



**SCERS**

SACRAMENTO COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

**Request for Proposal  
Alternative Assets Consulting Services**

## Introduction

### **Background**

The Sacramento County Employees' Retirement System (SCERS) was created on April 30, 1941, pursuant to the County Employees' Retirement Law of 1937. SCERS provides retirement, disability, and death benefits for qualified employees of Sacramento County and eleven participating special districts.

A nine-member (with two alternates) Board of Retirement (Board) governs SCERS. The Board has sole and exclusive fiduciary responsibility for the assets of the retirement system. The Board has the sole and exclusive responsibility to administer SCERS in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The authority of the Board in the above matters is plenary and absolute.

While the Board has the authority noted above, the organizational structure of SCERS focuses the attention of the Board on governance and policy and not on the management of the system. Thus, the primary responsibility of the Board is strategic in setting the direction of SCERS. This includes the enunciation of the mission and setting of goals and objectives.

SCERS' Chief Executive Officer (CEO) has the responsibility for the overall management and administration of the system in accordance with the direction, policy, and goals set by the Board. Reporting to the CEO is the Investment Staff. The Investment Staff has primary responsibility in cooperation with the CEO for SCERS' investment program. The Investment Staff currently consists of a Chief Investment Officer (CIO), Deputy Chief Investment Officer (DCIO) and two Investment Officers. Staff work across specific asset classes, but also provides support across the entire fund.

An annual actuarial valuation commissioned by the Board determines contributions into the Sacramento County Employees' Retirement System. The growth of the System results from a combination of employer and employee contributions and the net return, less the administrative and investment costs, achieved from investing the assets.

### **General Information**

As of December 31, 2019, SCERS had approximately \$10 billion in fund assets with investments diversified across three asset categories: Diversifying 25%, Growth 58%, and Real Return 16%; SCERS also has a 1% target cash allocation. At the asset class level, SCERS has a target allocation of 20% to Domestic Equity, 20% to International Equity, and 18% to Fixed Income. A target allocation of 39% is dedicated to SCERS' alternatives portfolio, which consists of Real Estate 7%, Absolute Return 10%, Private Equity 9%, Private Credit 4%, Real Assets 7%, and Liquid Real Return 2%. SCERS also has an Opportunity allocation for tactical investments with a 0% target allocation and a range between 0%-5%. A break down of SCERS' current alternative investment funds can be found in Exhibit A. A more detailed review of SCERS' target asset

allocation, portfolio structure, and investment managers can be found in the financial section of our web site at [www.scers.org](http://www.scers.org).

SCERS has developed an alternatives program that focuses on direct fund investments with alternative managers, as well as select investments in funds of alternative funds. Specifically, SCERS has a mature alternative portfolio and expects to selectively increase its exposure with new alternative managers.

SCERS is issuing this RFP to evaluate the marketplace for consulting to assist in the further development and ongoing monitoring of SCERS' maturing alternatives portfolio, which includes the Absolute Return, Private Credit, Private Equity, Real Assets, and Opportunities asset classes. Verus Investments serves as SCERS' general consultant, Cliffwater is the current alternative assets consultant for Absolute Return, Private Equity, Private Credit, and Real Asset. SCERS has a dedicated real estate consultant, The Townsend Group (a division of Aon, PLC).

While SCERS would prefer one consultant to cover all of the aforementioned asset classes, potential consultants may express interest in the entire mandate or specific asset classes within the mandate. The dedicated alternative assets consultant will act as a fiduciary to SCERS and work closely with SCERS' Staff, SCERS' Board and SCERS' existing general consultant and real estate consultant.

### **Services to be provided**

The following is a summary of the services expected to be provided by the alternative assets consultant. A specific scope of work statement will be developed as part of the contract with the consultant selected for the engagement.

1. Assist in the construction of an alternatives portfolio that conforms to the objectives outlined in [SCERS' Master Investment Policy Statement](#), is well-diversified, enhances the risk/return profile for SCERS' total portfolio across economic environments, and achieves returns superior to SCERS' benchmarks and peer group. Assets category investment policy statements can be found on the [SCERS website](#).
2. Develop a long-term strategic plan (3-5 years) and an annual strategic plan for SCERS' alternatives portfolio. The strategic plan will incorporate SCERS' return, risk, and liquidity objectives. The strategic plan will also include changes to the portfolio structure and an implementation plan on allocations for specific manager strategies, sub-asset classes, and broader alternative asset classes. As part of the strategic plan, the consultant will also be asked to develop a pacing schedule that will prioritize and balance liquidity needs, manager capacity, and SCERS' internal capacity (Board and Staff) to prudently oversee and monitor investment managers.
3. Provide recommendations and advice relating to SCERS' alternatives portfolio.
4. Conduct initial and ongoing due diligence of alternative managers. The due diligence should include on-site visits and cover areas such as investment strategy, risk management, operations, compliance, administration, prime brokers and other service vendors, trading functions and control, background checks, and financial reviews and audits. Recommend new additions and terminations based on the

above due diligence. Integrate manager recommendations into SCERS' alternatives portfolio, SCERS' total portfolio, and portfolio risk and liquidity. Provide a due diligence report for each of SCERS' investment managers at least annually. Maintain opinions and research on all of SCERS' alternative managers and fund of funds. Provide a due diligence report for every manager on the consultant's "recommended list."

