

## ACERA's Responses to Questions Received

### Firm 1

1. Is it the board's intent to hire one firm to assist them with general consulting services including private equity, hedge fund and real asset consulting?  
Yes, it is the Board's intent to hire one firm to provide general consulting services, including private equity, hedge funds, absolute return, and real assets consulting.
2. Does the board intend to maintain a separate real estate consultant?  
Yes, the Board intends on maintaining a separate real estate consultant.
3. If the intent is to keep the current real estate consultant, will ACERA subtract the real estate fee quoted in column E of the fee table in order to determine the fee quote for this RFP?  
We understand that the fee schedule table in the RFP document may be confusing. Please refer to the new fee schedule in the Addendum for clarification on this topic. You may access the Addendum here: [https://www.acera.org/sites/main/files/file-attachments/add\\_2\\_-\\_part\\_c\\_-\\_fee\\_proposal\\_addendum.pdf](https://www.acera.org/sites/main/files/file-attachments/add_2_-_part_c_-_fee_proposal_addendum.pdf)
4. Does the board have a specific target for private equity and a specific target for the hedge fund investments covered under the broad category of "alternatives"? The policy statement lumps private equity and hedge funds together for a target of 18%.
  - Currently, the PEARLS target is 18%  
Staff plans to recommend in the future an 18% target with private equity at 9% and absolute return/hedge fund at 9%.

### Firm 2

5. I presume the Alameda County search is for general consultants only but I wanted to check in the event specialists were being included. We work in the areas of private equity, private debt, real assets and hedge funds only.  
Please see response to **Question 1**.

### Firm 3

6. Does ACERA plan on expanding its hedge fund exposure beyond fund-of-funds to a direct hedge fund program? Is ACERA ideally looking for a consultant that has the capabilities to build out a direct hedge fund portfolio?
  - No, ACERA does not plan on expanding its hedge fund exposure beyond fund-of-funds at this time.
  - No, ACERA is not looking to build out a direct hedge fund portfolio at this time.
7. Can you provide additional detail on what ACERA is looking for in the way of portfolio risk analytics and risk-based reporting? Does ACERA seek to enhance its risk management tools and consulting beyond its current level?
  - In the future, Staff plans to add additional risk analytics and risk-based reporting when the time is right.
  - Likely at some point in the future

#### Firm 4

8. The ACERA website mentions an Investment Committee Work Plan. Would you be able to provide a copy of this document, or is it not for public disclosure?

The current Work Plan has been distributed to the public at the June 2017 Investment Committee Meeting, and can be accessed here: [https://www.acera.org/sites/main/files/file-attachments/updated\\_icm\\_workplan\\_2017\\_june.pdf](https://www.acera.org/sites/main/files/file-attachments/updated_icm_workplan_2017_june.pdf)

#### Firm 5

9. The stated current consultant fee is \$660K annual. Is that fee a flat fee or is there an asset based component? If part asset based, please describe the structure. Also, please verify that the current annual \$660K is only for the current general consultant (i.e. does not include real estate consulting services).

The current general consultant fee is a flat fee of \$660K which covers general investment consulting services. This amount does not include any real estate consulting services.

10. Are there any areas of dissatisfaction with the current consultant? If so, please describe. If not, what characteristics of a new consultant might cause the Board to replace the incumbent?

Not to Staff's knowledge.

11. How long has the current consultant served ACERA?

Verus, previously Strategic Investment Solutions, has served ACERA since June 23, 2000.

12. Who is the real estate consultant and how long have they served ACERA in that capacity?

The current real estate consultant is Callan Associates. Callan has served ACERA since July, 2015.

13. Please discuss any current issues/projects/investments being contemplated by the Investment Committee. It was stated that an asset allocation review and liability study was just completed.

Please see responses to **Question 8**.

14. It was stated that ACERA retains a Real Estate consultant? Would ACERA consider the general consultant providing Real Estate services as well? As such, should proposals include an additional fee proposal for these services?

ACERA does not expect the general consultant to provide real estate services, other than at the total fund asset allocation level. Proposals should include an additional fee proposal for specialty real estate services. For clarification, an Addendum with a new fee proposal table has been issued. See response to **Question 3**.

