**Answers to Pension Fund Questions**

1.) We assume one pool of assets for all three pension plans. Correct
2.) We assume one Custodian for all 3 pension plans. Yes.
Who is it? PNC Bank.
3.) We assume one investment policy for all 3 pension plans. Yes
4.) May we have a copy of the current investment policy statement?
Yes, it is on website.
5.) Is there one actuarial valuation for all 3 pension plans or are there three valuations? 3
6.) We assume Cowden Associates is the actuary. No, the actuary is Mockenhaupt Benefits Group.
7.) Who handles your account? Dave Stimpson.
8.) Why is Mercer being replaced? Mercer is not being replaced; they have exited the Public Defined Benefit Plan arena.
9.) Is Mercer bidding? No
10.) How long has Mercer been on the account? 3 years.
11.) Did Mercer develop the asset allocation by an asset liability modeling study or just an asset allocation study? Full stochastic, integrated asset-liability study.
12.) Who handled the account for Mercer? Jeff Boucek and Scott Abel.
13.) How long has Mercer on the account? See 10 above.
14.) Regarding Investment Managers: Refer to 4th Quarter Board Final on website.
How many?
Who are they?
What styles are they?
How much money does each one have on the account?
How long has each been on the account?
How has each investment manager performed?
Were fees negotiated?
15.) Does the CMPTF want an annual asset liability modeling study? Usually only done every five years unless there are significant changes. No
16.) Under *Section II-Experience (Question 1),* " Provide a list of clients that have an outperforming investment program?" Should this apply to the Lead Consultant's clients only or all of the firm's Clients? Firm

17.) Do you have a list of contacts and contact information of potential MBE's and WBE's and what services they provide? Yes, contact the Committee on Equal Opportunity and Review at 412-255-8804. or Email Kevin.Pugh@city.pittsburgh.pa.us

18.) Do you anticipate making any changes to the asset allocation of the fund? Are you considering any new asset classes? Not at the present time.

19.) What is the most important investment issue your fund is currently facing? Unfunded Liability

20.) What is the update on the initiative by the Mayor to increase the funding of the pension fund (i.e., monetization of the parking system)? The parking monetization was not enacted by City Council.

21.) When was the last asset liability study conducted? What strategic decisions are currently pending with the current consultant that the new consultant would likely become involved with? 2008, Globalizing Equity portfolio.

22.) Please provide a copy of your 2011 meeting schedule in which the investment consultant would be expected to attend. May 12th, August 25th and December 8th.

23.) What is the annual fee being paid to the current consultant, Mercer? $240,000 per year.

24.) Could you provide clarification on Item #9 (MBE/WBE Subcontracting) of the Proposal Requirements and Information? Is the expectation that the consultant be a MBE/WBE firm? It is not a requirement that the consultant itself be a MBE/WBE firm. As noted in section 9, however, it is expected that any applicant demonstrate a good faith effort to have MBE/WBE participation, either within the consultant itself or by use of MBE/WBE subcontractors. See 17 above.

25.) What firms have you invited to respond to the RFP? It is a public, national RFP.

26.) What is your decision making criteria in order of priority? Priority will be for the City to identify an advisor that will provide strong, independent, objective, proactive investment advice which will assist the City in managing the CMPTF towards the goal of steadily improving the funding status.

27.) Will you provide a copy of the last 2 actuarial reports? Yes, on website.

28.) Describe the solvency advice you expect from the vendor. Do you have a format for the solvency test? Clearly we are in favor of solvency projections, especially with Pittsburgh's funding situation. Mockenhaupt Benefits Group ("MBG") has completed multiple projections in the past for Pittsburgh using the valuation interest rate as the assumed rate of return.

From an investment advisor standpoint, appropriate solvency tests would include testing over a range of investment returns, including allowance for variation by year and by the effect of variations in investment policy. Greater investment in equities suggests a higher average expected return, but of course, a greater range of volatility as well.

If this assumed performance had no effect on cash flow from contributions, benefit payments, and expenses, then MBG could provide projections of these and the investment advisor would perform solvency tests based on whatever variations in return they wanted. But of course, that is not the case, as every year of variation in investment return from the valuation rate will affect contributions going forward. The Fund sees the projections as a joint effort. The investment advisor would suggest the investment scenarios and returns and have input into the assumed valuation rate, as well. MBG, however, actually would perform the projection calculations.

29.) What will be the involvement of the investment advisor with the setting of the return on assets? Expected to help justify actuarial assumptions.