5. Construct an alternatives portfolio that will lower risk and achieve diversification for both the alternatives portfolio and SCERS' total portfolio. Diversification will be defined traditionally as lowering standard deviation by decreasing covariance and correlation amongst managers. Diversification will also be defined as constructing an alternatives portfolio that will create balance and help SCERS' portfolio to perform successfully in the majority of economic environments. Finally, diversification will be defined as constructing a portfolio that diversifies across systematic risk factors inherent in SCERS' portfolio, such as the equity risk premium, credit spreads, the interest rate term structure, unexpected inflation, and GDP.
6. Develop, maintain, and monitor a risk system to track and manage the risk of SCERS' alternative assets. Create risk parameters and analysis such as value at risk (VAR), systematic risk factors, stress tests, scenario analysis, omega ratio, Sharpe ratio, skewness/kurtosis of returns, and performance in differing economic environments, to track the risk of SCERS' alternatives portfolio. The risk system will integrate all components of SCERS' total alternatives portfolio and report on the risk characteristics from all levels, including the total portfolio, asset class, sub-asset class, investment fund, and underlying holdings. The consultant will be responsible for providing transparency by collecting, uploading, and analyzing SCERS' underlying investment managers' and fund of funds' security level positions. The risk system will generate reports to SCERS' via internet access, verbal alerts/reports and written reports at least quarterly. Alert SCERS' Staff and SCERS' Board immediately when risks increase beyond an acceptable level for any investment manager or any other risk parameter or analysis.
7. Track and project liquidity of alternatives portfolio including balancing with third-party back-office service provider. This will include tracking key terms and the progress of key terms on a report such as lock-up periods, capital calls, gates, days' notice to liquidate, etc. This will also include incorporating SCERS' liabilities and stress-testing down-side scenarios for liquidity risk.
8. Work collaboratively with SCERS' Staff, SCERS' Board, and SCERS' other consultants and advisors. Integrate research, products, and recommendations with SCERS' total portfolio and with the recommendations of SCERS' consultants. The collaboration includes meetings/calls at least twice per month between Staff and consultant(s), Staff attending joint due diligence meetings, sharing manager research and white papers, and sharing other resources such as risk systems and providing access to all consultant staff. SCERS' Board meets monthly and in the early stages of the engagement, it may be necessary to attend most monthly Board meetings. The consultant will be expected to present a quarterly report to the SCERS' Board. The consultant will also participate in and present in meetings with SCERS' Staff and Board when necessary, including providing education to SCERS' Staff and Board.
9. Integrate alternative manager recommendations, alternative portfolio construction, and alternative investment goals into the broader asset allocation of SCERS' total portfolio.
10. Provide access to a broad range of managers and where appropriate, fund of funds.

11. Assist in developing appropriate investment guidelines, processes and procedures, new decision-making processes, monitoring systems, and ongoing reporting for SCERS' alternatives program.
12. 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.
13. Create appropriate benchmarks to monitor the performance of investment managers, fund of funds, sub-asset classes, asset classes, and the total alternatives portfolio. Generate customized portfolio monitoring reports including performance, portfolio composition, and risk characteristics for the alternatives portfolio. Generate and disseminate performance reports to SCERS via internet access, verbal alerts/reports and written reports at least quarterly.
14. Assist with special projects as needed.

### **List of Minimum Qualifications**

Respondent must meet the following minimum client base and experience requirements as of December 31, 2019:

- a. Respondent must have at least five (5) defined benefit pension plan clients, of which three (3) are public pension plans with total plan assets of at least \$5 billion each.
- b. Respondent must have five (5) years' experience in providing investment consulting services to U.S. tax-exempt clients with total plan assets of at least \$5 billion.
- c. Respondent proposing investment consulting services for illiquid asset classes must have five (5) years' experience providing direct investment and due diligence consulting to a U.S. tax-exempt client with total assets of at least \$5 billion.
- d. In lieu of compliance with 2b. and 2c., SCERS would also consider if key members of the team have worked together for five (5) years at a firm other than the Respondent firm, with a visible track record and client references in providing investment consulting services:
  - i. To U.S. tax-exempt clients with total plan assets of at least \$5 billion; and
  - ii. For illiquid asset classes, providing direct investment and due diligence consulting to a U.S. tax exempt client with total assets of at least \$5 billion.

### **Evaluation Process**

1. All responses to the RFP will be evaluated to identify the prospective consultant most capable of performing the services as described herein.
2. SCERS' Staff will interview the most highly qualified respondents at our offices at 980 9<sup>th</sup> Street, Sacramento, CA 95814 on a date to be determined. It is anticipated that this will occur in the date range of **May 1-15, 2020**.
3. The finalist(s) will present to SCERS' Board on a date to be determined. It is anticipated that this date will be **June 17, 2020**.

