



REQUEST FOR INFORMATION

RFI NO. 2018-001

Private Markets Design and Implementation Services

RESPONSES MUST BE RECEIVED PRIOR TO 4:30 P.M.

May 11, 2018

DELIVER RESPONSES TO:

**Chris Wisdom, Retirement Investment Officer
Stanislaus County Employees' Retirement Association
832 12th St., Suite 600
Modesto, CA 95354
Email address: wisdomc@stancera.org**

Interested parties are required to submit one (1) electronic version one (1) printed copy of their RFI response (including all required attachments) to the above addresses. Each RFI response shall be delivered in a sealed envelope clearly identifying the project name, RFI number, and RFI response date on the outside of the envelope. Failure to do so may cause the RFI response to be rejected.

NAME AND ADDRESS OF VENDOR SUBMITTING RESPONSE:

VENDOR NAME: _____

ADDRESS: _____

PHONE: _____

FAX: _____

EMAIL: _____

REQUEST FOR INFORMATION

RFI #2018-001

The Stanislaus County Employees' Retirement Association (StanCERA) is seeking information about Private Markets Design and Implementation Services.

THIS IS A REQUEST FOR INFORMATION (RFI) ONLY. This RFI is issued solely for information and planning purposes – it does not constitute a bid or a Request for Proposal (RFP), or a promise to issue a bid or RFP in the future. Further, this RFI does not commit StanCERA to contract for any supply or service whatsoever.

At this time, StanCERA is seeking information only and will not accept unsolicited proposals. Interested parties are advised that StanCERA will not pay for any information or administrative costs incurred in responding to this RFI; all costs associated with responding to this RFI shall be borne solely by the interested party.

During this RFI process, a “quiet period” will apply, during which time no StanCERA Board member may knowingly have any communication with any actual or potential candidate for the mandate, unless authorized by the Board in connection with the due diligence process in selecting managers. The quiet period shall cease on May 11 at 4:30pm. A violation of the quiet period rule may result in disqualification of the candidate or other appropriate Board action.

A. BACKGROUND AND PLAN INFORMATION

StanCERA had total plan assets of approximately \$2.1 billion as of March 31, 2018. StanCERA is seeking information from qualified firms to design and implement a private markets investment program for the Plan's 11% target allocation to private markets (5% to private equity and 6% to private debt). StanCERA has had investments in direct lending for several years and currently has an approximate allocation of 4.6%. StanCERA currently has no private equity exposure. Of importance to the Plan would be to achieve the target allocation quickly while still maintaining prudent diversification within the private markets portfolio.

It is envisioned that any advisor selection will occur in a three stage process, the first step of which is this RFI. After review of the responses received, candidates identified as providing a best fit through this RFI process may be invited to reply to a detailed RFP. A finalist from that process may then be selected by the Board for contract negotiation.

B. SCOPE OF SERVICES

The Private Markets Advisor is expected to provide expert services in the development, implementation, management, administration, and comprehensive consolidated reporting of StanCERA's private markets investment activities. StanCERA seeks candidates that have experience with developing private markets portfolios with client interaction, including client veto rights on specific strategies and funds. StanCERA acknowledges the expertise

and market access that a specialized advisor can provide to the Plan and envisions a collaborative partnership that ensures the continued development of StanCERA'S private markets portfolio. The Private Markets Advisor will work closely with the Retirement Investment Officer on the development of StanCERA's diversified private markets portfolio, which may include primary and secondary commitments, co-investments, and private debt allocations.

The Private Markets Advisor will develop the private markets program in a collaborative manner, which includes significant communication during the initial development of the private markets strategic plan. Strategic planning will include the formulation of an appropriate private markets investment strategy specific to StanCERA; cash flow forecasting and investment pacing; devising annual tactical plans, which include sector allocations and return objectives; creating reporting and monitoring guidelines; and, other related activities.

StanCERA envisions working with an Advisor in either of the following ways:

- 1) A traditional advisory relationship, where the Advisor assists in constructing a portfolio of several direct investments with StanCERA as a named limited partner.
- 2) Collaboratively developing a customized "Fund-Of-One".

Hybrid approaches may also be considered, however, StanCERA is not interested in investing in a commingled fund-of-funds.

