any other pertinent activities, actions, or relationships not specifically outlined in this question. .

B. EXPERIENCE IN FOREIGN CURRENCY EXECUTION SERVICES

Please answer the questions using the chart below:

- a. Total foreign currency execution volume. Estimate the percentage that are institutional assets.
- b. Total number of external foreign currency execution accounts. Do not include internally managed funds or accounts.
- c. How long have you been providing foreign currency execution investment management services on behalf of clients?

	12/31/2008	12/31/2009	12/31/2010	06/30/2011
1.a Volume				
1.a % Institutional				
1.b				

2. Please list the 5 largest U.S tax-exempt accounts currently managed, including public and ERISA fund clients that utilize your foreign currency execution investment management services.

Client Name	Inception Date	Market Value (06/30/2011)

3. Please list all clients and asset amounts gained and lost in the subject services over the past three years as of 6/30/2011.

4. What is the minimum volume you will accept and what is the highest, average, and lowest foreign currency execution volume you currently manage?
5. Please provide the client name, address, name of contact person, phone number, email address, title and account type (e.g. defined benefits, defined contribution, endowment) of three accounts that have utilized your foreign currency execution investment management services and terminated their relationship with you over the past three years. We may contact them for a reference.
6. Please provide the client name, address, phone number, contact name, title and account type (e.g. defined benefits, defined contribution, endowment) of three accounts that have utilized your foreign currency execution investment management services over the past three years. We may contact them for a reference.
7. List the number of institutional investors whom you currently service for their FX needs.
 - a. List the client types you service (eg. investment manager, hedge fund, pension fund, corporation, etc.) and the percentage of your total volume over the last year that each type constitutes.
 - b. What is the total dollar volume of foreign currency trades transacted for clients over the last three years? Please include the three year total and break out the figure year by year.
 - c. Please disclose the percentage of total volume executed on behalf of an affiliate or parent organization.

C. PEOPLE/ORGANIZATION

1. How is the foreign currency execution team organized? Do you have dedicated portfolio managers and traders or do the team members perform multiple functions?
2. How many portfolio managers are employed in this service? Please specify locations, state the number of accounts each manages and include the dollar value of assets under management. Indicate those associated with U.S. tax-exempt accounts.
3. Provide a list of the professionals involved in the subject service in the manner listed below:

PORTFOLIO MANAGEMENT/RESEARCH/TRADING/CLIENT SERVICE

Name	Title/ Responsibility	Years Experience	Years at Firm	Degrees/ Designations	Sponsoring Body/School

4. Provide biographies, no longer than one page, on each of the persons listed in question C.3.

D. INVESTMENT PHILOSOPHY, POLICY AND PROCESS

1. Does your firm act as agent or principal when providing foreign currency execution investment management services?
2. Can your firm manage the foreign currency execution investment management services at PRIM’s current level of activity (see Exhibit E)?
3. Describe your foreign currency execution process.
 - a. Explain how you handle routine trades.
 - b. Explain any differentiation on execution style and process for larger sized deals and illiquid currencies.
 - c. Do you provide trade netting by currency performed? If so, to what level (pension plan level, investment manager level, etc.)?
4. Describe your firm’s foreign currency trading capabilities. Provide a description of your trading platform, including systems (proprietary and off-the-shelf) for execution and processing.
 - a. Describe how you measure foreign currency trading costs.
 - b. If your firm is affiliated with a broker/dealer, describe whether or not you trade through this affiliated brokerage.
5. List the currencies for which you offer execution services:
 - a. By dollar volume

b. Average bps

6. Note the types of trades for which you offer foreign currency execution services currently (foreign asset funding trades, restricted emerging market, dividend & income repatriation, etc.)
7. If you do not offer any type of trade currently, will it be added to your offering? If so, when?
8. Describe savings realized (in percentage and dollars saved) by clients through the use of your services. Describe how you reduced foreign currency trading costs for clients similar to PRIM (public pensions, private pensions, endowments, foundations). Provide specific examples where possible.
9. Explain how you are compensated for your execution services. If commissions are embedded into rates, explain the structure and process for you to be paid.
10. Can you trade restricted currencies?
11. How do you achieve improved foreign currency execution (lower foreign currency trading costs) in these restricted currencies?
12. Describe the market liquidity providers utilized. Denote the number of market making banks and Electronic Crossing Networks (ECN), and provide specific bank and platform references where possible.
13. For respondents who act as principal: what credit lines do you have in place (# of lines with average tenor and Net Open Position (NOP) limits)?
14. For respondents who act as agent: do you utilize a prime broker? If so, which prime broker do you use? Describe the credit limits you have in place, with average tenor and NOP limits.
 - a. If a prime broker is not utilized, would PRIM need to face your liquidity providers directly with separate International Swaps and Derivatives Association (ISDA) Agreements?
15. Please list and explain key points of your differentiation from the market generally and your direct competitors specifically.
16. Can you provide timestamp execution data?
17. List all the reports and correspondence typically sent to clients. Explain the frequency and detail reported to investors. Please provide a sample report.