## **Instructions for submitting RFP Response**

1. All responses must be received by **March 6, 2020, 5 PM PST**. An electronic copy should be sent to Jim Donohue at **Retirement-RFP-Alts-2020@saccounty.net**. Four hard copies should be sent to Jim Donohue at Sacramento County Employees' Retirement System, 980 9<sup>th</sup> Street, Suite 1900, Sacramento, CA 95814. Any questions should also be directed to the same email address above before **March 2, 2020**. **No exceptions to this deadline will be granted**. Any questions posed and answers provided will be shared with all active candidates in the search. Any contact with SCERS regarding the proposed Alternative Assets Consultant services or RFP should solely be directed to SCERS' Staff in the format described above.
2. The respondent's answers to the questions must be provided in the order presented and must include a copy of the question.
3. A cover letter must be included with the proposal in the form included with the RFP, on the candidate's letterhead, and signed by an individual authorized to bind the candidate.
4. Completeness, clarity, brevity, and conciseness of information are important. Candidates should submit all the information requested in this RFP in the specified format where requested. Responses not meeting format requirements or that are incomplete in any way may be rejected. Candidates are urged to read this RFP carefully and to take care in the preparation of responses.

## Information to be Provided in the Response

### **A. Organization**

1. Outline the background and history of the firm. Include when the alternatives consulting practice was started and its evolution.
2. Please provide the following information:
  - a. Primary Contact for RFP
  - b. Name of firm
  - c. Address
  - d. Business Phone
  - e. Email
3. Please describe the insurance coverage for your firm including coverage amount, deductibles, and A.M. Best rating of insurance carrier (s). Include errors and omissions professional liability coverage and fiduciary bond coverage for acts of fraud and dishonesty.
4. Please detail the ownership structure of the firm. Include the form of organization (corporation, LLC, partnership, etc.). Include the ownership % of each principal > 10%. Include any joint ventures or affiliations and any ownership of the firm or any entity under its control may hold in other investment firms.
5. Outline recent significant organizational changes (M&A, staff departures, joint ventures, etc.).
6. List any planned changes to ownership structure, resources, staffing, or retirement of key individuals.
7. Describe your organization's financial condition including revenues, expenses, profits, assets, liabilities, and equity. If you have a credit rating by a major agency, provide that rating. Please attach a copy of the most recent financial statements.
8. Please list the number of individuals employed by the firm and break out the headcount by the categories listed below. Include the average tenure of employees. Please note where an employee is counted twice. Attach an organizational firm chart listing employee functions.
  - a. Consultants
  - b. Investment research (by asset class, if applicable)
  - c. Operations research (by asset class, if applicable)
  - d. Background checking
  - e. Legal
  - f. Client service
  - g. Portfolio construction
  - h. Administration / reporting
9. List key employees that joined the firm in the past five years. Please list the date the individual joined and their title and function.
10. List key employees that left the firm in the past five years. Please list the date the individual left, their title and function, and years with the firm. What is the turnover ratio annually over the past five years?

11. Please describe the employee compensation and incentive program and how it aligns with the interests of clients.
12. Detail your significant lines of businesses, and revenue generated in each.
13. Have there been any significant findings by a regulatory agency or auditor that conducted an audit or review of the firm within the last ten years? Include any deficiency letters.
14. Describe how the firm manages growth and in particular, any limits on the client/consultant ratio and/or how interests are aligned with the client.

## **B. Conflicts of Interest**

1. Identify any conflicts of interest that would be raised by a relationship with SCERS. Outline potential conflicts of interest between the firm, clients, managers, parent organization, joint ventures, owned affiliates and other entities.
2. Detail any financial relationships which exist with affiliated or other organizations; e.g., brokerage firms, insurance companies, commercial banks, investment management firms, private market management firms, companies, etc. Does your firm provide any services for which it is compensated by these organizations? If so, describe in detail, including the managers, products and services provided.
3. What is the firm's approach to managing conflicts of interest? Describe the process with which conflicts of interest are identified and managed.
4. Identify any compensation generated outside of consulting relationship fees.
5. Does your firm or its principals receive any fees, benefits or compensation from alternative managers or their intermediaries or affiliates? If so, disclose relationships.
6. Does the firm manage any discretionary capital? How does the firm manage the potential conflicts of interest? When a potential investment has limited capacity, how are conflicts of interest managed between several clients who may want access, both discretionary and non-discretionary?
7. Does the firm manage any investment funds including comingled products? How are potential conflicts managed between clients (discretionary and non-discretionary) and firm's own funds?

## **C. Litigation**

1. Please describe any inquiries or investigations of your firm or employees of your firm by a state or federal regulatory body or organization within the last five years.
2. Describe any litigation against the firm or any of its principals in the past ten years. Include any litigation which might impair the firm.
3. Is there any pending or threatened litigation against your firm, its principals, or anyone proposed for the relationship of any type (civil, criminal, regulatory, arbitration, mediation, etc.)? If yes, please explain.

## **D. Client Information**

1. Do you have any California Public Pension plans as clients? If so, list of clients.



2. Provide a list of existing institutional clients (including public pension plans) that invest directly in alternative managers under your guidance.
3. Please break out the amount of assets as a percentage and dollar amount the firm advises in the following: hedge funds, private equity, private credit, equities, fixed income, and real assets.
4. What is the annual turnover in the client base over the past five years?
5. Who are your three largest clients and what % of the AUM or AUA (Assets under Advisement) are they? What % of revenue? Please indicate with the clients are discretionary or non-discretionary.
6. Please complete the table below in the presented format related to client base:

By Number						
Client Type	Number of Consulting Relationships	Direct Hedge Fund	Direct Private Equity	Direct Real Assets	Direct Private Credit	Fund of Funds
Public Pension Plan						
ERISA						
Foundations/ Endowments						
Other						
<b>Total</b>						
By AUM						
Client Type	Total AUM Consulting Relationships	Direct Hedge Fund	Direct Private Equity	Direct Real Assets	Direct Private Credit	Fund of Funds
Public Pension Plan						
ERISA						
Foundations/ Endowments						
Other						
<b>Total</b>						
By Number						
Discretionary	Number of Consulting Relationships	Direct Hedge Fund	Direct Private Equity	Direct Real Assets	Direct Private Credit	Fund of Funds
Non-Discretionary						
<b>Total</b>						
By AUM						
Discretionary	Number of Consulting Relationships	Direct Hedge Fund	Direct Private Equity	Direct Real Assets	Direct Private Credit	Fund of Funds
Non-Discretionary						
<b>Total</b>						

7. Complete the chart below:

Mandate Type	Number of Clients	Market Value	Uncalled Commitments	Target Annual Commitments
Monitoring/ Reporting Accounts				
Non-Discretionary Accounts				
Discretionary Accounts				
Commingled Fund/Fund of Funds				
Secondary funds/Accounts				
Other				
Total				

8. For the firm's illiquid asset advisory group, provide the following information"

	2019	2018	2017	2016	2015
Total Discretionary Accounts (#)					
Total Non-Discretionary Accounts (#)					
Total Accounts/Relationships (#)					
Total Discretionary Accounts (\$)					
Total Non-Discretionary Accounts (\$)					
Total Assets under Advisement (\$)					

**E. Client Servicing Team**

- List the names, location, and areas of responsibility of the individuals who would be responsible for SCERS' account. Include any offshoring and responsibilities?
- Provide a biography of each member of the team assigned to SCERS.
- What other client relationships would team members be assigned to, other than SCERS? In particular, how many clients, other than SCERS, is the primary consultant responsible for? Is there a limitation on clients, assets or other guidelines and if so, please state? Are clients allowed to work with asset class specialists directly?
- What is the average industry experience and tenure with the firm of team members assigned to SCERS?
- Disclose and describe any investment professional assigned to SCERS with business responsibilities outside of firm employment, including how many hours are allocated to these activities per week.
- What is the supervisory process for junior professionals and data integrity?

**F. Consulting Services**

- Please describe your firm's key strengths and competitive advantages.
  - Are there any new areas of focus planned? How are these new areas being developed?
- Describe your investment philosophy for the alternatives investment class. Outline your approach to developing an investment policy statement (IPS) within the alternative asset classes.
  - Include views on risk, factors, geography, etc.?

3. What are the process, tools, and resources used to develop and implement investment policies and objectives?
4. Please elaborate on your approach in working with the clients' strategic partners such as funds of funds, general consultants, or other specialist consultants.
5. Please highlight your experience consulting to public pension funds. Please include your experiences with staff and the boards of these funds.
6. Please describe your experience constructing portfolios of direct alternative managers. How do you place managers in the context of the alternative portfolio and the clients' total portfolio? Please describe the portfolio construction process in detail. Please provide examples of the portfolio construction within each sub-asset class. Provide examples of work, if applicable.
7. How does your firm work with clients to establish commitment pacing for private market investments? What types of cash flow forecasting is used? Please provide a sample report if available.
8. Please describe your ideas around portfolio construction and the balance between differentiated/diversified lineup of managers and manager proliferation.
9. Please describe your capabilities and experience in helping clients integrate an alternative investment program into a fund's broader asset allocation. Please include your inputs in the process and how you have integrated these processes with other consultants.
10. Please outline the level of access and interaction SCERS' Staff would have with your firm's consultants, research staff, and other professionals, particularly in the formative phase of a new client relationship.
11. Describe any education programs available to clients. Please outline specifically the education presented to Staff and the Boards of public pension funds. Please also furnish examples of important publications or research papers written by your staff in regards to alternative investments. Have you prepared materials on broader investment themes such as over committing to private equity funds to get capital fully deployed, fiduciary duties, alternative absolute return structures, etc., please provide examples?
12. In negotiating a partnership agreement, or similar document, describe areas the firm considers most important. Are there provisions the firm proactively seeks to include or improve upon? Are there terms or concerns that have changed recently? Does your firm have bargaining power with fees?
13. Identify proposed subcontractors, if any, and clearly outline the work to be performed by such subcontractor(s).
14. What assistance is given in negotiating fees and other important factors in contracts with approved managers? Provide examples of situations where the terms you negotiated on behalf of your clients led to better than industry average contract terms.
15. What is the backup up plan in case any key personnel for SCERS' assignment should leave the firm?
16. What is the firm's experience with Zombie Funds and how are they handled? Discuss experience if selling and buying funds on the secondary market? How are conflicts managed with the GP when one client may be looking to sell and one may want to hold the relationship?
17. Secondaries have become a tool for investors to right size allocations as well as a host of other reasons. What is your experience working with clients on determining what if any investments should be sold? Please, describe the process and are there any funds in the SCERS portfolio you believe should

be considered for sale. If funds are sold, how do you manage the potential conflicts of interest if another client is interested in purchasing the assets?

18. What is your experience with co-investments? How do you approach co-investments including portfolio construction, process for underwriting opportunities, and track record?
19. Describe your process and basis for recommending any adverse action regarding a manager, fund, limited partnership, or direct investment, and describe what the range of actions may be. Please specify the distinction between termination recommendation and watch recommendation, both in terms of process and client notification.

