

### **Responses to RFP Questions**

- Q1. The insurance requirements as outlined in Attachment A of the RFP are higher than those we have seen in other public RFPs. Our firm carries \$5 million per occurrence and aggregate in Commercial Liability Coverage, \$5 million per occurrence and aggregate in Errors and Omissions Liability coverage, and \$3 million aggregate in Cyber Risk Liability coverage, backed by a \$3 million Fidelity Bond, which, as a nondiscretionary consultant, have served to be sufficient levels of insurance. With this as context, can you please advise if our insurance coverage—which we believe meets or exceeds current industry standards—would be considered adequate by Marin County Employees’ Retirement Association?
- A1. The insurance requirements in Attachment A are included in the Model Contract as reference for what MCERA prefers its vendor carry for coverages. Any vendor’s requested or required deviations from the Model Contract terms should be identified in the vendor’s response to the RFP.
- Q2. What aspect of your consulting relationship does MCERA value the most? Are there any specific areas MCERA is looking to improve?
- A2.
- Ability to adapt to the changing needs of the Board.
  - Timely and responsive service and reporting.
  - Ability to provide data and information to support MCERA’s financial and investment operations.
  - Strong research capability.
  - Understanding current challenges to investing public pension fund assets.
- Q3. Is the requested scope of services consistent with the current scope for the incumbent consultant?
- A3. Yes.
- Q4. Are there any expected changes (e.g., asset allocation, investment managers) that are not reflected in the current investment program?
- A4. The Board is not currently considering new asset classes. Any changes to asset allocation will be driven in part by the capital market projections presented by the investment consultant.
- Q5. Are there any notable evaluations or topics being reviewed by the Board, Investment Committee and/or Staff?
- A5. The Investment Committee will be reviewing its asset allocation as part of the annual update to Capital Market Assumptions presented by its consultant. The Investment Committee will also be reviewing its current Fixed Income allocation with the consultant.

- Q6. Can you give more detail on the strategic workshops and the expectation of the consultant(s) within those workshops?
- A6. The consultant will be expected to provide potentially 2-3 presentations at the Spring and Fall workshops. The presentations range from reviews of current asset classes or portfolio issues to broader economic issues and educational presentations on new/emerging investment trends.
- Q7. Can you describe the structure of your investment staff?
- A7. There is no separate investment staff. The Board of Retirement makes all investment related decisions. The Retirement Administrator serves a dual capacity of a Chief Investment Officer conducting certain activities, for example daily manager oversight, as directed by the Board. There is a finance team that is responsible for investment accounting and custodial bank transactions.
- Q8. For private markets, what level of performance reporting do you require?
- A8.
- Detailed monthly and quarterly, yearly performance reporting.
  - Performance compared to applicable benchmarks and quartile.
  - Historical quarterly performance showing capital contributions, income, fees appreciation, distribution of income, return of capital and ending values.
  - Breakdown of returns by applicable category, income, appreciation, venture, buyout, mezzanine, distressed, senior debt, subordinated credit, credit opportunities etc.
  - Current market overviews.
  - Specific exposure by strategy, industry and geography.
  - Quarterly reports showing total partnerships, active partnerships, liquated partnerships, commitments, paid in capital, uncalled capital, distributed capital, net asset value, total realized and unrealized value, distributions to paid in capital, residual value to paid in capital, total value to paid in capital, quartile ranking, net IRR, distribution rate as percentage of beginning NAV, unrealized gain/loss in dollars and percentage.
  - Detailed return analysis including, but not limited to, income rankings, appreciation ranking, cumulative returns by income/appreciation, diversification by property and geography.
- Q9. Is the intention to continue to use fund-of-fund managers for the private equity allocation?
- A9. The Board reviews its private equity pacing plan on an annual basis and determines if new commitments are necessary and, if so, what is the best implementation method. To date that has been through fund-of-fund vehicles.

Q10. How are investment manager searches conducted; does internal staff have hire/fire authority?

A10. The Board's Investment Committee makes all hiring/termination decisions. When hiring a manager, the consultant will conduct searches and due diligence and present potential interview candidates to the Committee. The Committee will decide which candidates to interview and make the final hiring decision after interviews.

Q11. How many public market searches do you typically do in a year?

A11. Over the past three years the system has averaged one manager search per year.

Q12. How many private market searches do you typically do in a year?

A12. In the past three years there has been one private market search conducted.

Q13. Could you provide a full copy of the most recent asset/liability study?

Q13. A link to the most recent asset/liability study can be found here:  
<https://www.mcera.org/annualreports/investments>.

Q14. What are your reasons for conducting this RFP for investment consulting services?

A14. The RFP was issued because the last search was conducted over ten years ago. As a good business practice the Board wants to conduct formal searches every 7-10 years.

Q15. Are you able to disclose the fees paid to your current consultant? If so, to what extent is the scope of services consistent with those stated in the current RFP?

A15. The annual fee for the existing contract is \$330,000. This includes asset allocation, manager searches, implementations, performance reporting and evaluation, private market consulting, custody evaluation and education. In addition, a fee of \$15,000 is paid for the required annual private equity fee disclosures. All other special projects as needed would have a separate cost.