18. How do you benchmark your execution?
19. Describe your capabilities in foreign currency spot, forward, and futures markets.
20. Please provide your counterparty list and volume traded (as a percent) with each counterparty in 2010.
21. Please provide your average transaction cost for 2009, 2010, and 2011 YTD. Describe how this transaction average is calculated.

E. OPERATIONS/BACK-OFFICE

1. Describe your operational process to confirm and settle FX trades.
 - a. Please provide specific examples of vendors used in this process.
 - b. Please confirm whether you are a Continuous Linked Settlement (CLS) clearing bank.
2. What systems do you use to receive orders from clients? Differentiate order receipt avenues from custodians, investment managers, pensions, banks, etc.
3. How many back office operations professionals support the foreign currency execution investment management services? Please specify locations.
4. How would you interact with PRIM's investment managers (see Exhibit A.2) and PRIM's custodian (BNY Mellon)?
5. Describe how you manage operational risk.
6. Please describe your counterparty risk management programs.
7. Please describe your settlement risk management programs.
8. How do you ensure there are no failed trades due to insufficient foreign currency?
9. What is your error rate (number of errors and dollar amount) for 2009, 2010, and 2011 YTD?
10. Have you worked with BNY Mellon before? Please provide examples of clients on whose behalf you have worked with BNY Mellon, as well as contact persons at these clients.
11. Please detail your firm's disaster recovery procedure. Does your firm have a plan and an arrangement in place for an alternative worksite should your facilities become inoperative because of fire, earthquake, flood, etc.?

F. COMPLIANCE/INTERNAL CONTROL STRUCTURE

1. Provide a detailed summary of your firm's compliance regime. Identify senior or key personnel in the firm's compliance process.
2. Does your firm maintain a code of ethics? If so, please attach.
3. During the past five years, has the firm been subject to any governmental regulatory or law enforcement investigation, examination, or other proceeding directly involving the firm, its owners, or employees other than such examinations or other proceedings as are routinely conducted in the ordinary course of the firm's business?
4. During the past five years, has the firm been party to any litigation alleging fraud, breach of fiduciary duty, or other willful misconduct? If so, please describe.
5. Provide a detailed summary of your firm's internal control structure. Does the firm conduct periodic risk assessment? Provide a copy of SAS 70 if available, or other internal control review documentation, preferably prepared by an independent third party.

G. CLIENT SERVICE

1. Which of your firm's geographic offices would service the PRIM account? What services would specifically be provided by which office?
2. Who would be the client service officer?

H. EXECUTIVE SUMMARY

As mentioned in Section IV.B.1, please submit an executive summary consisting of not more than 3 one-sided pages which summarizes the contents of the Proposal with the firm's name identified on the top of the first page. If the firm is selected for an interview, this summary will be provided to the Investment Committee and or/ Board in advance of any interview. Please be aware that all members of the Investment Committee and/or Board may not have read your complete Proposal, which will be evaluated by the search committee.

I. FOREIGN CURRENCY EXECUTION INVESTMENT MANAGEMENT SERVICES AGREEMENT

Please provide a sample foreign currency execution investment management services agreement that you use with your clients.

IX. Fee Proposal

RESPONDENT _____

RFP _____

Once a respondent has been selected, negotiations of the fee may become necessary in order to account for the size of funding, the increments of funding, and any clarification. In no case will the negotiations result in a fee which is higher than the fee contained in this Fee Proposal. Assume annual volume, using the information contained in Exhibit E as a guide.

- A. Please provide your proposed fees. Please provide an explanation of your fee proposal and any assumptions in your proposal. Please note if the fees are flat fees based on dollar volume or basis point spreads based on size of individual trades.
- B. Given annual volume in Exhibit E, can your firm provide fees as a flat spread over the 4:00 pm (London time) WM/Reuters Intraday Spot Rate (10:30 am EST)? If yes, what would you propose? Please distinguish between total (restricted currencies + unrestricted currencies), restricted currencies, and non-restricted currencies.