## **G. Manager Research**

1. Please describe the investment manager due diligence process for alternative investments from the start of coverage to monitoring and terminating managers. Please include the following:
  - a. Key emphases in research.
  - b. Time spent researching a manager.
  - c. The key individuals, their title, job function, and division in the manager selection process. If you have an investment committee, please include their bios.
2. Describe the firm's competitive advantage and strengths in selecting superior managers.
  - a. How is a limited allotment in a fund allocated to various clients?
3. How would you alert SCERS' Staff of any changes in manager ratings, particularly adverse rating changes?
4. Briefly describe your expertise in the alternative asset classes listed below, including any dedicated resources. Please mention the sub-asset classes or strategies within each alternative asset class that you have expertise.
  - Hedge Funds
    - Growth Oriented
    - Diversifying
  - Private Credit
    - Direct Lending
    - Opportunistic
  - Private Equity
    - Venture Capital
    - Buyout
    - Distressed
    - Non U.S.
      - Europe
      - Asia
      - EM
  - Real Assets
    - Infrastructure
    - Energy

- Agriculture, Timber, Other
    - Opportunistic
5. Describe your database of alternative investment managers. What type of information is included? Is it in-house or third party? How often are managers in the database reviewed, evaluated and rated? Is the information available to clients through an internet based platform? How is the database maintained?
  6. How many new managers are evaluated per year? How many among each of the alternative sub-asset classes? (hedge funds, private equity both buyout and VC (seed, early stage, late stage, and Multi stage,) real assets, private credit, and opportunistic)
  7. Elaborate on how SCERS' Staff would work with your research team during the manager due diligence process.
  8. Describe your manager ranking system and the qualitative and quantitative inputs that generate the rankings.
  9. Describe your formal manager research reports. How often are they written and updated? Provide two recent report samples including one for an existing SCERS investment, if available. Are there organizations who will not work with you? If so, why?
  10. How many managers are on the firm's recommended list? How are existing managers monitored on the firm's "recommended list"? How often are they reviewed?
  11. What are the reasons/dynamics that will remove a manager from the firm's "recommended list"? Provide examples of managers that were taken off of the recommended list and reasons why.
  12. Quantify the funds under coverage in the following AUM categories. <750MM, 750MM to <2BB, 2BB to <5BB, 5BB to <10BB, >10BB.
  13. Please highlight your capacity to research funds requested by SCERS, but not on the coverage list. What is the expected timing of the research?
  14. Please describe the types of access (written research, database, conversations with analysts) granted to clients in regards to manager research.
  15. Describe the manner in which internal and external resources and sources of information are used in the research process. How does your firm integrate internal and external research?
  16. Comment on your firm's computing and analytical capabilities. What sort of databases, analytical and reporting tools have you developed to support your efforts? Would your firm be willing to provide them to clients, including SCERS?

## **H. Operational Due Diligence**

1. Please describe your operational due diligence team both in function and team members. For example, number on team; experience; tenure; break out of divisions.
2. Please categorize and enumerate your operational due diligence process and assigned personnel around the following:
  - a. In-office and/or on-site visits
  - b. Legal reviews
  - c. Financial reviews / audits

- d. Compliance
  - e. Prime brokers and other service vendors (verification)
  - f. Back office / operations / administration
  - g. Background checks (formal background checks by third-party?)
  - h. Trading functions and approvals (formal verification)
3. Provide a sample operational due diligence report.
  4. Please note whether operational due diligence is included with the retainer fee. Are third party operational teams used? What funds undergo an operational review?
  5. Give examples where a manager was rejected due to findings of operational due diligence team.
  6. Please describe your ability to avoid funds where there has been fraud or operational failures. Provide examples of fund "blowups" successfully avoided by your recommendations. Please list any funds which you have recommended to clients which a) failed operationally, or b) where fraud took place.
  7. Describe the methods you employ to determine whether the general partners are reporting reasonable investment carrying values. What do you do when you feel there is an inaccuracy?

## **I. Risk Management**

1. Please describe your risk management philosophy. In your description include what important metrics are tracked and monitored. Please include how the portfolio is deconstructed and/or aggregated to determine and view risk. Please also include when your risk systems lead to actions taken with manager termination or restructuring of the portfolio. How often are the inputs updated and monitored?
2. How do you integrate risk considerations into portfolio construction and monitoring? How do you minimize risk in your client's portfolio construction?
3. Please describe your techniques in achieving diversification in the alternatives portfolio and positioning the alternatives portfolio to enhance diversification and risk reduction in the total portfolio.
4. Please outline your ability to track, monitor, and report on the liquidity of managers and the alternatives portfolio in total. Please include what key terms and progress of key terms are monitored (for example, lock-up periods, capital calls, gates, days' notice to liquidate and etc.). Please provide any sample liquidity reports. Do you incorporate analysis of liabilities and stress-testing liquidity scenarios? If so, please provide sample reports.
5. Please describe your ability to integrate SCERS' existing portfolio of FoFs and managers into your risk system. Include the expected time to integrate the existing portfolio into your system.
6. Please outline the components of your risk system (s) which are proprietary and the components that are procured from third parties. Please list third party vendors.
7. Please describe the level of transparency of recommended managers and FoFs. How frequently are underlying security holdings reported? How and who aggregates this data? How detailed in the information? How is the data accessible to SCERS?

