



Private Market Accounting and Reporting Services

Request for Proposals (RFP)

Responses Due April 8, 2019, 1:00 P.M. PDT



Private Market Accounting and Reporting Services Request for Proposals (RFP)

Contents

BACKGROUND	2
OVERVIEW OF SERVICES TO BE PROVIDED	6
PROCESS AND CRITICAL DATES	6
INSTRUCTIONS FOR SUBMITTING RFP RESPONSE	7
EVALUATION PROCESS	8
RFP QUESTIONNAIRE	9
ORGANIZATION	9
CLIENT INFORMATION	9
CLIENT SERVICING TEAM	10
PROPOSED SERVICES	10
FEE PROPOSAL	11
APPENDIX – SAMPLE SCERS FEE/EXPENSE TEMPLATE	12



Private Market Accounting and Reporting Services Request for Proposals (RFP)

Background

Sacramento County Employees' Retirement System (SCERS) is a cost-sharing multiple-employer public employee retirement system, enacted and administered in accordance with the provisions of the County Employees' Retirement Law of 1937 (California Government Code Section 31450, et seq.) (1937 Act) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). Since its establishment by the Sacramento County Board of Supervisors in 1941, SCERS has provided retirement, disability, and survivors' benefits to eligible participants of the System. Under Article XVI, Section 17 of the Constitution of the State of California, the SCERS Board of Retirement is vested with plenary authority and fiduciary responsibility for the investment of monies and the administration of SCERS. Together, the provisions of the State Constitution and the 1937 Act establish SCERS as a separate and independent governmental entity from the public employers that participate in SCERS. At June 30, 2018, the County of Sacramento; Superior Court of California, County of Sacramento; and twelve Special Districts participated in SCERS.

An annual actuarial valuation commissioned by the Board determines contributions into SCERS. The growth of SCERS results from a combination of employer and employee contributions and the net investment return, less the benefit payment, administrative, and investment costs, achieved from investing the assets.

As of June 30, 2018, SCERS' fiduciary net position totaled \$9.3 billion, with fair value of investments of \$9.1 billion. The fiduciary net position is used exclusively for the benefit of plan participants and their beneficiaries. SCERS maintains an overall investment policy designed to achieve a diversified investment portfolio, which is designed to provide an optimal mix of asset classes with return expectations that correspond to expected benefit obligations. SCERS' investment program is structured around a strategic asset allocation model established by SCERS' Board with the assistance of SCERS' investment staff, general investment consultant Verus Advisory, Inc., alternative assets consultant Cliffwater LLC, and real estate consultant Townsend Holdings LLC.

SCERS' investment staff consists of a Chief Investment Officer, a Deputy Chief Investment Officer, and two Investment Officers. In addition to providing assistance to the Board in establishing the asset allocation model, SCERS' investment staff and consultants assist in developing investment policy statements; conduct searches for and recommend the selection of investment managers; monitor investment manager performance and compliance; advise on developments in the investment markets; and analyze and develop recommendations for possible tactical adjustments and new investment initiatives.

SCERS's accounting staff includes a Chief Operations Officer, a Senior Accounting Manager, two Accounting Managers, a Senior Accountant, two Accountants, an Accounting Technician, and a Senior Account Clerk. The accounting staff is responsible for all aspect of SCERS' accounting needs, including accounting for investment activities.



Private Market Accounting and Reporting Services
Request for Proposals (RFP)

SCERS uses external investment managers to invest its assets. SCERS' assets are invested in over 140 investment funds across the following categories:

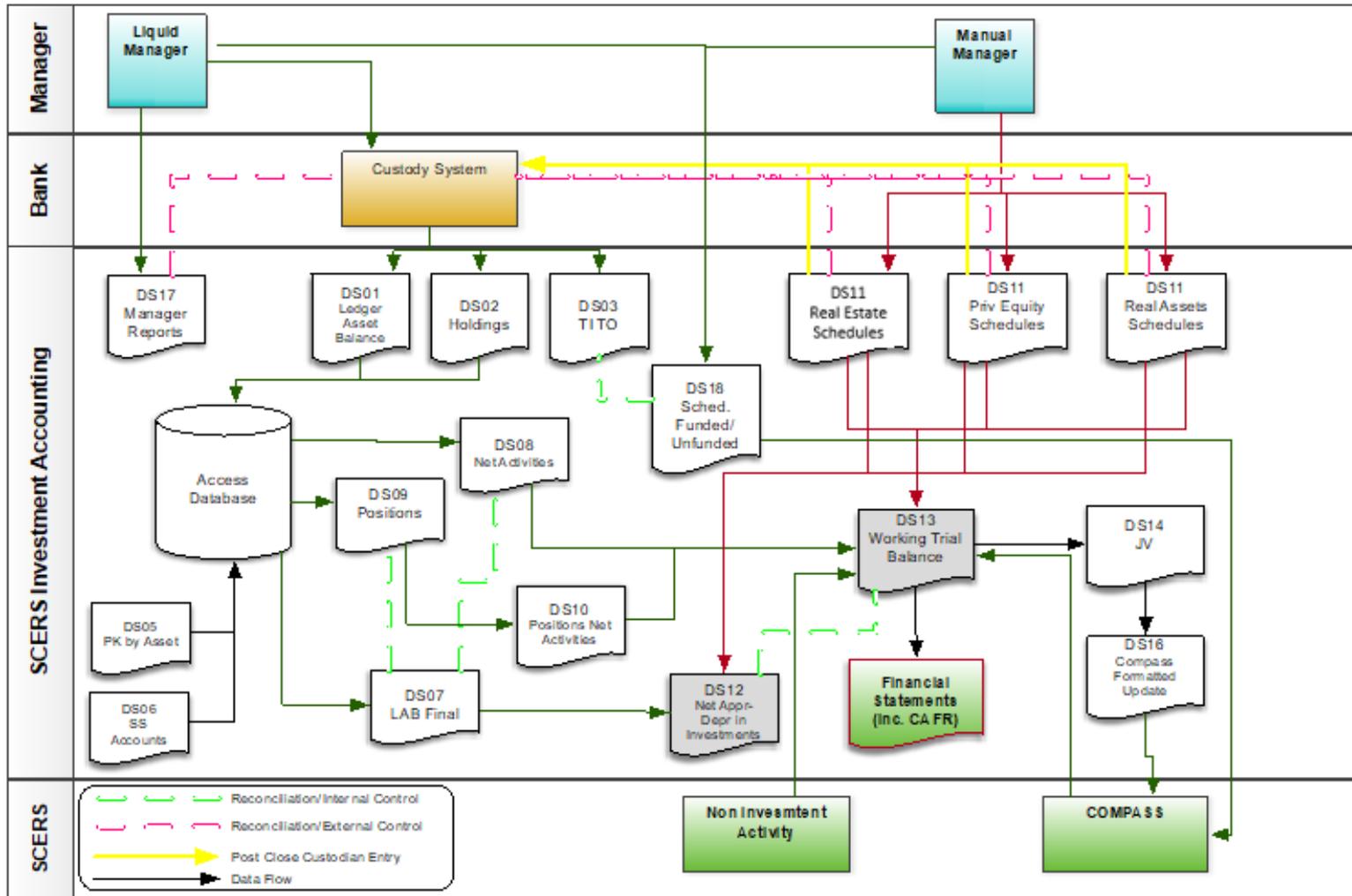
Asset Category/Asset Class	Target Allocation
Growth	59.0%
Domestic Equity	21.0
International Equity	20.0
Private Equity	9.0
Public Credit	2.0
Private Credit	4.0
Growth Absolute Return	3.0
Diversifying	25.0
Core/Core Plus Fixed Income	10.0
US Treasury	5.0
Global Fixed Income	3.0
Diversifying Absolute Return	7.0
Real Return	16.0
Real Estate	7.0
Real Assets	7.0
Commodities	2.0
Opportunities	0.0
	100.0%

SCERS' custodial bank is State Street Bank and Trust (State Street). Management of SCERS is responsible for establishing and maintaining internal controls designed to ensure that SCERS' assets are protected from loss, theft, or misuse. SCERS' management is also responsible for the accuracy, completeness, and fair presentation of information, and all disclosures in the Comprehensive Annual Financial Report (CAFR), in other periodical financial reports, and in SCERS' records.

SCERS' CAFR, the Investment Year in Review, the Investment Performance Report, and other financial and investment information is available at SCERS' website: <https://www.scers.org/investments-financials>

The diagram on the following page provides a representation of SCERS' current investment accounting data flows.

Investment Accounting Data Flow





Private Market Accounting and Reporting Services Request for Proposals (RFP)

As indicated in the preceding diagram, SCERS investment managers are either “Liquid”, i.e. generally invested in publicly marketable assets, primarily equities and fixed income; or they are “Manual”, i.e. generally invested in privately marketed assets, primarily partnerships. The term “Manual” indicates that the data capture process for these managers is manual and involves SCERS staff manually entering data into spreadsheets for computing net asset values. The terms “public market” and “private market” are also used to describe these managers and the terms are generally synonymous with “Liquid” and “Manual”.

The custodian system is and will remain SCERS’ official book of record.

For public market assets, two primary files are collected monthly. These contain ledger balances (DS01) and holdings (DS02). These files are consolidated and manipulated in an Microsoft Access database and then is exported to a series of spreadsheets that flow into the general ledger entries and financial statements.

