

## RFP Questions and Answers for LACERA.COM

Note: LACERA responses in blue

The following are answers to your questions:

- On the “Scope of Work” (Page 6, Section II, Subsection A). Would LACERA consider standalone submissions for individual currency management substrates within each program? For example, could a submission be made only for the “Passive Currency Management” (#3) component of the Passive Program and the “Active Currency Management” (#2) component of the Active Program? If yes, would the Minimum Qualification Certification (Schedule D-1) pertain to each of the substrates for which a manager has submitted?

LACERA would consider a standalone submission. The Minimum Qualification Certification would pertain to the firm and all submissions in aggregate. The responding firm does not need to submit a Minimum Qualification Certification for each separate mandate submission.

- Would you consider responses from currency managers that address LACERA’s passive and active currency management requirements and not the other overlay services described in the search document?

Yes.

- If a manager responds to either the Passive or Active Programs, and is selected for either one, or both, is it expected that the manager deliver on all aspects of each program as described and delineated in the description of Overlay Services Sought on page 4? Or can a manager select within Passive or Active the services to which it is responding, and will ultimately deliver, if hired?

If selected, a firm would only be expected to perform the aspects of the RFP in which the firm responded to.

- If a manager is currently providing some services described in Overlay Services Sought on page 4,
  - Does the current manager need to respond to this search?

No.

- Does the award of this mandate supersede the existing mandate, and therefore the existing mandate(s) are terminated?

Yes. If an award for this subset of the mandate is made, it would supersede the existing mandate, and therefore the existing mandate would be eliminated.

- With regard to the Overlay Services Sought - Active Program:
  - Is this meant to be an advisory mandate, or will the manager also be given a portfolio to manage?

If a firm is awarded a mandate, the will manage a portfolio.

- How much discretion would the manager have on the tactical rebalances? Is it always to get back to a target derived from the SAA or does the manager have discretion to implement their views within an active risk budget?

If awarded a mandate for tactical rebalancing, the manager would have discretion to implement their views within an active risk budget. However, the program should keep LACERA within the approved SAA Policy Ranges found in the Investment Policy Statement.

- Does the rebalancing follow a pre-specified calendar period?

No.

- Is LACERA only interested in alpha generation from active currency decisions? Any scope for taking tactical views across other public asset classes?

No – There is scope for taking tactical views.

- With regard to the Overlay Services Sought - Passive Program:

- Is LACERA looking for a completion style mandate that will require managing around multiple manager's exposures?

This would be an acceptable approach among others.

- Are we free to propose managing only certain asset classes against specific benchmarks?

Benchmark exposure should replicate, or be aligned with each asset classes' targeted benchmark found within the Investment Policy Statement.

- What is the expected NAV of the full cash overlay?

The overlay would include dollar for dollar exposure to the cash held by LACERA, as well as manager's cash, above the 1% percent allocation to cash per the strategic asset allocation. The currency management would include half of LACERA's public equity exposure to developed non-U.S. markets.

- How much total notional exposure will be needed?

See above.

- What are the flows expected to look like? Frequency, size?

This would be dependent on trades needed to maintain the overlay program.

- What are the liquidity requirements? E.g. ability to settle T+1?

The goal is to have near term liquidity such as trade date, plus one.

- Does the 40 pages submission limit to the questionnaire apply to each of the Passive and Active strategies separately, or is it an absolute limit of 40 pages on the reply for both combined?

The limit is for the combined RFP.

- What tracking error will the active currency management program target?

The tracking error will be determined with the manager to best align the strategy with LACERA's objectives.

- Does the existing LACERA currency hedging program seek to reduce currency risk through passive hedging only or does it currently also aim to add return through active management?

The existing program currently seeks to reduce risk through passive hedging only.

- There are a number of questions that ask to supply documents such as process flow diagrams. Can these be provided as an attachment (e.g. F2)?

Yes.

- In general, if we are responding only related to the Passive Program, should we not answer the questions that only have an “Active” label (e.g. D2 #15, G1 #5)?

Yes – you can answer only the “Passive” portions.

- In section G2 question #4 please define “S.P.”

Please provide the track record of the proposed product.

- On page 15 of the questionnaire (“Part J – Appendix of Supplemental Information”), the last bullet notes “The attached Supplemental Manager Due Diligence regarding Diversity and Inclusion is voluntary.” However, on page 1 of Attachment F, there is a note that only Section II is voluntary. Could you please clarify which part of the questionnaire is voluntary?

Only Section II of Attachment F is voluntary.

- As it relates to the Active Program, could you please confirm the following:

- Which currencies are included in the scope of the program?

The currency management would include half of LACERA’s public equity exposure to developed non-us markets.

- Is there flexibility to net short a currency, if needed?

Yes.

- What is the expected tracking error?

The tracking error will be determined with the manager to best align the strategy with LACERA’s objectives.

- Can we submit one Attachment E – One questionnaire with passive responses, and a second with active responses? If allowed would each submission have the 40 page limit or would the 40 page limit apply to both submissions combined?

The limit is for the combined RFP.

- Can LACERA provide a formatted Word doc version of Attachment E?

Yes – Upon request.

- For the currency hedging track record, does the live track record need to match a currency hedge to LACERA’s global equity benchmark or can we use a live track record for a similar benchmark?

A similar benchmark is acceptable.

- We would like to incorporate LACERA’s daily cash balances in our responses – can LACERA provide this information?

This information may be provided to firms that move on to the advanced stages of the RFP search.

- Does LACERA prefer a separate fee quote for the currency hedging portion or a fee quote for the passive program (including hedging) and a separate fee quote for the active program (including active hedging)

Fee quotes should be itemized based on each strategy.

- Is LACERA seeking the active program to be run independent of the passive program or is LACERA seeking a passive program with an active program overlayed on top?

Both scenarios will be considered. One of the objectives of the search is to explore different avenues of achieving LACERA's policy goals.

- What is your tracking error target or what is the size of the overlay opportunity?

The tracking error will be determined with the manager to best align the strategy with LACERA's objectives.

- We are a German-based organization with 1 public pension client in the US and 1 in the UK (both greater than \$10 billion) and also serve a German church plan (that is considered public in Germany, but not in the US) that is also above \$10 billion. We meet the rest of the requirements. Would we be eligible to respond?

Yes.