



Los Angeles County Employees Retirement Association
300 North Lake Avenue
Suite 850
Pasadena, CA 91101

**Illiquid Credit Emerging Manager Program
Separate Account Manager**

Request for Proposal

October 29, 2021

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RFP ATTACHMENTS

- A – LACERA Investment Policy Statement and OPEB Information
- B – Intent to Respond
- C – Minimum Qualifications Certification
- D – Questionnaire
- E – Diversity, Equity, & Inclusion DDQ & Tables
- F – LACERA Placement Agent Disclosure and SEC Compliance Form & LACERA Placement Agent Policy

October 25, 2021

Dear Potential Provider:

The Los Angeles County Employees Retirement Association ("LACERA") is requesting proposals from qualified firms interested in providing separate account portfolio construction services for a portfolio of emerging illiquid credit managers. A separate account manager would source, conduct due diligence on, and manage a portfolio of emerging managers. The specific services requested via this Request for Proposal ("RFP") are contained in Section II, Scope of Work.

If you are interested in responding, please submit your Intent to Respond (**Attachment B**) via email by **5:00 PM PT, Friday, November 26, 2021**, as well as your completed proposal by **5:00 PM PT, December 10, 2021** to:

Mr. Chad Timko
Senior Investment Officer
LACERA
300 North Lake Avenue, Suite 850
Pasadena, CA 91101
illiquidcreditEMP@lacera.com

Detailed instructions for proposal submission are included in Section III of this RFP. Questions concerning the RFP must be submitted via email by **5:00 PM PT, November 12, 2021**.

Thank you for your interest in providing illiquid credit emerging manager separate account manager services to LACERA, and we look forward to your response.

Sincerely,

Chad Timko
Senior Investment Officer

I. Background Information

LACERA is a public pension fund established pursuant to the County Employees Retirement Law of 1937. In addition to providing service to its members, LACERA acts as fiduciary agent and manager of the portfolio.

LACERA is governed by two nine-member Boards: the Board of Retirement ("BOR") and the Board of Investments ("BOI"). The BOR is responsible for the administration of the retirement system. The BOI is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the fund. The day-to-day management of LACERA is delegated to a Chief Executive Officer appointed by both Boards. The day-to-day management of LACERA's investment portfolio is delegated to a Chief Investment Officer appointed by the BOI.

LACERA administers a pension fund and an OPEB Master Trust of approximately \$73 billion and \$2.4 billion in assets, respectively. Additional information about LACERA's asset allocation can be found in LACERA's Investment Policy Statement provided in **Attachment A**.

For additional information about LACERA, please refer to LACERA's Annual Financial Report, which is posted on the LACERA website, www.lacera.com, in the "Investments" section.

LACERA's strategic asset allocation includes a 7% target to illiquid credit strategies. LACERA's implementation of illiquid credit targets a 15% allocation to an emerging manager program, with a 10-20% range. Currently, LACERA plans to fully implement its illiquid credit emerging manager portfolio via a separate account manager, as sourced by this search process. Given LACERA's current total Fund size and targets, this illiquid credit emerging manager program separate account mandate is expected to be for a portfolio of approximately \$750 million. LACERA reserves the right to adjust the target portfolio size at any time.

II. Scope of Work

A. Description of Services Sought

The purpose of this RFP is to identify a separate account investment manager to construct and manage a portfolio of emerging illiquid credit managers. A separate account manager would source, conduct due diligence on, and manage a portfolio of emerging illiquid credit managers that adheres to LACERA's policies. LACERA seeks firms with the following experiences and competencies.

1. Identifying outstanding firms early in the firm's lifecycle
2. Working with institutional investors and various service providers
3. Constructing portfolios with objectives that are tailored to institutions such as LACERA and initiatives such as LACERA's T.I.D.E.
4. Inspiring credible portfolio managers to launch new firms and helping them through a launch process
5. Strong operational due diligence capabilities and experience providing related guidance to new investment organizations
6. Providing start-up and growth capital to emerging firms in exchange for preferred investor economics

III. Requirements and Instructions for RFP Response

A. Proposal Deadline

If you are interested in responding, please submit your Intent to Respond (**Attachment B**) to illiquidcreditEMP@lacera.com by **5:00 PM, PT, Friday, November 26, 2021**.