For private market assets, data is collected from managers and entered into spreadsheets. Currently, the asset classes for which this occurs are Real Assets, Real Estate, Private Credit, and Private Equity. The high level manual processes for alternative investments are summarized below:

- a. Receive notification from the general partners (GP) that the quarterly financial and capital account statements are available on their websites. Log onto the GP’s websites and download all the quarterly financial information in PDF.
- b. Run various reports from the custodian bank and verify completeness of investment funds.
- c. Using the GP’s quarterly financial information, manually input the GP reported amounts onto Excel spreadsheets by individual investment fund (over 100 funds). This manual process is completed at the GP’s financial statement line items level (i.e. investment income, operation expenses, manager fees, carried interest, realized gains/losses, and unrealized gains/losses, etc.) In addition, for international investment funds, the proper currency conversion is required on a quarterly basis.
- d. Combine the GP’s financial line items into SCERS’ general ledger accounts.
- e. Reconcile the cash flow activities (i.e. capital calls and distributions) between the GP’s and the custodian bank’s records. Resolve and address identified discrepancies.
- f. Link all investment funds into a summary format for the purpose of generating the working trial balance in Excel. This is used to prepare the journal entries to be posted in the general ledger.

The consolidated output of these schedules is fed into the general ledger entries and financial statements. Once the process is complete, SCERS sends the custodian bank the updated net



Private Market Accounting and Reporting Services Request for Proposals (RFP)

asset values for the private market funds and the custodian bank updates its records accordingly.

SCERS uses the Sacramento County's SAP financial system (COMPASS). SCERS has very little control over the operation or configuration of COMPASS. Accordingly, a series of spreadsheets are used to collect, manage, and adjust this information to SCERS' requirements in order to produce the journal entries that flow to COMPASS, and produce the CAFR and other financial statements. These spreadsheets encompass all accounting transactions, including non-investment information.

Overview of Services to be Provided

SCERS is seeking to manage operational risk, improve oversight, and position for growth by improving its investment accounting for manually reported assets. This Request for Proposals is to solicit offers for private market accounting and reporting services.

SCERS wishes to emphasize to vendors that its primary focus is to enable the private market financial accounting and reporting process to be accomplished efficiently and accurately using industry best practices. Secondly, SCERS is open to considering any proposed additional, related, optional services such as analytics and performance reporting.

Process and Critical Dates

The process for this procurement is as follows:

1. Receive and review RFP responses and select vendors for in-depth solution review.
2. Conduct vendor interviews where SCERS will invite chosen respondents to discuss their proposal further.
3. Select a vendor and make a recommendation to the Board of Retirement.
4. Negotiate a contract with the selected vendor.

The cost of responding to this RFP is entirely the responder's responsibility and shall not be chargeable to SCERS.

SCERS reserves the right to reject any or all proposals at any time with no penalty. SCERS also has the right to waive immaterial defects and minor irregularities in any proposal. SCERS reserves the right to cancel this RFP at any time, for any reason. Issuing this RFP does not obligate SCERS to enter into a contract with any Bidder.



Private Market Accounting and Reporting Services
Request for Proposals (RFP)

Key dates (subject to revision) are as follows:

Description	Target Dates
Issue RFP	March 11, 2019
Vendor question period	Questions received before March 25 will be responded to.
Vendor responses due	April 8, 2019 1:00 PM PDT
Discussions with Finalists	Week of April 29, 2019
Contract Negotiations Begin	May 20, 2019
Start of services	July 1, 2019

Responses and questions may be submitted by email to Retirement-ITProjects@SacCounty.net or by mail to:

Debbie Chan, Senior Accounting Manager
Sacramento County Employees' Retirement System
980 9th Street, Suite 1900
Sacramento, CA 95814

Instructions for submitting RFP Response

1. All questions are to be submitted to SCERS no later than the due date and time listed above to allow sufficient time for SCERS to research and prepare helpful answers. All questions must be documented electronically, must identify the RFP section and page number in which their question refers, and must be sent as an attachment to SCERS' email address at Retirement-ITProjects@SacCounty.net. Questions must be in a word processing format that can easily be copied and pasted into other documents. Answers to questions will be posted on the SCERS website. The names of the Bidders who submitted questions will not be revealed.
2. Any contact with SCERS regarding the proposed services or RFP should solely be directed to SCERS' staff in the manner described above.
3. The respondent's answers to the questions in the RFP Questionnaire must be provided in the order presented and must include a copy of the question.
4. A cover letter must be included with the proposal on the proposer's letterhead and signed by an individual authorized to bind the bidder. The letter should include a statement that the proposal is valid for at least 180 days from the due date.