8. Describe your ability to integrate and upload risk considerations into a risk analysis of the total portfolio. Is there a technology system accessible to SCERS that can be used as a tool to help performance analysis on existing and potential investments?
9. How would you alert SCERS' staff of any unacceptable changes in risk levels?
10. Describe your systems and tools to make sure that GPs adhere to the terms of the LPA and side letters?
11. Do you represent clients on the Advisory Board of underlying managers? If so, what Advisory Boards does the firm sit on and who holds those seats? If your firm represents multiple clients on the Advisory Board, how are conflicts handled?

## **J. Performance**

1. Provide performance for alternative asset classes relative to benchmarks and peer universe for the past ten years (if applicable). Please separate performance by hedge funds and private markets asset classes. For hedge funds, please provide monthly performance per annum for the past ten years. For private markets, please provide IRRs by vintage year on a quarterly basis per annum for the past ten years.
  - a. Please provide this performance for the firm's recommended list.
  - b. Please provide this performance for the firm's weighted average client performance by assets class and as a whole.

## **K. Access**

1. Please describe your approach to providing access to your clients to fund managers. Include your process of allocating investment opportunities among clients. What advantages do you bring for your clients specific to accessing managers? Include clients where you may have discretion?
2. Provide examples of funds where your firm was able to gain allocations and which would be difficult for your clients to gain access directly. In these examples, please list the total dollar amounts you were able to secure access, and, please categorize by hedge funds, private equity, private credit, and real assets.
3. How would you handle opportunities that are sourced by SCERS but are not open to other potential clients?
4. Are there any GPs where you will not invest? Are there any GPs that will not work with you? If so, provide names of managers and reasoning behind decisions.

## **L. Performance Reporting and Monitoring**

1. Describe the reports and portfolio analytic capabilities provided to clients. What are the systems, hardware, software, and tools used? What types of attribution analysis are available for total portfolio; alternative asset classes; sub-asset classes; strategies; managers?
2. How is data integrity maintained? Is the process of data collection off-shored? If so, where? Are they employees or via a third-party?
2. What is the frequency of dissemination to clients?

3. Identify the period of time after day's end, months' end and quarter's end that reports are generated.
4. Are the reports customizable based on client needs and requests? (Online? Written hard copies? Verbal?) Can they be customized?
5. What forms of access are clients granted for reports and performance?
6. How is calculated performance reconciled against investment managers' and custodial reports?
7. Provide sample reports.
8. Where is the data processed for reporting? Is the process offshored or outsource?
9. Discuss the firm's familiarity with California Public Pension investment legislation? Specifically, the California Public Records Act and Placement Agent Policy.
10. Discuss your familiarity with Section 7514.7 (fee and expenses) section of California code? Does the firm aggregate data and report on this for its clients? If so, please provide examples of the reporting.

### **M. Fees**

1. Please provide the proposed fee structure for the proposed alternative assets consulting services.



**Exhibit A: SCERS' Current Illiquid Investments**  
 Sacramento County Employees Retirement System  
 As of June 30, 2019