X. Representations and Warranties

All proposers are required to submit an executed copy of the following Representations and Warranties as **an attachment to the cover letter** described in Section IV.B.1 of this RFP:

- A. Proposer warrants that it meets, or will meet before the award of the contract with PRIM, the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond that will be applicable to proposer's actions under the Agreement (unless exempt, and explanation of exemption is attached).
- B. Proposer warrants that it maintains both errors and omissions insurance as well as a fiduciary liability insurance providing a prudent amount of coverage for negligent acts or omissions and that such coverage will be applicable to proposer's actions under the Agreement.
- C. Proposer warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations required by a government or governmental authority for acts contemplated by the Agreement.
- D. Proposer warrants that it meets all of the minimum qualifications applicable to the firm under the RFP as follows:

Please list each minimum requirement and specifically describe how your firm meets the applicable minimum qualifications specified in Section VIII. YOU MUST PROVIDE THIS INFORMATION, AS WELL AS A SIGNATURE ON THE BOTTOM OF THE DOCUMENT, OR YOUR SUBMISSION MAY NOT BE CONSIDERED.

A. Basic Minimum Qualifications

All firms submitting Proposals must meet the following minimum criteria, as demonstrated by detailed responses provided to the questions below:

- 1. The investment professional(s) must have at least a three year history in providing foreign currency execution investment management services as of June 30, 2011 and must have the ability to manage the foreign currency execution investment management services at PRIM's current level of activity (detailed in Exhibit E).
- 2. The candidate investment manager must be SEC-registered or exempt from registration, with the nature of the exemption explained. The firm must submit its full Form ADV (Parts I and II).

3. The candidate investment manager must have at least one tax-exempt institutional client invested in foreign currency execution investment management services as of June 30, 2011.
4. The candidate investment manager must have been in operation as an investment management organization for at least three years as of June 30, 2011.
5. The candidate must be willing to include the attached representations and warranties as part of its contract with PRIM if selected to be a manager to the PRIM Board.
6. The candidate investment manager must not be proposing a manager of managers strategy.

Name of Respondent

Date

Signature

Title

XI. EXHIBITS

EXHIBIT A

PRIM's Strategic Asset Allocation & Current Investment Managers

1. PRIM's Strategic Asset Allocation

Asset Class	Long Term Target Allocation
Global Equity	43%
Core Fixed Income	13%
Value-Added Fixed Income	10%
Private Equity	10%
Real Estate	10%
Timber/Natural Resources	4%
Hedge Funds	10%

2. Current Investment Managers

GLOBAL EQUITY		
US DOMESTIC EQUITY	INTERNATIONAL EQUITY	EMERGING MARKETS EQUITY
INTECH	Ballie Gifford	AshmoreEMM
PIMCO	Marathon Asset Management	GMO
SSGA - Passive	Mondrian Investment	TRowe Price
	Pyramis Global Advisors	SSGA - Passive
	SSGA - Passive	

FIXED INCOME					
CORE FIXED INCOME		VALUE ADDED FIXED INCOME			
Core	Inflation-Linked	High Yield	Emerging Markets	Bank Loans	Distressed Debt
BlackRock - Passive	BlackRock TIPS (Passive)	Fidelity	Ashmore	ING	Oaktree Capital
Loomis	BlackRock Inflation Linked Bonds	Loomis	PIMCO	Eaton Vance	Angelo, Gordon & Co. LP
PIMCO		Shenkman			Trust Company of the West
Access Capital - ETI					Wayzata Investment Partners
Community Capital Management - ETI					Avenue Capital
AFL-CIO HIT - ETI					Centerbridge
					Summit Partners

HEDGE FUNDS	REAL ESTATE & REITS	TIMBER/NATURAL RESOURCES (NR)		
Arden	AEW	Timber	Public NR	Private NR
Grosvenor	JP Morgan Investment Management	Forest Investment Associates	Jennison Associates	Quantum Energy Partners
Kr Advisors	TA Associates		T.Rowe Price	Tenaska Capital Management
PAAMCO	INVESCO Real Estate			Denham Capital
Rock Creek	LaSalle Investment Management			
	INVESCO (REIT)			
	RREEF (REIT)			
	Urdang (REIT)			
	European Investors (REIT)			

	New Boston Fund - ETI			
	Canyon Johnson Urban Funds - ETI			
	Intercontinental Real Estate - ETI			

