



Portfolio Analytics and Risk Management System Questions: Please see the following responses to the questions submitted to SCERS on July 9, 2021 for the Portfolio Analytics and Risk Management System RFP.

1. As we prepare our RFP submission, we may seek to include information that would be deemed confidential and proprietary. To that end, would it be possible to execute an NDA? **SCERS is willing to sign an NDA if a group proceeds to the next stage of the process.**

2. Please confirm the following key inputs needed in order to provide pricing.
 - a. AUM in scope: **± \$12.2 billion**
 - b. Asset allocation of AUM in scope: **See Investment Year in Review. SCERS is close to completing an Asset Liability Modelling study. The board has yet to approve an updated asset allocation policy.**
 - c. Number of portfolios:
 - i. Separate accounts: **13**
 - ii. Commingled funds: **164**
 1. Number of active strategies: **174**
 2. Number of passive strategies: **3**
 3. Number of funds with holdings level transparency: **13 (from the custodian – commingled funds offer varying levels of holding level transparency)**
 4. Number of funds with daily data: **13**
 - d. Number of OTC derivatives: **A couple of SCERS' separate account mandates can trade OTC derivatives. The exact exposure is not available. SCERS invests in several commingled funds that trade OTC derivatives, mostly hedge funds. The level of exposure is not readily available.**
 - e. Number of data sources:
 - i. I.e. SCERS, custodian, etc. **Excluding managers, there are approximately five data sources: custodian, consultant 1, consultant 2, consultant 3, and private markets administrator.**
 - f. Number of users: **The number of users is dependent on the scope of services provided, with the number of active users ranging from 10 to 20**
 - g. Private assets/data collection:
 - i. Number of private asset funds: **140 funds across six different asset classes**
 - ii. Number of unique commitments (if different from the number of funds): **140 commitments**

3. Is it acceptable to not comply with SCERS' Placement Agent Policy (1.B of Exhibit B) will it impact the ability to advance? **Firms do not have to comply with the policy to submit the RFP but please indicate why there is an issue with complying.**

Is it a requirement to be a registered investment advisor? **Being a registered investment advisor is NOT required; however, SCERS requires that vendors agree to be/contract as a fiduciary to SCERS within its contracts.**

4. What type of oversight of external managers is SCERS looking for in question 24 of Section IV? SCERS has a total portfolio of over two hundred funds. Can the system help SCERS' Staff oversee the portfolio across a wide range of metrics, including performance relative to benchmarks, geographic diversification, market cap, asset class, and portfolio level positioning, etc. Can the system provide SCERS' Staff the tools to assure compliance with investment policies? For example, can the system help look at risk on an absolute basis and manager by manager? Can guard rails be built to automate potential problem areas?
5. Can you please provide the number of funds that fall into each asset class category?

<u>Asset Category</u>	<u>Number of Funds</u>
Growth Asset	94
Diversifying Asset/Cash	19
Real Return	48
Opportunities	1

6. What type of transparency are you receiving from managers today? With close to 200 managers in the portfolio there is varying degrees of transparency, even within asset classes. It is hard to generalize. We have holdings level details on a majority of the assets in the portfolio. Underlying details of those holding varies by manager and fund.
7. How many users do you anticipate interacting with the system? Six people or more could interact with the system but this could more than double based on the scope of services being delivered.
8. Is it acceptable to submit a response to Section III at a later stage? Yes but please indicate at which point the information will be provided.
9. What is SCERS' definition of "Total Risk" and "Active Risk?" SCERS views Total Risk as risk at the total portfolio level. This can include, but is not limited to, risk factor exposures, downside risk, standard deviation, liquidity risk, correlations, beta exposure, VaR, etc. SCERS views Active Risk as the risk undertaken when it attempts to earn a higher return than the benchmark, whether at the total portfolio, asset class, or manager level.
10. Please describe what a custom scenario might look like for Stress Testing (Parameters involved, any specific methodology requirements, and ideal outputs of the stress testing model). SCERS does not have a predetermined list of scenarios but would like the system to be flexible enough for users to choose scenario (s) and then make return or cash flow adjustments. SCERS works with a number of consultants and Staff would like to be able to replicate and adjust their scenarios.
11. What is SCERS' preferred methodology for calculation of Factor Exposures? SCERS does not have a preferred methodology, but would like to understand factor exposures using bottom up portfolio holdings rather than through asset class proxies.

12. Does SCERS anticipate integrating risk models or calculation engines from external sources? **Not at this point in time but responses should indicate if this can be done and provide examples of what has been integrated with other clients**
13. What types of forecasting is SCERS ideally looking to accomplish? **Risk, return, cash flows, etc. This forecasting is critical to the system as SCERS' Staff will need to be able to forecast (estimate) portfolio impacts if managers are added or subtracted from the portfolio. For example, forecast risk factors if we add one fund at the expense of another fund.**