	Structure	Asset Class	Commitment	Contributions	% Drawn	Distributions	Market Value
<b>Private Credit</b>	<b>Number of Funds</b>	<b>9</b>	<b>447,000,000</b>	<b>275,578,000</b>	<b>62%</b>	<b>116,702,000</b>	<b>192,473,000</b>
Benefit Street Prtnrs Sr Secured Opp.	Commingled	Private Credit	50,000,000	48,532,000	92%	4,997,000	46,830,000
Summit Credit I	Commingled	Private Credit	20,000,000	20,697,000	89%	23,919,000	2,762,000
Summit Credit II	Commingled	Private Credit	35,000,000	44,643,000	79%	24,927,000	27,129,000
Summit Credit III	Commingled	Private Credit	50,000,000	10,830,000	22%	-	12,544,000
TCP DL VIII	SMA	Private Credit	100,000,000	60,634,000	61%	2,600,000	60,749,000
Athyrium Opportunities Fund III	Commingled	Private Credit	25,000,000	15,528,000	48%	3,460,000	12,126,000
Athyrium Opportunities II	Commingled	Private Credit	32,000,000	38,545,000	79%	31,030,000	13,189,000
OrbiMed Royalty III	Commingled	Private Credit	35,000,000	-	0%	-	-
Atalaya Asset Income SMA	Commingled	Private Credit	100,000,000	36,169,000	15%	25,769,000	17,144,000
<b>Private Equity</b>	<b>Number of Funds</b>	<b>55</b>	<b>1,547,200,000</b>	<b>996,288,000</b>	<b>64%</b>	<b>593,236,000</b>	<b>962,698,000</b>
Accel - KKR Growth II	Commingled	Private Equity	15,000,000	12,159,000	81%	4,142,000	12,619,000
Accel - KKR Growth III	Commingled	Private Equity	33,320,000	-	0%	-	-
Accel-KKR IV	Commingled	Private Equity	15,000,000	14,177,000	95%	20,029,000	16,213,000
Accel-KKR V	Commingled	Private Equity	25,000,000	11,641,000	47%	256,000	16,177,000
Accel-KKR VI	Commingled	Private Equity	30,000,000	-	0%	-	-
Dyal II	Commingled	Private Equity	35,000,000	25,154,000	68%	3,788,000	16,329,000
Dyal III	Commingled	Private Equity	35,000,000	17,287,000	35%	4,593,000	18,602,000
HIG Capital V	Commingled	Private Equity	14,000,000	11,239,000	80%	3,685,000	12,741,000
HIG Europe II	Commingled	Private Equity	€ 14,000,000	€ 9,246,000	66%	€ 2,327,000	€ 8,451,000
Linden III	Commingled	Private Equity	35,000,000	32,853,000	87%	3,512,000	63,707,000
Linden IV	Commingled	Private Equity	44,330,000	5,933,000	12%	1,907,000	5,069,000
Marlin Heritage	Commingled	Private Equity	10,000,000	10,139,000	100%	9,153,000	12,207,000
Marlin Heritage Europe	Commingled	Private Equity	13,000,000	5,909,000	45%	-	7,403,000
Marlin Heritage II	Commingled	Private Equity	10,000,000	5,039,000	50%	-	5,138,000
Marlin IV	Commingled	Private Equity	20,000,000	19,861,000	99%	9,877,000	14,347,000
Marlin V	Commingled	Private Equity	25,000,000	5,014,000	20%	375,000	5,181,000
RCP Direct III	Commingled	Private Equity	25,000,000	5,386,000	22%	386,000	5,154,000
RRJ II	Commingled	Private Equity	35,000,000	35,067,000	87%	27,972,000	20,812,000
RRJ III	Commingled	Private Equity	40,000,000	30,114,000	68%	8,953,000	30,431,000
Spectrum VII	Commingled	Private Equity	25,000,000	22,625,000	91%	18,304,000	43,508,000
Spectrum VIII	Commingled	Private Equity	25,000,000	7,375,000	30%	-	6,555,000
Summit Partners Europe Growth II	Commingled	Private Equity	30,000,000	11,991,000	15%	7,349,000	9,272,000
Summit VC III	Commingled	Private Equity	16,350,000	18,995,000	87%	20,439,000	15,013,000
Summit VC IV	Commingled	Private Equity	35,000,000	19,136,000	1%	18,917,000	14,285,000
Thoma Bravo Fund XII	Commingled	Private Equity	30,000,000	35,366,000	93%	7,451,000	35,353,000
Thoma Bravo XI	Commingled	Private Equity	30,000,000	32,305,000	89%	22,256,000	48,462,000
Thoma Bravo XIII	Commingled	Private Equity	45,000,000	16,076,000	36%	-	15,889,000
TSG7 A	Commingled	Private Equity	16,000,000	10,652,000	67%	111,000	12,572,000
TSG7 B	Commingled	Private Equity	4,000,000	1,366,000	34%	6,000	1,102,000
TSG8	Commingled	Private Equity	45,000,000	613,000	1%	-	(85,000)
Waterland V	Commingled	Private Equity	€ 16,000,000	€ 12,847,000	80%	€ 25,803,000	€ 10,199,000
Waterland VI	Commingled	Private Equity	€ 24,000,000	€ 15,669,000	64%	€ 397,000	€ 21,702,000
Atalaya Special Opps. VI	Commingled	Private Equity	25,000,000	28,940,000	90%	13,247,000	21,482,000
Bayside Loan Opps. III	Commingled	Private Equity	30,000,000	24,231,000	81%	18,522,000	15,388,000
DK Long Term Opps. IV	Commingled	Private Equity	35,000,000	22,400,000	64%	-	23,688,000