C. QUESTIONS

Questions, in written form, regarding this RFI should be referred to:

RFI POINT OF CONTACT	
StanCERA	
832 12 th Street, Suite 600	Modesto, CA 95354
Attention: Chris Wisdom	Email: wisdomc@stancera.org

The deadline for written questions to StanCERA is April 27, 2018. Answers will be posted on the StanCERA website by May 4, 2018.

D. SUBMITTAL DEADLINE

Please submit responses to this RFI no later than 4:30 p.m. PST/PDT on May 11, 2,018 in accordance with the instructions shown on the cover page. Please be advised that all submissions become StanCERA property and will not be returned.

Proprietary information, if any, should be minimized and **MUST BE CLEARLY MARKED**. To aid StanCERA, please segregate proprietary information.

Interested parties assume the risk of the method of dispatch chosen. StanCERA assumes no responsibility for delays caused by any delivery service. Postmarking by the due date shall not substitute for actual receipt by StanCERA. Late responses to this RFI shall not be accepted nor shall additional time be granted to any interested party. Further, corrections and/or modifications received after the closing time specified will not be accepted.

E. SUMMARY

The purpose of this RFI is to identify sources that can provide **Private Markets Design and Implementation Services**. The information provided in this RFI is subject to change and is not binding on StanCERA. StanCERA has not made a commitment to procure any of the items discussed, and release of this RFI should not be construed as such a commitment or as authorization to incur cost for which reimbursement would be required or sought. All submissions become StanCERA property and will not be returned.

Exhibit A

MINIMUM REQUIRED QUALIFICATIONS

Candidate firms must certify that they meet the following RMQs. For each RMQ, the candidate must provide a detailed response stating how the candidate has met the RMQ.

- Candidate firms must have been in existence for at least ten (10) full years.

- Candidate firms must have at least five (5) years of experience in the design and implementation of private markets programs.

- Candidate firms must not have been censured by the SEC or subject to regulatory action within the last five (5) years

- Candidate firms will act as a fiduciary to StanCERA.

- Candidate firms must have at least \$1 billion of committed capital or assets under advisement in the private markets.

Exhibit B

QUESTIONNAIRE

A. Firm Information

1. Type of firm.
2. Year firm was established.
3. Year of implementation of first private equity program.
4. Number of investment professionals.
5. Number and location of offices.
6. Provide an overview of the firm, including its history and any special expertise or experiences that would be relevant to StanCERA.
7. Provide your private markets Assets Under Management or Assets Under Advisement for each of the past 5 full calendar years (2013 to 2017).
8. Please state if your firm is registered with the Securities and Exchange Commission (SEC), a Bank, or a licensed Insurance Company Affiliate. If not, please explain why.
9. Briefly describe litigation settled during the last two years, and any on-going litigation.

B. Team

10. Identify all members of your anticipated StanCERA client engagement team, including the client relations lead, portfolio manager(s), and investment team.

Address the following:

- a) Name, title, role and/or function.
- b) Number of years of experience in institutional investments, experience in private equity, with public funds clients, and tenure with the firm.
- c) Turnover of key personnel over the last 3 years.

C. Proposed Philosophy, Strategy and Process

Answers to questions in this section should concisely describe the key tenets of the firm's investment decision making process, and explain how the firm's beliefs are manifested in actions.

11. Describe how your firm would provide StanCERA with a well-diversified, best in class private markets program.
12. Do you prefer to work with clients in a discretionary or non-discretionary fashion?
13. Outline your approach to managing a selection process where the client retains veto rights over prospective partnership investments. Does your firm have existing relationships that utilize the discretion-with-veto approach? Describe how you envision working with StanCERA and its General Investment Consultant, Verus.
14. Describe your philosophy and approach to private equity. What are the most compelling opportunities and risks the firm sees today?
15. What do you believe are the minimum and optimal number of fund investments per year to achieve a globally diversified portfolio (over a 5-7 year period, assuming commitments of \$40 million per year)? Why?
16. Describe the firm's process for portfolio construction. Based on the above, provide an illustrative pacing plan which incorporates a client's legacy commitments and your investment strategy and process. Include your recommended % allocations to:
 - a) Primaries
 - b) Secondaries
 - c) Co-investments
 - d) Buyout (small; medium; large)
 - e) Growth capital
 - f) Venture capital (seed; small; medium; large)
 - g) Special situations
 - h) Debt (mezzanine; distressed) (small; medium; large)
 - i) U.S.
 - j) European
 - k) Asian
 - l) Other

D. Investment Manager Research, Due Diligence, Selection, and Monitoring

Answers to these questions should demonstrate the breadth, depth, and rigor of the firm's capabilities in these areas, and the resources and processes that facilitate them.

