

## Frequently Asked Questions

**Question:** Services to be provided, point 4: Does SCERS require an onsite visit as part of the annual ongoing due diligence report or would a remote update (for example, call or VC) suffice?

**Answer:** An annual visit is not required but face to face meetings with managers on the “Watch List” is recommended.

**Question:** Services to be provided, point 4: Does SCERS require an annual onsite visit for invested illiquid funds? Or do you only require the onsite visit for the initial due diligence of illiquid funds?

**Answer:** An annual visit is not required for existing managers (except for hedge funds where it is required) but a visit is required for new managers and new funds with an existing manager. Staff prefers the Alternative Asset Consultant to attend all annual meetings and relevant Advisory Board meetings.

**Question:** Services to be provided, point 14: “Assist with special projects as needed” – Can you please identify the type of resources and projects SCERS envisions requesting?

**Answer:** At times the Alternative Asset Consultant will be called upon to aide with special projects such as Board Education, Input into Asset Allocation and Asset Liability Studies, New Areas of Investment, etc.

**Question:** Covering letter, Section 2: Does SCERS expect respondents to transfer intellectual property rights of documents submitted to SCERS such that SCERS can use, copy or redistribute any information submitted through the RFP? Or is SCERS simply informing respondents that they do not intend to return any documents submitted as part of the RFP response?

**Answer:** SCERS does not intend to return any documents submitted as part of the RFP.

**Question:** SCERS notes the developed alternatives program focuses on direct alternative fund investments, as well as select investments in funds of alternative funds, expecting to selectively increase exposure to new alternative managers. Do you expect to transition away from fund of funds going forward in favor of direct investments?

**Answer:** SCERS' use of Funds of Funds is very limited and specialist areas. The SCERS Board and investment staff believe Funds of Funds can play an important role in the portfolio, but these vehicles represent a small portion of total portfolio allocations.

**Question:** SCERS notes the consultant will "review contracts such as the limited partnership agreement, subscription documents, private memorandums, side letters, and other manager communications. Recommend, assist and provide guidance in interpreting and negotiating key terms in contracts and manager fees." Can you please provide further detail on what would be required from the Consultant and the level of involvement of SCERS's legal Staff and/or outside counsel?

**Answer:** Part of the current investment process involves Staff and the Consultants reviewing the terms to identify any business items that aren't market (for example, Key Person Clauses, or economic terms). The goal is to identify any key issues early in the investment process and work to address them before involving outside counsel. Given the California statutory requirements around mandatory disclosure, Staff and Consultants work with managers to assure their compliance during the initial stages of due diligence.

Before investing with managers, outside legal counsel looks through all contracts and agreements, providing Investment Staff and General Counsel with documentation and points requiring further review. Outside legal counsel negotiates a side letter for SCERS.

**Question:** For question G. Manager Research, #12: Quantify the funds under coverage in the following AUM categories. <750MM, 750MM to <2BB, 2BB to <5BB, 5BB to <10BB, >10BB. Please clarify the data you are requesting for your question above. Is this meant to be AUM of the entire manager platform, or the fundraise of a fund? Are the answers supposed to be % of our database, % of total, # of funds?

**Answer:** Provide the number of funds where your firm has made an "invest" recommendation, including the number of funds and \$\$\$ invested in each category.

**Question:** What prompted the search? Is the incumbent consulting firm allowed or encouraged to rebid?

**Answer:** The current consultant has been with SCERS since 2011. SCERS has been very happy with their services and how the portfolio has performed. Staff and the Board, as part of their fiduciary responsibilities, regularly review contracts of all service providers. The current alternative asset consultant has been encouraged to bid.

**Question:** How long has the incumbent consultant been with your plan?

**Answer:** The current alternative asset consultant has been with SCERS since 2011.

**Question:** Do you anticipate making any changes to the asset allocation of the portfolios included in this RFP? Are you considering any new alternative asset classes?

**Answer:** In 2021, SCERS anticipates conducting an asset-liability modeling study. While Staff and the Board do not expect major changes to the strategic asset class allocation, there could be marginal adjustments.

**Question:** For the portfolios included in this RFP, what are the most important investment issues your fund is currently facing?

**Answer:** SCERS sees the alternative asset consultant as an extension of SCERS' staff, which includes staff working closely with SCERS' consultants, but also incorporating its own independent views on manager selection. Like many other public plans, SCERS believes there are several issues facing the fund, including securing meaningful access to better managers as well as fund proliferation.

**Question:** What strategic decisions are currently pending with the current consultant that the new consultant would likely become involved with?

**Answer:** The alternative asset consultant will provide input into the next asset-liability modeling study, as well as a number of other projects which can be discussed with firms should they make it to the next stage of the process.

**Question:** For 2020, how much capital do you plan to commit to each of the portfolios included in this RFP? Will this change dramatically for subsequent years?

**Answer:** Please see SCERS' [2019 Investment Year in Review/ 2020 Annual Investment Plan](#). Annual allocations are approved by the Board on an annual basis based on