The completed proposal must be delivered by **5:00 PM, PT, Friday, December 10, 2021**. Any proposal delivered after the proposal deadline will not be considered.

The preferred delivery method is emailing the electronic files of the completed proposal to illiquidcreditEMP@lacera.com. A secondary option is mailing a USB flash drive with the electronic files to the physical address below supplemented with an email notice to illiquidcreditEMP@lacera.com indicating that a USB flash drive was mailed and including the tracking number.

Mr. Chad Timko
Senior Investment Officer
LACERA
300 North Lake Avenue, Suite 850
Pasadena, CA 91101
illiquidcreditEMP@lacera.com

The size of any emails should not exceed 32 megabytes. If necessary, attachments that have a large file size may be distributed across multiple emails. Faxed and mailed physical paper transmissions are not acceptable. Also, send one *electronic* copy marked “REDACTED”. The redacted copy should exclude all material from your proposal that you believe in good faith is exempt from disclosure under the California Public Records Act (Cal. Gov. Code Sections 6250 et seq.) (Described in Section VI of this RFP). Redactions should appear as blacked out material or blank page(s) with the word “REDACTED” or “PROPRIETARY” inserted.

B. Format and Content

Proposals are to address all the questions posed by LACERA in the order in which they appear in this RFP. All requested information must be provided in the format and order described below. Answers are to be succinct in a 12-point font and single-sided page limit maximums (as indicated below) are to be complied with.

1. Executive Summary

An executive summary (not to exceed four pages) must be submitted. This document should briefly summarize the firm’s proposed services and include sections that address the below topics:

1. Description of the proposed services
2. Experience in providing the proposed services overall and to public pension clients
3. Brief description of other lines of business at the firm
4. Approach to portfolio construction and risk management

5. Approach to incorporating diversity and inclusion into due diligence practices
6. Experience structuring attractive terms with emerging investment managers
7. Experience identifying smaller and emerging managers early
8. The proposed account structure (and alternative account structures you would be willing to implement) for emerging manager investments on behalf of LACERA
9. The proposed fee structure(s) and level(s)
10. The case for why the firm is best suited to meet LACERA's needs

2. Minimum Qualification Certification

Your firm must certify, by completing and signing **Attachment C**, that it meets the minimum qualifications required.

3. Questionnaire

Provide your response to the enclosed Questionnaire (**Attachment D**). Excluding the requested Exhibits, your response must not exceed **40 pages**. Responses shall be in the prescribed format. The RFP and Attachments have been made available for review and download via LACERA's website (www.lacera.com) under the "Business Opportunities" section (follow on the website: About LACERA/Who We Are/Business Opportunities).

4. Attachments

Respondents seeking consideration as a separate account manager must provide all information requested to be included as Exhibits to the completed Questionnaire.

Please complete the Diversity, Equity, and Inclusion Questionnaire; Diversity, Equity, and Inclusion Questionnaire Firm Demographics Tables; and the Firm Ownership Profile Questionnaire Table (**Attachment E**) and include your response as an Exhibit.

The Exhibits do not contribute to the Questionnaire page limit as outlined in the previous section; however, please do not include additional Exhibits or Attachments in your response beyond what is requested in the Questionnaire, as they will not be considered in this evaluation.

C. Questions Relating to this RFP

All questions, inquiries, and requests for additional information concerning this RFP should be received no later than **5:00 PM PDT, November 12, 2021**, and should be emailed to illiquidcreditEMP@lacera.com. All questions received and responses thereto will be posted on LACERA's website (www.lacera.com) under the "Business Opportunities" section (follow on the website: About LACERA/Who We Are/Business Opportunities) on or about **5:00 PM PDT, November 19, 2021**.

Additional Information

Please note that during this evaluation process LACERA staff will not answer any questions related to the RFP except as set forth in the above paragraph. After the deadline

to submit questions, if a question appears unclear to you, please state your interpretation of the question and answer it accordingly.

To ensure that prospective service providers responding to this RFP have equal access to information regarding the RFP and communications related to the RFP are consistent and accurate so that the selection process is efficient and fair, a quiet period will be in effect from the date of issuance of this RFP until the selection of one or more respondents is completed and announced. During the quiet period, respondents are not permitted to communicate with any LACERA staff member or Board member regarding this RFP except through the point of contact named herein. Respondents violating the quiet period may be disqualified at LACERA's discretion. Respondents who are existing LACERA service providers must limit their communications with LACERA staff and Board members to the subject of the existing services provided by them.

