

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
<http://www.ventura.org/vcera>

REQUEST FOR INFORMATION (RFI) FOR PRIVATE EQUITY SEPARATE ACCOUNT INVESTMENT MANAGEMENT SERVICES TIMELINE

Date of RFI issuance	March 17, 2016
Deadline for written questions to VCERA	April 1, 2016
Deadline for submission of Response	4:30 pm PDT, April 8, 2016

DELIVERY OF RFI RESPONSES

Responses are to be delivered as follows:

One printed copy and one (1) electronic version to be delivered to:

Dan Gallagher, Chief Investment Officer
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003
Email address: dan.gallagher@ventura.org

One electronic version to be delivered to:

Consulting Team for VCERA
NEPC, LLC
Email address: ConsultingTeamforVCERA@nepc.com

Both the electronic and paper copies shall include authorized signature(s).

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SECTION I: BACKGROUND AND PLAN INFORMATION

BACKGROUND

The Ventura County Employees' Retirement Association (the "Plan" or "VCERA") is seeking information from qualified managers of private equity separate accounts for the Plan's 10% target allocation to private equity. VCERA's private equity exposure is currently provided through globally diversified fund of funds vehicles, with investments in primary partnerships, secondary partnerships, and co-investments. VCERA recently raised the target allocation for private equity from 5% to 10%, and as a result, is currently under-allocated to the asset class. Of importance to the Plan would be to achieve the target allocation quickly while still maintaining prudent diversification within the private equity portfolio. It is envisioned that manager selection will occur in a three stage process, the first step of which is this RFI. After review of the responses received, candidates identified as providing a best fit through this RFI process will be invited to reply to a detailed RFP. A finalist from that process will then be selected by the Board for contract negotiation.

SECTION II: SCOPE OF SERVICES

The Private Equity Manager is expected to provide expert services in the development, implementation, management, administration, and comprehensive consolidated reporting of VCERA's private equity investment activities. Portfolio management will be on a 'discretion-in-a-box' basis. VCERA seeks candidates that have experience with developing private equity portfolios with a high degree of client interaction, including client veto rights on specific strategies and funds. VCERA acknowledges the expertise and market access that a specialized manager can provide to the Plan and envisions a collaborative partnership that ensures the continued development of VCERA'S private equity portfolio. The Private Equity Manager will work closely with the Chief Investment Officer on the development of VCERA's globally diversified private equity portfolio, which may include primary and secondary commitments, co-investments, and private debt allocations.

The Private Equity Manager will develop the private equity program in a collaborative manner, which includes significant communication during the initial development of the private equity strategic plan. Strategic planning will include the formulation of an appropriate private equity investment strategy specific to VCERA; cash flow forecasting and investment pacing; devising annual tactical plans, which include sector allocations and

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return objectives; creating reporting and monitoring guidelines; and, other related activities. In addition, the Private Equity Manager may be leveraged for researching other private fund investment strategies that fall outside the private equity program.

Required Minimum Qualifications (RMQ)

Candidate firms must certify they meet the following RMQs. For each RMQ, the candidate must provide a detailed response stating how the candidate has met the RMQ.

- Candidate firms must have been in existence for at least ten (10) full years.
- Candidate firms must have at least five (5) years of experience in providing separate account private equity program management.
- Candidate firms must not have been censured by the SEC or subject to regulatory action within the last five (5) years.
- Candidate firms will act as a fiduciary to VCERA.
- Candidate firms must have at least \$1 billion of committed capital in private equity separate accounts.

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SECTION III: QUESTIONNAIRE

A. Firm Information

1. Type of firm
2. Year firm was established
3. Year of implementation of first private equity separate account
4. Number of investment professionals
5. Number and location of offices
6. Please state if your firm is registered with the Securities and Exchange Commission (SEC), a Bank, or a licensed Insurance Company Affiliate. If not, please explain why.
7. Briefly describe litigation settled during the last two years, and any on-going litigation.

B. Team

8. Identify all members of your VCERA client engagement team, including the client relations lead, portfolio manager, and investment team. Address the following:
 - a) Name, title, role and/or function.
 - b) Number of years of experience in institutional investments, experience in private equity, with public funds clients, and tenure with the firm.
 - c) Turnover of key personnel over the last 3 years.

C. Proposed Philosophy, Strategy and Process

Answers to questions in this section should concisely describe the key tenets of the firm's investment decision making process, and explain how the firm's beliefs are manifested in actions.

9. Describe how your firm would provide VCERA with a well-diversified, best in class private equity program.
10. Outline your approach to managing a selection process where the client retains veto rights over prospective partnership investments. Does your firm have existing relationships that utilize the discretion-with-veto approach? Describe how you envision working with VCERA and its General Investment Consultant, NEPC.
11. Describe your philosophy and approach to private equity. What are the most compelling opportunities and risks the firm sees today?