Private Market Accounting and Reporting Services Request for Proposals (RFP)

5. Completeness, clarity, and brevity are important. Proposers should submit all information requested in this RFP in the specified format. Responses not meeting format requirements or that are incomplete in any way may be rejected. Proposers are urged to read this RFP carefully and to take care in the preparation of responses.
6. **No exceptions to the submission deadline will be granted.**

Evaluation Process

1. All responses to the RFP will be evaluated to identify the prospective respondent most capable of performing the services as described herein.
2. The most highly qualified respondents will be interviewed by SCERS' staff at our offices at 980 9th Street, Suite 1900, Sacramento, CA 95814 on a date to be determined.



Private Market Accounting and Reporting Services Request for Proposals (RFP)

RFP Questionnaire

Organization

1. Outline the background and history of the firm. Include when the business was started and its evolution.
2. Describe your firm's key strengths and competitive advantages over other firms.
3. Provide the following information:
 - a. Primary contact for RFP
 - b. Name of firm
 - c. Address
 - d. Business phone
 - e. Email
4. 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.
5. Provide 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 the firm or entity under its control may hold in other firms.
6. 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. If your organization is a public company, please attach a copy of your most recent financial statements.
7. Detail your major lines of business and revenue generated in each.
8. Describe any litigation against the firm or any of its principals in the past five years which might impair the firm.
9. Have there been any significant findings by a regulatory agency or auditor that conducted an audit or review of the firm within the last five years? Include any deficiency letters.

Client Information

1. Identify the number of clients, by plan type (corporate plan, public plan, endowment, etc), that your firm has provided similar services over the past 5 years.
2. Provide references for three of the firm's current clients, including the following information:
 - Client name



Private Market Accounting and Reporting Services Request for Proposals (RFP)

- Scope of work
 - Number of years served
 - Name and telephone number of principal client contact
3. Describe your experience servicing public pension funds.

Client Servicing Team

1. List the names, location and areas of responsibility of the individuals who would be responsible for SCERS' account. Provide a biography of each individual including industry experience and tenure with the firm.
2. 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?
3. What is the backup plan in case any key personnel for SCERS' account should leave your firm?

Proposed Services

1. Describe your firm's accounting and performance service model for alternative investments, including the process of collecting all capital statements from the GP, reconciling cash movements (capital calls and distributions) between the custodian bank's and the GP's records, reconciling unfunded commitments to the GP's records, processing and integrating the GP reported amounts (i.e. capital calls, capital distributions, income, expenses, management fees, carried interest, gross IRR, net IRR, and market values) to the clients and the custodian bank, collecting and presenting management fee and carried interest consistent with California Government Code 7514.7 (see sample reporting template in Appendix), and ensuring the completeness of investment funds.
2. What is your process for verifying information entered into the system? Are there checks to verify all calls are captured; what if Plan A gets a call for a fund but Plan B does not?
3. Describe the turnaround time to complete the accounting and reporting services for over 100 alternative investment funds, including when data is available to the your clients.
4. Describe your firm's preparation and set up process for initiating processing for new alternative investments.
5. Describe your firm's policy and practices related to document retention (i.e. GP reported documents).
6. How does the system handle fund of funds? Does the system look down to underlying portfolio companies?



Private Market Accounting and Reporting Services Request for Proposals (RFP)

7. Can the system be used to track other types of investments such as hedge funds, directs, secondaries, etc.?
8. Describe the type of data and reports that will be available to your clients as related to the scope of services.
9. Do your services include performance analysis/attribution/exposures reporting? If so, describe. Are the reports part of the core transaction reporting service offering or an additional, optional service?
10. Elaborate on your approach in working with your clients' existing investment managers, custodian bank, auditors, and/or consultants for alternative investments (i.e. real assets, real estate, private credit, and private equity investment asset classes). Describe how you would collaborate with the investment managers, custodian bank, consultants, and/or independent auditors in developing, integrating and operating the required scope of services.
11. Describe how a new client would transition to your firm. How do you integrate historical accounting transactions and investment performance data?
12. Describe the level of access and interaction SCERS' staff would have with your firm's professionals, particularly in the formative phase of a new client relationship.
13. Describe the information systems related to the scope of services. Where are the systems and data located?
14. Does your firm have service organization reports (SSAE 18)? Describe the types of report and how often are the reports completed.
15. Describe your disaster recovery plan and facilities.

Fee Proposal

1. Provide fee proposal relative to performing the scope of services as described in this RFP. The fee proposal should contain total not-to-exceed maximum price, including all direct and indirect costs including all out-of-pocket expenses.
2. Show the breakdown of core services from optional services. For example, if performance analysis/reporting is a separate optional service show it as a separate line item from transaction processing services.
3. Provide the fee proposal for each of three years beginning July 1, 2019, and two additional option years.