IV. Evaluation Process

An evaluation committee consisting of several LACERA investment staff members will review RFP responses. An initial screen and fit-for-purpose assessment will be conducted to both ensure that minimum qualifications are met and that proposals align with the objectives of the search. The fit for purpose assessment will be performed by evaluating the firm's executive summary response.

Responses that meet minimum qualifications and are fit-for-purpose shall be subject to evaluation on the following categories by a committee comprised of LACERA staff.

1. Organization and professional staff
2. Experience with similar mandates and tailoring a portfolio
3. Experience establishing shared ownership benefits for investors
4. Experience with early-stage investments and negotiations
5. Investment performance (past investments and proposed model portfolio), sourcing, portfolio construction, and risk management
6. Operations, operational due diligence, and related experience
7. Fees

The evaluation committee will consider written responses and interview select candidate firms. Final scores, an evaluation review, and a recommendation from the evaluation committee will be advanced to LACERA's Board of Investments, that has selection authority.

V. Contract Terms and Conditions

The separate account manager will acknowledge that it is a fiduciary under the contract and, as a fiduciary shall perform its duties with the standard care, skill, prudence, and diligence that apply to other reputable experts practicing in the investment management field.

VI. Tentative Timetable

The following is the tentative time schedule for LACERA's search for firms to provide investment management services. All dates are subject to modification by LACERA.

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|--|-------------------------|
| LACERA RFP Issued | October 29, 2021 |
| Submission – RFP Questions Deadline | November 12, 2021 |
| LACERA Responses to Written Questions | November 19, 2021 |
| Deadline to Submit Intent to Respond | November 26, 2021 |
| Submission – RFP Response Deadline | December 10, 2021 |
| RFP Response Evaluation | December 2021 – Q1 2022 |
| Semi-Finalist and Finalist Evaluation | Q1 – Q2 2022 |
| Staff Recommendation to Board of Investments | Q2 – Q3 2022 |

VII. Notice to Respondents Regarding the Public Records Act

The information you submit in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (Cal. Gov. Code Sections 6250, et. seq., the “Act”) in the sole discretion of LACERA based on its interpretation of its legal obligations under the Act. The Act provides generally that all records relating to a public agency's business are open to public inspection and copying, unless specifically exempted under one of several exemptions set forth in the Act. In addition, if LACERA staff chooses to recommend your firm to the Board of Investments for hiring, such recommendation and the relevant proposal(s) will appear on a publicly posted agenda for a public meeting of the Board of Investments in accordance with the Ralph M. Brown Act (Cal. Gov. Code section 54950, et seq.), and parts or all of your proposal may be included in the agenda packet that is available to the public generally. If it is included in the agenda packet, your proposal will not be exempt from disclosure under the Act.

If you believe that any portion of your response to this RFP is exempt from public disclosure under the Act and should not be included as part of any public agenda packet, you must mark such portion “TRADE SECRETS”, “CONFIDENTIAL” or “PROPRIETARY” and make it readily separable from the balance of your response and offer a brief explanation for the exemption under the Act. Responses marked “TRADE SECRET”, “CONFIDENTIAL” or “PROPRIETARY” in their entirety will not be honored, and LACERA will not deny public disclosure of all or any portion of responses so marked. By submitting a response with material marked “TRADE SECRET”, “CONFIDENTIAL” or “PROPRIETARY,” you represent you have a good faith belief that the material is exempt from disclosure under the Act; however, such designations will not necessarily be conclusive.

You may be required to justify in writing why such material should not, upon request, be disclosed by LACERA under the Act and should not be included in the agenda packet. Fee and pricing proposals are not considered “TRADE SECRET,” “CONFIDENTIAL,” OR “PROPRIETARY”. LACERA may also in its sole discretion produce any information in your response, including information marked “TRADE SECRET,” “CONFIDENTIAL,” or “PROPRIETARY,” in response to a Public Records Act request if LACERA believes it is required by law to do so.