**Exhibit A: SCERS' Current Illiquid Investments**  
Sacramento County Employees Retirement System  
As of June 30, 2019

	Structure	Asset Class	Commitment	Contributions	% Drawn	Distributions	Market Value
Garrison Opportunity Fund III	Commingled	Private Equity	20,000,000	20,000,000	100%	7,660,000	13,657,000
TPG TOP III	Commingled	Private Equity	40,000,000	44,488,000	56%	29,982,000	21,885,000
TPG TOP IV	Commingled	Private Equity	35,000,000	4,693,000	12%	332,000	4,519,000
WOF III	Commingled	Private Equity	30,000,000	14,718,000	24%	8,556,000	5,285,000
Abbott Capital PE VI	Fund of Fund	Private Equity	75,000,000	73,875,000	99%	71,251,000	52,731,000
Goldman Sachs PE Partners X	Fund of Fund	Private Equity	75,000,000	68,958,000	82%	90,204,000	26,500,000
HarbourVest International VI	Fund of Fund	Private Equity	€ 32,200,000	€ 30,268,000	94%	€ 21,572,000	€ 31,604,000
Harbourvest VIII - Buyout	Fund of Fund	Private Equity	37,500,000	35,813,000	96%	51,115,000	11,236,000
HarbourVest VIII - M&D	Fund of Fund	Private Equity	5,000,000	4,800,000	96%	5,865,000	757,000
HarbourVest VIII - VF	Fund of Fund	Private Equity	7,500,000	7,350,000	98%	9,793,000	4,383,000
RCP Fund XIII	Fund of Fund	Private Equity	50,000,000	3,000,000	6%	-	2,541,000
Khosla Ventures IV	Commingled	Private Equity	10,000,000	9,810,000	98%	8,448,000	19,836,000
Khosla Ventures V	Commingled	Private Equity	20,000,000	18,200,000	91%	1,013,000	23,319,000
Khosla Ventures VI	Commingled	Private Equity	35,000,000	7,980,000	23%	-	7,848,000
NEA 14	Commingled	Private Equity	25,000,000	23,500,000	94%	21,397,000	30,352,000
NEA 15	Commingled	Private Equity	35,000,000	30,979,000	89%	7,456,000	46,339,000
NEA 16	Commingled	Private Equity	35,000,000	18,113,000	52%	-	20,307,000
NEA 17	Commingled	Private Equity	20,000,000	-	0%	-	-
Trinity XI	Commingled	Private Equity	25,000,000	22,313,000	89%	4,835,000	39,893,000
Trinity XII	Commingled	Private Equity	30,000,000	20,625,000	69%	-	34,740,000
<b>Real Assets</b>	<b>Number of Funds</b>	<b>20</b>	<b>867,553,000</b>	<b>519,271,000</b>	<b>60%</b>	<b>157,588,000</b>	<b>494,160,000</b>
ACM Fund II	Commingled	Real Assets	25,000,000	18,961,000	59%	4,513,000	12,991,000
Paine Schwartz V	Commingled	Real Assets	40,000,000	-	0%	-	(467,000)
ArcLight Energy VI	Commingled	Real Assets	40,000,000	40,516,000	81%	15,767,000	35,511,000
Carlyle Power II	Commingled	Real Assets	40,000,000	22,041,000	41%	5,428,000	18,756,000
EnCap Flatrock III	Commingled	Real Assets	20,000,000	20,304,000	83%	8,576,000	16,365,000
EnCap Flatrock IV	Commingled	Real Assets	22,500,000	6,653,000	30%	-	7,223,000
EnCap IX	Commingled	Real Assets	33,000,000	37,040,000	94%	27,596,000	21,246,000
EnCap X	Commingled	Real Assets	40,000,000	33,705,000	78%	6,562,000	34,135,000
Quantum Energy Partners VII	Commingled	Real Assets	40,000,000	18,833,000	41%	2,415,000	17,083,000
Quantum VI	Commingled	Real Assets	35,000,000	30,409,000	70%	17,604,000	32,187,000
Tailwater Energy III	Commingled	Real Assets	32,000,000	21,054,000	59%	1,662,000	19,976,000
Pantheon SCERS SIRF MM	SMA	Real Assets	100,000,000	70,332,000	66%	8,100,000	92,420,000
BlackRock Global Power I	Commingled	Real Assets	35,000,000	34,146,000	88%	19,051,000	27,847,000
Brookfield Infra. III	Commingled	Real Assets	40,000,000	30,120,000	75%	4,512,000	30,692,000
Brookfield Infra. IV	Commingled	Real Assets	40,000,000	-	0%	-	-
EQT Infra. IV	Commingled	Real Assets	35,000,000	1,400,000	4%	-	1,116,000
IFM Infra.	Commingled	Real Assets	125,053,000	100,053,000	80%	32,529,000	97,360,000
ISQ Global Infra. II	Commingled	Real Assets	50,000,000	13,770,000	25%	1,274,000	13,707,000
Meridian N. America III	Commingled	Real Assets	50,000,000	1,765,000	4%	1,000	404,000
Wastewater Opp Fund	Commingled	Real Assets	25,000,000	18,169,000	73%	1,998,000	15,608,000
<b>Grand Total</b>			<b>2,861,753,000</b>	<b>1,791,137,000</b>	<b>4889%</b>	<b>867,526,000</b>	<b>1,649,331,000</b>

Note: Euro commitments have been converted to USD at 1 to 1

## Exhibit A: SCERS' Current Absolute Return

Sacramento County Employees Retirement System

As of November 30, 2019

Fund	Portfolio	Strategy	Current Value	
AQR DELTA Fund II, LP	Diversifying	Multi-Strategy	\$	42,698,624
Davidson Kempner Institutional Partners LP	Diversifying	Event Driven	\$	33,280,994
Elliott International Limited - Class A & B	Diversifying	Event Driven	\$	56,928,182
Graham Global Investment Fund II SPC Ltd. Tactical Trend SP Series B	Diversifying	Global Macro-Systematic	\$	36,953,723
Grosvenor SC Absolute Return Fund LLC (Diversifying)	Diversifying	Fund of Funds	\$	119,254,491
Grosvenor SC Absolute Return Fund LLC Series B (Diversifying)	Diversifying	Fund of Funds	\$	109,662,485
KLS Diversified Fund LP	Diversifying	Market Neutral	\$	39,615,059
Laurion Capital Ltd. - Class A	Diversifying	Market Neutral	\$	47,123,828
Winton Diversified Futures Fund L.P.	Diversifying	Global Macro-Systematic	\$	38,022,450
MW Global Opportunities (US) Fund Class B	Diversifying	Equity Long/Short	\$	41,893,737
Two Sigma Risk Enhanced	Diversifying	Market Neutral	\$	44,197,717
<b>Sub Total</b>			<b>\$</b>	<b>609,631,290</b>
Grosvenor SC Absolute Return Fund LLC (Growth)	Growth	Fund of Funds	\$	154,886,185
Lakewood Capital Partners, LP	Growth	Equity Long/Short	\$	48,401,008
Sculptor Domestic Partners II, L.P.	Growth	Multi-Strategy	\$	51,864,102
Third Point Partners Qualified L.P.	Growth	Event Driven	\$	50,580,536
<b>Sub Total</b>			<b>\$</b>	<b>305,731,831</b>
<b>Total</b>			<b>\$</b>	<b>915,363,121</b>