Q16. Do you retain other consultants to assist with your investment program? If so, what services do they provide?

A16. No.

Q17. When is the last time you conducted a custody services review?

A17. 2020

- Q18. Do you take consultant manager recommendations or is the consultant asked to conduct due diligence for one-off managers that staff identifies?
- A18. The consultant will make recommendations to the Board's Investment Committee. The consultant conducts manager due diligence which they will factor into their recommendations to the Committee.
- Q19. Do hard copies need to be received by the due date or can they follow the electronic submission?
- A19. Electronic documents will be accepted as being properly submitted if received on or before the RFP submission due date. Hard copies of electronic submissions can be received after the due date.
- Q20. What are the annual fees for the existing contract that the System is paying to its current consultant? Are there project-related fees associated with the current arrangement that are not part of the base fee?
- A20. The annual fee for the existing contract is \$330,000. This includes asset allocation, manager searches, implementations, performance reporting and evaluation, private market consulting, custody evaluation and education. In addition, a fee of \$15,000 is paid for the required annual private equity fee disclosures. All other special projects as needed would have a separate cost.
- Q21. What do you think is the single most important characteristic of an investment consulting firm?
- A21.
  - Ability to adapt to the changing needs of the Board.
  - Timely and responsive service and reporting.
  - Ability to provide data and information to support MCERA's financial and investment operations.
  - Strong research capability.
  - Understanding current challenges to investing public pension fund assets.
- Q22. In your review process, what investment consulting firm characteristics will you be emphasizing?
- A22. The weighted factors used to evaluate the submittals is as follows:

Evaluation Criteria	Weight
Experience and Capabilities	25%
Professional Staffing	25%
Methodology	30%
Philosophy and Approach to Consulting	10%
Fee Proposal	10%

Q23. What prompted your desire to conduct a search at this time?

A23. The RFP was issued because the last search was conducted over ten years ago. As a good business practice the Board wants to conduct formal searches every 7-10 years.

Q24. How many firms received the RFP?

A24. The RFP was published on MCERA's website and sent directly to six firms.

Q25. How many firms will be interviewed for the finals process?

A25. There is no set number of firms to be interviewed. The firms to be interviewed will be determined by the evaluation committee based on their review of proposals submitted.

Q26. Do you anticipate making any changes to the asset allocation of the fund? Are you considering any new asset classes?

A26. The Board is not currently considering new asset classes. Any changes to asset allocation will be driven in part by the capital market projections presented by the investment consultant.

Q27. How large is your internal investment staff and can you briefly describe their key investment responsibilities and whether they have any non-investment duties as well?

A27. There is no separate investment staff. The Board of Retirement makes all investment related decisions. The Retirement Administrator serves in a dual capacity of a Chief Investment Officer conducting certain activities, like daily manager oversight as directed by the Board. There is a finance team that is responsible for investment accounting and custodial bank transactions.

Q28. Would it be acceptable to email our submission by the stated deadline of March 6th, while the required hard copies arrive on March 7th?

A28. Electronic documents will be accepted as being properly submitted if received on or before the RFP submission due date. Hard copies of electronic submissions can be received after the due date.

Q29. Can you please advise how many full-time employees are dedicated to working on the fund?

A29. There are 18 full time employees in the organization. Only the Retirement Administrator is dedicated to investment-related activities.

- Q30. Will the hired consultant be expected to attend Investment Committee and Board (when requested) meetings in person? Or is a combination of in person and virtual accepted?
- A30. The consultant will be expected to attend all Investment Committee meetings and Strategic Workshops in person unless otherwise authorized to attend remotely by the Board.
- Q31. How many manager searches have been conducted each year, over the last 3 years?
- A31. Over the past three years the system has averaged one manager search per year.
- Q32. We understand that MCERA conducted an Asset/Liability study in 2021, can you confirm that the fund is expected to conduct one in 2024?
- A32. MCERA will conduct another Asset/Liability Study in 2024.
- Q33. Are there any strategic investment initiatives being planned for the next 12-18 months?
- A33. The Board is not currently considering new asset classes. Any changes to asset allocation will be driven in part by the capital market projections presented by the investment consultant.
- Q34. What is the biggest investment-related issue the Committee and Board are currently facing?
- A34. Over the past year the Board's Investment Committee has engaged in a number of discussions on how current market conditions like rising interest rates and inflation impact the portfolio. There have also been discussions about the challenging real estate market and private equity funding.
- Q35. Is the scope outlined in the RFP consistent with your current consultant's contract? If not, what items are different?
- A35. Yes.
- Q36. Can you please provide the current fee being paid for investment consulting services? Are any services provided on an as-needed project basis for a separate one-time fee?
- A36. The annual fee for the existing contract is \$330,000. This includes asset allocation, manager searches, implementations, performance reporting and evaluation, private market consulting, custody evaluation and education. In addition, a fee of \$15,000 is paid for the required annual private equity fee disclosures. All other special projects as needed would have a separate cost.