If a request is made pursuant to the Act for materials you have marked “TRADE SECRET”, “CONFIDENTIAL” or “PROPRIETARY” and LACERA agrees that the material requested is not subject to disclosure under the Act, LACERA will either notify you so you can seek a protective order at your own cost or expense, or LACERA will deny disclosure of those materials. If LACERA denies public disclosure, then by submitting your proposal you agree to reimburse LACERA for, and to indemnify, defend, and hold harmless LACERA, its officers, fiduciaries, employees, and agents from and against any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs, and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, “Claims”) arising from or relating to LACERA's non-disclosure. By submitting your proposal, you also agree to indemnify, save, and hold LACERA harmless from and against any and all Claims arising from or relating to LACERA’s public disclosure of any such designated portions of your response if LACERA reasonably determines disclosure is required by law, or if disclosure is ordered by a court of competent jurisdiction.

Nothing in this RFP requires LACERA to withhold any documents from production under the Act.

VIII. Responses become LACERA Property

The information you submit in response to this RFP will become the exclusive property of LACERA. Your response will not be returned to you, and LACERA will not reimburse you for response preparation expenses.

IX. Contract Negotiations

If LACERA’s Board of Investments so authorizes, staff will negotiate an investment management agreement with the approved firm. LACERA may terminate negotiations, at its sole discretion, if it believes a satisfactory agreement cannot be negotiated. LACERA reserves the right to award a contract based upon proposals received. You should not rely upon the opportunity to alter your proposal (e.g., fees, services to be provided) during contract negotiations.

Finalists will receive a general form of the contract that LACERA intends to use for this engagement when finalists are identified. At such time, finalists will be asked to comment on the general form contract and such comments may form a part of the evaluation criteria. By not commenting on the general form of the contract, a finalist agrees to each term in the contract, and will not seek any modifications to the contract. LACERA has the right to change, or negotiate contract terms different than those in Exhibit E in our sole discretion.

If a Finalist objects to a term in the general form contract, or wishes to modify or add terms, the Finalist’s submission must identify each objection, and propose language for each modification and additional term sought, including the rationale for the change. LACERA reserves the right to make changes to the contract prior to execution, including material changes.

X. Contract Terms and Conditions

The winning bidder will be required to comply with applicable California law and LACERA's Investment Policy Statement, including without limitation the following:

A. Fiduciary Responsibility

The separate account investment manager will acknowledge that it is a fiduciary under the contract and as a fiduciary shall perform its duties with the standard care, skill, prudence and diligence that apply to other reputable experts practicing in the same field.

B. Conflicts and Economic Interests

The separate account investment manager will affirm that it will report economic interests and conflicts in accordance with California law and LACERA policy, including the Code of Ethical Conduct, by filing Form 700s.

XI. Reservations by LACERA

LACERA reserves the right to cancel this RFP, in whole or in part, at any time before the closing date.

LACERA is not liable and will not reimburse you for any costs you incur in connection with the preparation or submission of any proposal.

If you submit a response to this RFP, LACERA reserves the right to make such investigations as it deems necessary to determine your ability to furnish the required services, and you agree to promptly furnish all such information for this purpose as LACERA may request.

LACERA also reserves the right to reject the proposal of anyone who is not currently able to perform the contract, or who has previously failed to perform similar contracts properly, or in a timely manner.

LACERA reserves the right to reject, in whole or in part, any and all proposals received; to waive minor irregularities; to negotiate in any manner necessary to best serve the public interest, and to make a whole award, multiple awards, a partial award, or no award.

LACERA reserves the right to award a contract, if at all, to the firm which will provide the best match to the requirements of the RFP and the investment management services needs of LACERA, which may not be the proposal offering the lowest fees.

LACERA reserves the right to request additional documentation or information from each respondent. Requested information may vary by respondent. LACERA may ask questions of any respondent to seek clarification of a proposal or to ensure the respondent understands the scope of the work or other terms of the RFP. LACERA reserves the right to terminate or modify this RFP.

LACERA reserves the right to submit the final agreement between LACERA and the respondent to the Board of Investments for approval.

This RFP is not an offer of a contract. Acceptance of a proposal does not commit LACERA to award a contract to any respondent, even if the respondent satisfied all requirements stated in this RFP. Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a proposal. LACERA reserves the right to choose to not enter into an agreement with any of the respondents to this RFP.