PRIVATE EQUITY

Advent International	Cypress Merchant Banking	Keytone	Sherbrook Capital	Xenon Private Equity
Alchemy Partners	Denham Capital Management	Kohlberg Kravis Roberts & Co.	Sovereign Capital Limited	
Alta Communications	DLJ Merchant Banking	KPS Capital Partners	Spark Capital	
American Securities	El Dorado Ventures	Landmark Equity Partners	Spectrum Equity Partners	
APAX Partners & Co.	Equitable Capital Management	Lexington Partners	Summit Ventures	
Apollo Management Co.	Essex Woodlands	Madison Dearborn Capital Partners	SV Life Sciences	
Austin Ventures	Ethos Private Equity	Menlo Ventures	TA Associates/Advent	
Bain Capital	Exponent Partners	M/C Venture Partners	Texas Pacific Group	
Battery Ventures	First Reserve Corporation	Montagu Private Equity	The Gores Group	
Berkshire Partners, LLC	Flagship Ventures (ETI)	Montreux Equity Partners	Thoma Bravo	
The Blackstone Group	Forstmann, Little & Co.	Nautic Partners	Thomas H. Lee Equity Partners	
Boston Ventures	Freeman Spogli Equity Partners	New Enterprise Associates	Tourquest Partners	
Bridgepoint	Genstar Capital Partners	Nordic Capital	Tower Brook Capital	
Brown Brothers Harriman & Co.	Gilde Buy-out Partners	Odyssey Investment Partners	Trident Capital	
Candover	GTCR	Olympus Growth Fund	Union Square	
Carlyle Partners	Harborvest Partners	Onex Partners	Vantage Point Partners	
Castille Ventures (ETI)	Hellman & Friedman Capital Partners	PAI Europe	Venture Capital Fund of NE	
Centerbridge Capital Partners	H.I.G. Capital	Permira Europe	Vestar Capital Partners	
Charles River Ventures	Highland Capital Partners	Polaris Venture Partners	Vista Equity Partners	
Charlesbank Capital Partners	Index	Providence Equity Partners	Welsh Carson Anderson & Stowe	
Charterhouse Group	Insight Venture Partners	Quad - C Management, Inc.	Weston Presidio Capital	
Chequers Capital	Institutional Venture Partners	Rembrandt Venture Partners	WestView Capital Partners	
Code Hennessey & Simmons	InterWest Partners	Richland Ventures	Whitney & Co.	
Commonwealth Capital Ventures	Joseph Littlejohn & Levy	SAIF Partners	William Blair Mezzanine Capital Fund	

CVC Capital	Kelso & Company	SCP Vitalife	Willis Stein	
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EXHIBIT B

Disclosure Forms
PRIM Disclosure Form
PERAC Disclosure Form

PRIM Board Disclosure Statement

**COMMONWEALTH OF MASSACHUSETTS
PENSION RESERVES INVESTMENT MANAGEMENT BOARD**

THIRD PARTY DISCLOSURE STATEMENT

FIRM: _____
ADDRESS: _____

Third parties seeking to provide investment management, consulting, custody and recordkeeping, auditing and other professional services, related to the management of the Commonwealth of Massachusetts Pension Reserves Investment Management Board (“PRIM”) and the Pension Reserves Investment Trust Fund (PRIT) must complete a disclosure statement providing complete and accurate responses to the questions below. Firms selected to provide such services to PRIM have a continuing obligation to update responses to these questions, in writing, immediately upon any change to such responses. The questions in this Disclosure Statement should be read broad, and any perceived ambiguity should be resolved in favor of disclosure. Any questions concerning the disclosures required should be directed to the PRIM Board’s Executive Director.

1. Identify any relationship of the firm, its joint ventures, consultants, lobbyists, subcontractors, agents, or placement agents that relate in any way to the engagement.
2. Aside from the engagement, describe any services provided by the firm to PRIM or PRIT.
3. Aside from the services described in response to question no. 2, above, describe any services provided by the firm to the Office of the Treasurer or any trust, board, commission or authority of which the Treasurer is a member or trustee. (A list of such entities is attached.)
4. Provide the following information. Complete and thorough answers to each section (a-e) are required.
 - a. A statement whether the firm or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with the investment. If a Placement Agent or Agent of any kind was utilized in connection with this engagement, please list the name, address and principal agents of the firm.

- b. A description of any and all compensation of any kind provided **or agreed** to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include compensation to third parties as well as employees of the firm who are retained in order to solicit, or who are paid based in whole or in part upon, an investment.
- c. A description of the services performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the firm with all prospective clients or only with a subset of the firm's prospective clients.
- d. A statement that the Placement Agent (or any of its affiliates, as applicable) is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association and the details if such registration.
- e. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.