15. ACERA hedge fund holdings are expressed in a fund-of-funds structure, would ACERA be open to a direct hedge fund structure?

Please see response to **Question 6**.

16. The scope of services mentioned education for to the investment committee and staff. Are these education session always within the normally scheduled IC meeting and/or planning meetings or have there been separate education session in the past? If so, how many have there been?

- The educational sessions take place at regularly scheduled Investment Committee meetings.

- There have been no separate education sessions outside of the Investment Committee meetings.
17. Does ACERA have a preference for consultants who do or do not offer discretionary/OCIO services?  
Ideally, ACERA prefers a purely independent general investment consultant whose sole revenue is based on investment advisory services provided to non-discretionary clients.
  18. In Question 21, how does ACERA define “separate discretionary practice”?  
ACERA considers “separate discretionary practice” in question 21 to mean OCIO consulting services with a separate team and separate profit/loss accounting.
  19. For Question 64 regarding manager databases, is there a response option for both proprietary and third-party?  
We would appreciate if you could disclose the type of investment manager database your firm primarily relies on. However, if you rely equally on both third-party and proprietary databases, you are advised to select any response in Question 64 and disclose this fact at the conclusion of the survey in the textbox “Supplementary text (optional)”.
  20. For all data-related questions, if 6/30/2017 data is not yet available is 3/31/2017 data acceptable?  
We assume your query pertains to questions seeking asset values (i.e. Question 41 and 43). For such questions, if you do not have 6/30/2017 figures, please provide your best estimate.

#### Firm 6

21. What is the Private Equity (PE) pacing plan for the next 3 to 5 years?  
At this time, we prefer not to disclose the Private Equity pacing plan.
22. What is the size of the commitment to each PE manager?  
Commitments to PE managers vary in size but generally are in the range of \$10 million - \$50 million/fund and sometimes higher.
23. How many PE and Private Real Asset (PRA) partnerships do you have in total?
  - 39 Private Equity commitments.
  - 6 Real Assets commitments.
24. Can we have a total list of PRA strategies?
  - The PRA strategies in the ACERA portfolio are: venture capital, buyouts, and debt-related/special situations.
25. What are the expectations for monitoring of existing PE relationships (e.g., attendance at annual GP meetings, etc.)?  
Determined on a case-by-case basis, and include, but are not limited to, site visits, attendance at annual GP meetings and keeping abreast of information related to existing PE relationships
26. In the Minimum Qualifications sections, it is requested that the Lead and Secondary Consultants submit to backgrounds checks. It is also requested that “key officers” submit to background checks. How is “key officers” defined?

For purposes of Question m) under “Scope of Services and Minimum Qualifications Requirements of ACERA”, “key officers” should be interpreted to mean the following:

- Anyone with the power to exercise, directly or indirectly, a controlling influence over your firm’s management or policies, or to determine the general investment advice given to the clients of your firm and ACERA specifically.

Generally, all of the following are “key officers”:

- Your firm’s principal executive officers, such as your chief executive officer, chief financial officer, chief operations officer, chief legal officer, and chief compliance officer; your directors, general partners, or trustees; and other individuals with similar status or performing similar functions; and
- The members of your firm’s investment committee or group that determines general investment advice to be given to clients.

27. In addition, we would like to request the following materials:

- a) 1Q17 investment performance report or presentation

You may access the 1Q17 investment performance report here:

[https://www.acera.org/sites/main/files/file-attachments/acera\\_q1\\_2017\\_report.pdf](https://www.acera.org/sites/main/files/file-attachments/acera_q1_2017_report.pdf)

- b) List of all current investment managers and their respective mandates (including private equity, real estate and hedge funds as well as other alternatives)

Current List of Managers and respective asset class is shown below:

<u>INVESTMENT MANAGER</u>	<u>FUNDS/ ACCOUNTS</u>	<u>ASSET CLASS</u>
ABRY Partners, LLC	6	Private Equity
AEW Capital Management	1	Real Estate
Angeles Equity Partners	1	Private Equity
Angelo, Gordon & Co.	2	Alternative Investment
AQR Capital Management	2	International Equity, Real Assets
Artemis Real Estate Partners	1	Real Estate
Avista Capital Partners	1	Private Equity
Baird Advisors	1	Fixed Income
Bivium Capital Partners, LLC	1	U.S. Equity
Brandywine Global Investment Management, LLC	1	Fixed Income
Capital Guardian Trust Company	1	International Equity
Catalyst Capital Group Inc.	1	Private Equity
Centerbridge Partners, LP	1	Private Equity
Cerberus Capital Management, LP	1	Private Equity
CIM Group	3	Real Estate and Real Assets
Clarion Partners	1	Real Estate
EQT Services (UK) Ltd	1	Private Equity
General Catalyst Partners	1	Private Equity

Lindsay Goldberg & Co. LLC	1 <sup>1</sup>	Private Equity
Great Hill Partners	3	Private Equity
Gresham Investment Management LLC	2	Real Assets
Heitman, LLC	2	Real Estate
Insight Equity Holdings LLC	2	Private Equity
Jamestown, L.P.	1	Real Estate
JLL Partners, Inc.	1	Private Equity
JP Morgan Asset Management	2	Real Estate
Kennedy Capital Management, Inc.	1	U.S. Equity
Khosla Ventures, LLC	5	Private Equity
KPS Capital Partners, L.P.	1	Private Equity
Lighthouse Strategic Alpha Fund LLC	1	Alternative Investment
Loomis Sayles & Company, L.P	1	Fixed Income
Mellon Capital Management Corporation	1	U.S. Equity
MetLife Investment Management, LLC	1	Real Estate
Mondrian Investment Partners	1	International Equity
NB Alternatives Advisers LLC (Dyal)	1	Alternative Investment
New Enterprise Associates	4	Private Equity
Next Century Growth Investors, LLC	2	U.S. Equity
Oak Hill Advisors, LP	2	Alternative Investment
P/E Investments	1	Alternative Investment
Partners Group AG	1	Private Equity
Permal Asset Management, Inc. <sup>2</sup>	1	Alternative Investment
Prudential Real Estate Investors (PRISA)	2	Real Estate
Pzena Investment Management	1	U.S. Equity
RREEF Real Estate	1	Real Estate
Sheridan Production Partners Manager, LLC	1	Real Assets
Sycamore Partners	2	Private Equity
TCW Investment Management Company	1	U.S. Equity
Templeton Investment Counsel, LLC	1	International Equity
Third Rock Ventures, LLC	2	Private Equity
UBS Realty Investors LLC	1	Real Estate
Warburg Pincus LLC	3	Private Equity

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<sup>1</sup> Manager has opened three Alternative Investment Vehicles (AIV's) as part of Lindsay Goldberg Fund III.

<sup>2</sup> Permal Asset Management Inc. manages the BVI feeder fund (through which ACERA invests) using delegated authority from Permal Investment Management Services Limited, the manager of the BVI feeder fund.

The list below represents the partnership accounts/funds we have invested in through the date shown below:

## **Investment Partnerships<sup>3</sup>** **(Amended as of April 7, 2017)**

### Private Equity and Alternative Investments

1. ABRY Advanced Securities Fund II, L.P.
2. ABRY Advanced Securities Fund III, L.P.
3. ABRY Partners VIII, L.P.
4. ABRY Partners VII, L.P.
5. ABRY Senior Equity IV, L.P.
6. ABRY Senior Equity V, L.P.
7. AG Opportunistic Whole Loan Fund, L.P.
8. AG Securitized Asset Recovery Fund, L.P.
9. Angeles Equity Partners I, L.P.
10. Avista Capital Partners, II, L.P.
11. Catalyst Fund Limited Partnership V
12. Centerbridge Special Credit Partners, L.P.
13. Cerberus Offshore Levered Loan
14. Dyal II US Investors, L.P.
15. EQT Credit Opportunities III
16. General Catalyst Group VI, L.P.
17. Great Hill Equity Partners IV, L.P.
18. Great Hill Equity Partners V, L.P.
19. Great Hill Equity Partners VI, L.P.
20. Insight Equity II, L.P.
21. Insight Equity Mezzanine I, L.P.
22. JLL Partners Fund VII, L.P.
23. Khosla Ventures III LP
24. Khosla Ventures Seed, LP
25. Khosla Ventures IV, Inc.
26. Khosla Ventures Seed B, L.P.
27. Khosla Ventures V, L.P.
28. KPS Special Situations Fund IV, L.P.
29. Lighthouse Strategic Alpha Fund LLC
30. Lindsay Goldberg III, L.P.
31. New Enterprise Associates 13, L.P.
32. New Enterprise Associates 14, L.P.
33. New Enterprise Associates 15, L.P.