17. Describe the firm's approach to manager selection.

18. How many distinct GPs do you currently have client assets with? Provide the historical number of GPs with client assets over the past five calendar years (2013-2017).
19. Describe the firm's system for tracking prospective investments. Identify if it is a proprietary or non-proprietary database. Include a discussion of the following: number of managers in the database, diversity of products, and years of performance and manager data.
20. Does the firm envision using internally produced funds, external managers, or both? If internally produced funds, what percentage of the portfolio is envisioned to be allocated to internal funds?
21. Describe risk monitoring and risk budgeting methodologies employed in your process.
22. Provide a sample client portfolio that is approximately \$200 million in market value. Include the partnership name, commitment amount, investment value, vintage year and sector.
23. Provide a year-by-year preliminary dollar-cost estimate of the underlying partnership-level charges (including any carried interest) associated with a program of approximately \$200 million of commitments for the first five years.

E. Client Base and Sources of Revenue

24. Separately identify discretionary and non-discretionary assets under management, revenue sources, client types, and client turnover. If necessary, use narrative to provide context.
25. Identify at least two of your U.S. public pension funds clients with total fund assets in excess of \$2 billion.

F. Separate Account Administration, Oversight, Monitoring, and Reporting

Answers to these questions should clearly and concisely illustrate the practical implementation and continuing operation of a StanCERA separate account.

26. In a separate account structure, explain the difference between a Fund of One and an Advisory account.
 - a) Do you work with both types of structures?
 - a) If you recommend one structure, which, and why?

27. Discuss the structure envisioned for StanCERA and fully describe the extent to which it is customizable.
28. Discuss your policy for allocating commitments among client accounts. Include discussion regarding allocation among discretionary versus non-discretionary accounts as well as commingled funds versus separate accounts.
29. Describe your process for handling negotiations regarding fees and partnership terms. Describe the individuals in the process and whether or not your clients' counsel is involved in the negotiation.
30. Describe your approach to working with your clients to manage, oversee, and potentially wind-down their existing legacy investments
31. Describe how your firm would handle the back office functions for managing a private markets mandate on behalf of StanCERA including capital calls, cash and non-cash distributions, financial statements, subscription agreement amendments, accounting reconciliations with StanCERA's accounting group, audits, consolidated reporting (including legacy portfolios), and custodian interaction. Are there any additional costs associated with your back office services?
32. Describe your GP financial reporting requirements, and the procedure for reconciling valuations.
33. Describe the procedure for reconciling capital commitments, paid in capital, invested capital, distributions, expenses, management fees, and cash.
34. Provide samples of the standard reports StanCERA can expect to receive on a quarterly, semi-annually, and/or annual basis and the number of days after period end by which they can be expected.
35. How do you handle reporting for clients subject to the California Public Records Act requirements? Attach a sample of a "public version" portfolio report prepared for such clients.

G. Performance Data

36. Detail the firm's historical performance data for private equity assets under management.
 - a) Present returns both gross and net of fees for all applicable vintage years and include annual and cumulative return data.

- b) Provide separate performance data for Fund-of-Fund accounts (includes commingled funds) and for separate account returns.

37. If the performance data and presentation is not GIPS compliant, please answer the following questions:

- a) Do the returns, gross of fees, include any fees or expenses? If so, please provide details of any expenses that are deducted.
- b) Please provide a description of the fees and expenses that are deducted in the returns net of fees. Are there any additional costs, fees, or expenses incurred by clients that are not included in the net of fees returns?
- c) Is there a minimum asset level below which accounts are not included in the composite returns? If so, what is that level?

H. Miscellaneous

38. Please include one white paper or other short research communication provided to firm clients regarding private equity.

39. Describe employee co-investment programs, including requirements for participation, relative level of participation, and any financing programs.

40. In addition to everything stated above, what distinguishes the products and services you would provide StanCERA from those offered by your competition? Why should we hire you?