**A Placement Agent is any person or entity hired, engaged or retained by or acting on behalf of the firm or on behalf of another Placement Agent as a finder, solicitor, marketer, consultant, broker or other intermediary to raise money or investment from or to obtain access to Board, directly or indirectly.*

Signed under the pains and penalties of this ____ day of _____, 20__.

Name: _____

Title: _____

Treasurer's Principal Boards, Commissions and Authorities

- 1) Finance Advisory Board – M.G.L. c.6, s97-8
- 2) State Comptroller's Advisory Board – M.G.L. c.5A, s2
- 3) Investment Advisory Council – M.G.L. c.10, s5B
- 4) State Retirement Board – M.G.L. c.10, s18
- 5) Teacher's Retirement Board M.G.L c.15, s16
- 6) State Lottery Commission – M.G.L. c.10, s23
- 7) Alcoholic Beverages Control Commission – M.G.L. c.10, s70
- 8) School Building Authority – M.G.L. c70B, s3A
- 9) Commonwealth Covenant Fund – M.G.L. c10, s35EE
- 10) Health Care Security Trust – M.G.L c29D, s6D
- 11) Commissioners on Firemen's Relief – M.G.L c10, s21
- 12) Retirement Law Commission – M.G.L. c10, s35I
- 13) Board of Bank Incorporation – M.G.L. c.26, s5
- 14) Water Pollution Abatement Trust – M.G.L. c.29, s2
- 15) Pension Reserves Investment Management – M.G.L. c.32, s23(2A)
- 16) Massachusetts Convention Center Authority – Chapter 190 of the Acts of 1982 ss31- 48

PERAC Disclosure

Please obtain the PERAC disclosure form at the following website, fill it out, and submit together with the COMMONWEALTH OF MASSACHUSETTS PENSION RESERVES INVESTMENT MANAGEMENT BOARD disclosure form:

<http://www.mass.gov/perac/forms/0803disclosurestatementconsultants.pdf>

EXHIBIT C

Please refer to Chapter 32 and Chapter 268A of the Massachusetts General Laws
at

www.mass.gov <<http://www.mass.gov>>

EXHIBIT D

PRIM Investment Policy

Please go to the link below to see the Investment Policy:

<http://www.mapension.com/InvestmentProgram/InvestPolicy.html>

EXHIBIT E

PRIM's Historical Foreign Exchange Statistics

PRIM's Historical Foreign Exchange Volume and Ticket Count

<u>Volume (\$ billion)</u>	<u>1H2011</u>	<u>2010</u>	<u>2009</u>
Standing Instructions	\$1.2	\$1.8	\$1.7
<i>Restricted</i>	\$0.7	\$1.0	\$1.0
<i>Non-Restricted</i>	\$0.5	\$0.8	\$0.7
Negotiated	\$5.6	\$9.7	\$11.8
TOTAL	\$6.8	\$11.5	\$13.5
Custodian Bank	\$2.0	\$3.1	\$5.5
Away from Custodian Bank	\$4.8	\$8.4	\$8.0
TOTAL	\$6.8	\$11.5	\$13.5
<u>Ticket Count (000's)</u>	<u>1H2011</u>	<u>2010</u>	<u>2009</u>
Custodian Bank	6.7	10.8	13.9
Away from Custodian Bank	1.9	3.9	4.3
TOTAL	8.6	14.7	18.2
Standing Instructions	5.5	8.8	10.8
Negotiated	3.1	5.9	7.4
TOTAL	8.6	14.7	18.2

Currencies Traded

- Restricted currencies comprise approximately 10% of total foreign currency transactions. Currency pairs traded in recent history are listed below:

AUD/USD	SEK/ZAR	USD/KRW
CHF/ZAR	SGD/JPY	USD/MAD
EUR/GBP	USD/BRL	USD/MXN
EUR/HKD	USD/CAD	USD/MYR
EUR/JPY	USD/CHF	USD/NOK
EUR/NOK	USD/CLP	USD/PHP
EUR/SEK	USD/CZK	USD/PLN
EUR/USD	USD/DKK	USD/SEK
EUR/ZAR	USD/EGP	USD/SGD
GBP/AUD	USD/HKD	USD/THB
GBP/USD	USD/HUF	USD/TRY
GBP/ZAR	USD/IDR	USD/TWD
HKD/JPY	USD/ILS	USD/ZAR
NZD/USD	USD/INR	
PHP/JPY	USD/JPY	

- The top five currencies by volume are listed below:

Top Five Currencies by Volume (\$ billion)*	
EUR	\$2.0
BRL	\$1.4
KRW	\$1.0
GBP	\$0.8
INR	\$0.6
*1/3/00 - 5/11/11	