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12. What do you believe are the minimum and optimal number of fund investments per year to achieve a globally diversified portfolio (over a 5-7 year period, assuming commitments of \$75 million per year)? Why?
13. Describe the firm's process for portfolio construction. Based on the above, provide an illustrative pacing plan which incorporates a client's legacy commitments and your investment strategy and process. Include your recommended % allocations to:
 - a) Primaries
 - b) Secondaries
 - c) Co-investments
 - d) Buyout (small; medium; large)
 - e) Growth capital
 - f) Venture capital (seed; small; medium; large)
 - g) Special situations
 - h) Debt (mezzanine; distressed) (small; medium; large)
 - i) U.S.
 - j) European
 - k) Asian
 - l) Other

D. Investment Manager Research, Due Diligence, Selection, and Monitoring

Answers to these questions should demonstrate the breadth, depth, and rigor of the firm's capabilities in these areas, and the resources and processes that facilitate them.

14. Describe the firm's approach to manager selection.
15. Describe the firm's system for tracking prospective investments. Identify if it is a proprietary or non-proprietary database. Include a discussion of the following: number of managers in the database, diversity of products, and years of performance and manager data.
16. Does the firm envision using internally produced funds, external managers, or both? If internally produced funds, what percentage of the portfolio is envisioned to be allocated to internal funds?
17. Describe risk monitoring and risk budgeting methodologies employed in your process.

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18. Provide a sample client portfolio that is approximately \$300 million in market value. Include the partnership name, commitment amount, investment value, vintage year and sector.
19. Provide a year-by-year preliminary dollar-cost estimate of the underlying partnership-level charges (including any carried interest) associated with a program of approximately \$300 million of commitments for the first five years.

E. Client Base and Sources of Revenue

20. Separately identify discretionary and non-discretionary assets under management, revenue sources, client types, and client turnover. If necessary, use narrative to provide context.
21. Identify three of your existing U.S. based, separate account public funds clients.
22. Identify at least two of your public pension funds clients with total fund assets in excess of \$2 billion.

F. Separate Account Administration, Oversight, Monitoring, and Reporting

Answers to these questions should clearly and concisely illustrate the practical implementation and continuing operation of a VCERA separate account.

23. In a separate account structure, explain the difference between a Fund of One and an Advisory account.
 - a) Do you work with both types of structures?
 - a) If you recommend one structure, which, and why?
24. Discuss the separate account structure envisioned for VCERA and fully describe the extent to which it is customizable.
25. Discuss your policy for allocating commitments among client accounts. Include discussion regarding allocation among discretionary versus non-discretionary accounts as well as commingled funds versus separate accounts.
26. Describe your process for handling negotiations regarding fees and partnership terms. Describe the individuals in the process and whether or not your clients' counsel is involved in the negotiation.
27. Describe your approach to working with your clients to manage, oversee, and potentially wind-down their existing legacy investments
28. Describe how your firm would handle the back office functions for managing a private equity mandate on behalf of VCERA including capital calls, cash and non-cash

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distributions, financial statements, subscription agreement amendments, accounting reconciliations with VCERA's accounting group, audits, consolidated reporting (including legacy portfolios), and custodian interaction. Are there any additional costs associated with your back office services?

29. Describe your GP financial reporting requirements, and the procedure for reconciling valuations.
30. Describe the procedure for reconciling capital commitments, paid in capital, invested capital, distributions, expenses, management fees, and cash.
31. Provide samples of the standard reports VCERA can expect to receive on a quarterly, semi-annually, and/or annual basis and the number of days after period end by which they can be expected.
32. How do you handle reporting for clients subject to Freedom of Information Act (FOIA) requirements? Attach a sample of a "public version" portfolio report prepared for FOIA clients.

G. Performance Data

33. Detail the firm's historical performance data for private equity assets under management.
 - a) Present returns both gross and net of fees for all applicable vintage years and include annual and cumulative return data.
 - b) Provide separate performance data for Fund-of-Fund accounts (includes commingled funds) and for separate account returns.
34. If the performance data and presentation is not GIPS compliant, please answer the following questions:
 - a) Do the returns, gross of fees, include any fees or expenses? If so, please provide details of any expenses that are deducted.
 - b) Please provide a description of the fees and expenses that are deducted in the returns net of fees. Are there any additional costs, fees, or expenses incurred by clients that are not included in the net of fees returns?
 - c) Is there a minimum asset level below which accounts are not included in the composite returns? If so, what is that level?

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H. Miscellaneous

35. Has the firm partnered with any past or current clients to evolve their private equity programs in-house? Please describe.
36. Please include one white paper or other short research communication provided to firm clients regarding private equity.
37. Describe employee co-investment programs, including requirements for participation, relative level of participation, and any financing programs.
38. In addition to everything stated above, what distinguishes the products and services you would provide VCERA from those offered by your competition? Why should we hire you?