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<sup>3</sup> From time to time, the number of active commitments will be adjusted upward to account for new partnerships or downward if a partnership is terminated.

34. New Enterprise Associates 16, L.P.
35. Oak Hill Advisors' OHA Strategic Credit Fund II (Offshore), L.P.
36. Partners Group Secondary 2008, L.P.
37. P/E Investments LLC's Global Strategy Fund
38. Permal Fixed Income Holdings Institutional Ltd.
39. Sycamore Partners, L.P. & Sycamore Partners A, L.P.
40. Sycamore Partners II, L.P.
41. Third Rock Ventures II, L.P.
42. Third Rock Ventures III, L.P.
43. Warburg Pincus Private Equity XI, L.P.
44. Warburg Pincus Private Equity XII, L.P.

#### Real Estate Private Equity Investments

1. AEW Value Investors II, L.P.
2. Artemis Real Estate Partners Healthcare Fund I, L.P.
3. CIM Urban REIT
4. CIM VI-2 (Urban REIT), LLC
5. Heitman America Real Estate Trust, LLC
6. Heitman Value Partners II
7. Jamestown Premier Property Fund, L.P.
8. JP Morgan Strategic Property Fund (SPF)
9. JP Morgan Alternative Property Fund (APF) – in liquidation
10. Clarion Partners' Lion Industrial Trust
11. MetLife Core Property Fund, LP
12. PRISA (Prudential Real Estate Investors)
13. PRISA III (Prudential Real Estate Investors)
14. RREEF Separate Account
15. UBS (US) Trumbull Property Fund LP

#### Real Asset Private Equity Investments

1. AQR Customized Real Return Offshore Fund, L.P.
2. CIM Infrastructure Fund II, L.P.
3. Gresham Investment Management, The TAP Fund, LLC
4. Gresham Investment Management, The Onshore ETAP Fund, LLC
5. Sheridan Production Partners II-B, L.P.
6. Warburg Pincus Energy Fund, L.P.

- c) Most recent asset/liability study (presented during public meeting)  
You may access the recent asset/liability study here:  
[https://www.acera.org/sites/main/files/file-attachments/sis\\_acera\\_asset\\_liability\\_study\\_part\\_v\\_3.pdf](https://www.acera.org/sites/main/files/file-attachments/sis_acera_asset_liability_study_part_v_3.pdf)
- d) Total fund and asset class risk budgets, if they have them  
Not applicable.

Firm 7

28. Is the scope outlined in the RFP consistent with the current consultant's contract? If not, what items are different?

The scope is consistent with the consultant services that ACERA currently receives.

29. How many public asset class manager searches have been conducted each year, over the last 3 years?

The number of searches varies depending upon the action of the Board.

In the past year, ACERA has conducted two public asset manager searches: (1) a passive indices manager (just concluded) and (2) a dedicated emerging markets manager (currently in process).

30. Can you share the full list of products/funds/LP interests that would be included in the scope of work for this RFP?

Please see responses to **Question 23** and **Question 27b**.

31. Can you please either share your current pacing study projects for Private Equity and related commitments or, in the alternative, share your prospective commitment budget for 2017 & 2018 respectively?

Please see response to **Question 21**.

a. Can you also advise what your anticipated average commitment amount per fund is?

Please see response to **Question 22**.

32. How many Private Equity and related fund commitments were made in 2016 & 2017 to date respectively?

Please see response to **Question 21**.

Firm 8

33. Would you be able to provide the list of specific investments in ACERA's PEARLS asset class? If not, would you be able to provide an update to the summary profile on page 43 of the 2016 CAFR?

See response to **Question 27b**.

34. The RFP references an Investment Committee Workplan for 2017. However, we are having difficulty locating it on the ACERA website. Could you point us in the right direction?

Please see response to **Question 8**.