

RFP Candidate Questions and Responses

- For the go forward allocation, is Santa Barbara open to a fund-of-one solution where the manager / partner has full discretion on the assets? Or is the focus on committing on the SBCERS balance sheet or through an existing separate account?
 - SBCERS currently has a discretionary separate account and would prefer to retain that structure going forward.
- Regarding the existing portfolio, are the assets currently within a separate account or fund-of-one managed by the existing consultant, or are those held directly on the SBCERS balance sheet?
 - SBCERS holds the funds in our account with our custody bank.
- Go forward commitments – as we think about pricing / new investments, can SBCERS provide additional detail on estimated annual PE commitment amounts over the next 3-4 years which could also assist with the fee quote?
 - We would ask the selected consultant to running a pacing analysis that shows appropriate commitments to maintain a 10% allocation to PE going forward.
- Does SBCERS want to maintain a PE target at 10% go forward, or are there plans to increase this?
 - Yes, the 10% is the current target. The Board reviews the target every three years. The most recent review was in Fall 2019.
- Fee Quote: is SBCERS looking for a flat fee structure, or would you be open to a more customized approach (i.e. ramping in over time)?
 - We currently have a flat fee structure but would be open to seeing other proposals.
- Can you please clarify the typo on page 10: “Each proposing firm must submit **seven (3)** printed copies, and one (1) electronic version to: Ms. Lauren Thompson Santa Barbara County Employees’ Retirement System 130 Robin Hill Road, Suite 100 Goleta, CA 93117 lthompson@sbcers.org Note that both the electronic copy and the paper copy shall include signatures as required by this RFP.”
 - Our apologies for the typo. We need three (3) printed and one (1) soft.
- Are you looking for documentation showing the ‘audit of return calculations’ related to a discretionary investment made on behalf of our clients?
 - We are looking for documentation that an audit of returns was performed.
- What are the various roles of staff, committee and consultant in setting the strategic target, executing the plans, selecting potential investment managers, and monitoring the portfolio?
 - Please refer to the RFP’s Section I Part E entitled Scope of Services for a more in-depth response to this question. If you have any further questions as to the various

roles of staff, committee, and consultant, please refer to our Investment Policy Statement which can be found on our website at <https://www.sbcers.org/board-of-retirement/board-policies/>.

- What would you like to see a new advisor do that your current advisor isn't doing?
 - No specific requests
- Does this mandate include private credit, private real estate and private real assets strategies?
 - This mandate does *not* include private credit, private real estate, and private real asset strategies.
- What are the annual fees for the existing contract that the Board is paying to its current private equity consultant? Are there project-related fees associated with the current arrangement that are not part of the base fee?
 - We are currently paying a flat fee without project-related fees. The current fee is \$605,000 annually.
- Would you allow the discretionary advisor to make investments for the Plan into commingled funds that it also manages or would you view this as a conflict of interest?
 - The Board of Retirement reviews each investment for the Plan on an individual basis. Generally speaking however, if the consultant were to propose an investment into a commingled fund that it also manages, this would be viewed as a conflict of interest and the Board would have to decide whether to proceed with the investment or not, given that conflict. For the purposes of this application however, if a consultant has made investments into a commingled fund that it also manages on behalf of its client, please indicate how prevalent this investment practice is within the firm by giving a percentage estimate as to how often the consultant invests in funds it also manages.
- Would you require that the discretionary advisor make a written representation that 100% of any negotiated management fee or carry discounts will be passed along to the Plan and that the advisor will not retain any portion of any negotiated fee discounts with regards to any of the Plan's commitments?
 - Yes, we currently negotiate all GP relationships in the name of SBCERS and fee savings are given to SBCERS.
- Have the fraud allegations of the private equity manager Abraaj Group affected how the Plan views international private equity fund investments?
 - No.
- Would you allow the discretionary advisor to use equity co-investment deal flow that comes from the Plan's fund commitments to make co-investments that benefit investors other than the Plan? (e.g. can the advisor use your fund commitments to generate equity co-investments for its commingled funds or other investors' separate accounts?) If yes, would you require that the Plan share in the advisor's fees or carried interest generated from these investments?

