

ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM, "APERS"

QUESTIONS AND ANSWERS: REQUEST FOR QUALIFICATION ("RFQ") - PRIVATE EQUITY INVESTMENT CONSULTING SERVICES

Questions concerning this RFQ must be submitted to Richmond Giles at Richmond.Giles@arkansas.gov and will be accepted until **3:00 p.m.** central time on **May 31, 2023**.

Question 1: Can you please provide the reason for the issuance of this RFP?

Answer 1: The APERS Board of Trustees (the Board) voted to proceed with the Request for Qualification (RFQ) process, rather than the Request for Proposal (RFP) process. The Board recently decided to expand its portfolio to include private equity investments and is seeking a consultant to search for viable PE investments and advise the board accordingly.

Question 2: Can you please advise how many full-time employees are dedicated to working on the investment of the Pension Plan?

Answer 2: The APERS Investment Department has the Chief Investment Officer (CIO) and three other full-time employees.

Question 3: How many investment manager searches have been conducted each year, over the last 3 years?

Answer 3: In 2021, the Board hired two agriculture/farmland managers. In 2022, the Board hired three valued-add real estate managers. In 2022, the Board committed capital to one value-add real estate manager.

Question 4: If available, can you please provide the 2023-2024 Board of Trustees meeting schedule. Will the hired consultant be expected to attend Board meetings in person, virtually, or in a hybrid format?

Answer 4: In 2023, the Board will meet on September 27 and November 15. The 2024 meeting dates are not yet available. The Board generally prefers attendance in person. However, the consultant may be able to appear virtually under certain circumstances.

Question 5: Is the Retirement System seeking a non-discretionary consultant to advise on the private equity program or a consultant to run a Fund of Fund search? If neither, please expand on the requested scope of services.

Answer 5: APERS is seeking a consultant to both advise and conduct a fund of fund search.

Question 6: Do the regularly scheduled Board meetings occur on the same day every quarter? For example, it appears according to recent meetings on your website that the Board meetings appear to be on the 3rd Wednesday. We also assume physical attendance is required when possible due to public health conditions, but if not, please do clarify here.

Answer 6: In 2023, the Board meetings are scheduled for the third Wednesday of February, May, September, and November. The September meeting has been rescheduled to the last Wednesday of September for 2023. The 2024 Board meeting dates have not been set, but the Board meetings are typically scheduled for February, May, September, and November.

Question 7: Requirement C of the RFQ indicates that “[a]ll timely proposals become the property of APERS.” Does APERS expect respondents to transfer intellectual property rights of documents submitted to APERS such that APERS can use, copy or redistribute any information submitted through the RFQ, or is APERS simply informing respondents that they do not intend to return any documents submitted as part of the RFQ response?

Answer 7: APERS has no expectation that intellectual property rights of any documents submitted to APERS are transferred to APERS; however, a vendor may provide APERS with documents for which the vendor owns the intellectual property rights. In that case, the vendor should take care to conspicuously mark those documents as confidential. The documents to be marked as confidential may include any information that if disclosed would give advantage to competitors or other bidders and that is not in the public domain. APERS will not disclose the confidential information to anyone outside of APERS and will limit access to the confidential information to those persons evaluating a vendor. To answer the 2nd part of your question, APERS does not intend to return any documents submitted as part of the RFQ response.

Question 8: Is the current private equity consultant being considered as part of this process?

Answer 8: APERS does not currently have a dedicated private equity consultant. The APERS general investment consultant is welcome to submit a proposal.

Question 9: 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?

Answer 9: APERS does not currently have a dedicated private equity consultant.

Question 10: Do you have any specific issues in regards to your current private equity consultant?

Answer 10: APERS does not currently have a dedicated private equity consultant.

Question 11: What do you think is the single most important characteristic of an investment consulting firm?

Answer 11: This is a subjective question that will be decided by the Board.

Question 12: How many in person meetings per year are anticipated for private equity? Do you have a preliminary schedule of these meetings?

Answer 12: The Board meets quarterly. The remaining Board meetings in 2023 are on September 27 and November 15.

Question 13: Do you currently use fund of funds or direct funds for your alternative investments? Are you anticipating utilizing more separately managed accounts, co-investments, or direct secondary purchases in the near-term?

Answer 13: APERS currently has zero allocation to private equity. The Board is leaning in the direction of fund of funds. As the private equity program matures, it is certainly a possibility to consider direct, secondary, and co-investment. However, that is at the Board's discretion.

Question 14: What is the most important investment issue your private equity program is currently facing?

Answer 14: APERS currently has zero private equity and is seeking guidance in starting a private equity program.

Question 15: Any potential changes to private equity target asset allocation? Any potential changes to the sub-strategy targets between 'private equity' and 'strategic lending' in the near term?

Answer 15: The target allocation is 5%. Regarding potential changes, the answer is no.

Question 16: What amounts are projected to be committed over next three years?

Answer 16: The target allocation is 5%. The pacing study has been completed by the general investment consultant.

Question 17: Is liquidity at total plan level expected to impact private equity pacing over next five years?

Answer 17: Liquidity is not expected to impact the private equity pacing.

Question 18: How much interaction would staff like to have on the deal log?

Answer 18: The RFQ is for non-discretionary. APERS staff would have a major role and significant interaction with the consultant.

Question 19: What are the various roles of staff, committee, adviser in setting the strategic target, executing the plans, selecting potential investment managers, and monitoring the portfolio?

Answer 19: APERS CIO will have a significant role working with the private equity consultant. The private equity consultant would be responsible for monitoring the private equity portfolio.

Question 20: Do you currently utilize a standard side letter for investment opportunities? Are there any potential changes to the current wording / issues contained therein?

Answer 20: APERS does not currently utilize a standard side letter.