- We currently do not have this issue with our current consultant but we review with our legal team if necessary.
- Would you allow the discretionary advisor to use secondary deal flow that comes from the Plan's fund commitments to make secondary investments that benefit investors other than the Plan? (e.g. can the advisor use your fund commitments to generate secondary investments for its comingled funds or other investors' separate accounts?) If yes, would you require that the Plan share in the advisor's fees or carried interest generated from these investments?
 - We currently do not have this issue with our current consultant but we review with our legal team if necessary.
- Would you allow the discretionary advisor to use secondary deal flow that comes from the Plan's fund commitments to make *direct credit* investments that benefit investors other than the Plan? (e.g. can the advisor use your fund commitments to generate credit investments for its comingled funds or other investors' separate accounts?) If yes, would you require that the Plan share in the advisor's fees or carried interest generated from these investments?
 - We currently do not have this issue with our current consultant but we review with our legal team if necessary.
- How many in-person SBCERS Board meetings did Hamilton Lane attend in 2019?
 - Four regular meetings and our annual Board retreat.
- How does the SBCERS staff currently access and interact with a database of private equity managers? How often is the database used? What does the staff do with the information?
 - Staff is able to access parts of the database, although we don't very often. Any necessary information is typically requested from our client team.
- Is ongoing due diligence on existing SBCERS private equity managers part of this mandate?
 - Yes. Please refer to Scope of Services portion of the RFP (Part E of Section I) for further details. Point 1.e thereunder addresses the issue.
- Does SBCERS currently participate in private equity co-investments?
 - We do not have any current co-investments.
- Does SBCERS currently invest in nascent/emerging private equity funds or managers?
 - No current investments, but no restrictions on investing in emerging managers.
- Would SBCERS accept an all-in annual consulting fee (i.e., with no carried interest)?
 - Yes, our current consultant fee is a flat fee.

- How would our firm be expected to interact with the SBCERS general investment consultant? Would we be required to provide that party with data? If so, please describe the nature and frequency of such requirements.
 - Unless under unique circumstances, the selected private equity consultant will not have to interact with SBCERS' general consultant. As is specified in 2.d under the Scope of Services section in the RFP (Part E of Section I), the selected private equity firm will “reconcile all cash flows, net asset values, and portfolio company information for Private Equity investments partnerships with SBCERS’ custodian bank on a quarterly/monthly basis (as determined by SBCERS); such reconciliation will be furnished to SBCERS within thirty days of completion.”

- Would our firm have full discretion to hire and fire private equity managers/funds?
 - Yes. Per page 26 of the SBCERS Investment Policy statement (which can be found on our website <https://www.sbcers.org/board-of-retirement/board-policies/>), the selected private equity consultant will “be responsible for discretionary management and control of the assets allocated to the Program subject to the limitations of this policy, and direct all decisions to buy, hold, and sell Program assets.”

- Is there a minimum and/or maximum commitment size for private equity funds?
 - No.

- How would our firm be involved with the funding of capital calls? Would we be expected to write letters of instruction for each capital call?
 - Please refer to 2.a, 2.b, and 2.c under the Scope of Services section of the RFP (Part E of Section I). For further information, please refer to page 28 of the SBCERS Investment Policy statement (which can be found on our website <https://www.sbcers.org/board-of-retirement/board-policies/>). There it states that the selected private equity consultant will be required to notify investment staff at least six (6) business days prior to the required funding of capital calls. The firm will be expected to write letters of instruction for each capital call, sending them to SBCERS Investments staff and relevant personnel at SBCERS’ custodian bank BNY Mellon.

- How would our firm be involved with distributions?
 - Similar to capital calls, please refer to 2.a, 2.b, and 2.c under the Scope of Services section of the RFP (Part E of Section I). The selected private equity consultant will be required to notify SBCERS Investment staff and BNY Mellon custodian staff of incoming distributions. Notice of distributions are not required until the day that the distribution is sent to the SBCERS custodian.

- Would SBCERS be willing to use our firm’s discretionary retainer client contract?
 - We would prefer to start with our standard contract and negotiate.