

**South Carolina Retirement System Investment Commission (“RSIC”)
Private Markets Specialty Consulting Services
Request for Proposals (“RFP”)**

Responses to Written Questions from Potential Offerors

Question: If a consultant is submitting a proposal for more than one sub-asset class but not all sub-asset classes within Private Markets – is pre-partnering with a complimentary firm a requirement?

Answer: *No, Offerors who are submitting a proposal for individual private markets asset class are not required to pre-partner with another Offeror.*

Question: Section 3.2.1. b of the RFP states “The firm or its principals must have experience in providing Private Markets consulting services to existing clients, in aggregate, with at least \$15 billion in committed capital.”

Please clarify what is meant by this statement above. Does firm assets under advisement have to exceed \$15 billion or does our client’s AuM have to exceed \$15 billion?

Answer: *The minimum qualification found in Section 3.2.1.b requires that Offerors have a client base that, in aggregate, has at least \$15 billion dollars of committed capital to the private markets asset classes for which the Consultant is submitting a proposal.*

Question: If the statement above refers to the firm’s AuM, is it possible to have a lower AuM if only providing advisory services on a few sub-asset classes within Private Markets?

Answer: *The statement above refers to the minimum threshold of aggregate client committed capital, regardless of how many private markets asset classes for which the Offeror is submitting a proposal.*

Question: Please provide the scope of services the hourly fee referenced in Exhibit D, Question 4 would be applicable to, or provide an example of a past project that falls within this scope and the fees associated with it.

Answer: *The hourly rate referenced in Exhibit D, Question 4 is applicable to any services your firm provides that are not included in the fee proposal provided in Exhibit D, Question 1.*

Question: Item # 4.1.19, Section IV. Instructions to Offeror and Information, states that it is a requirement for all responding organizations to provide a copy of the firm’s most recent audited financial statements, which must include at least an income statement, balance sheet, and statement of cash flow. As a private employee-owned organization, we consider our audited financial statements to be confidential. Would it be possible for us to submit redacted financial information for the RFP with the understanding that full disclosure would be provided if our firm were to be selected as a finalist?

Answer: *Section 4.1.18: Appendix B – Annual Financial Report requires all Offerors to submit “the firm’s most recent audited financial statements, which must include at least an income statement, balance sheet, and statement of cash flows.” All Offerors must submit the information required under Section 4.1.18 in order to not be deemed non-qualifying or nonresponsive as set forth in Section 5.1.3 of the RFP. If an Offeror is submitting information that is considers to be privileged, confidential, or trade secret, please refer to Section 4.5.0 of the RFP and follow the instructions.*

Question: The table referenced for completion in Exhibit C, Question 14 is missing from the RFP.

Answer: *Please complete the table below and insert in Exhibit C, Question 14.*

Client Base Profile					
Client Type	Number of Discretionary	Discretionary AUA*	Number of Non-Discretionary	Non-Discretionary AUA*	Total Number of Clients

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U.S. Defined Benefit Public Pension Funds					
Corporate Pension Funds					
Endowments/ Foundations					
Other (Please specify)					

Question: Do you want the redacted version of the RFP submitted electronically and/or as a hard copy?

Answer: *Please provide the redacted version of the proposal in both electronic and hard copy format.*

Question: Do subcontractors include third party software providers—including valuation, accounting and asset management software platforms—structured on a SaaS (service as a software) basis?

Answer: *No, it is not necessary to include third party software providers as subcontractors.*

Question: In Exhibit B, Question 2, please confirm that the second sentence should be the committed capital of clients as of 6/30/16.

Answer: *Yes, the second sentence asks for the aggregated amount of client committed capital as of 6/30/16.*

Question: In Exhibit C, Questions 22 and 58, please clarify if Private Markets be substituted for private equity.

Answer: *Yes, in Exhibit C, Questions 22 and 58, “Private Markets” may be substituted for “Private Equity”*

Question: Can you please advise as to when the 2016 financial statements for RSIC will be posted?

Answer: *The 2015-2016 South Carolina Retirement System Investment Commission Annual Investment Report can be found at the following link:*

<https://www.ic.sc.gov/Reporting/AIR/PDFs/2016annualreport.pdf>

Question: What administrative services are the private market consultants expected to provide? Will private equity administrative services be split between the winning firm and Conifer Financial Services, or will one entity be responsible for all such services?

Answer: *Conifer will retain responsibility for administrative services. Any data that required for performance reporting can be provided by the administrator and/or the custody bank.*

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Question: What level of reporting detail for the existing portfolio will be required from the private markets consultant –company level detail or fund level detail only?

Answer: *RSIC would prefer to defer making a decision on the level of reporting that will be required until we have the benefit of seeing the sample performance reports from all Offerors and can determine what will best suit RSIC’s needs. As you complete your proposal, please provide sample reporting that illustrates the services your firm is able to provide and indicate how much longer after a period-end it would take to receive company-level data. . If there is a pricing differential between company-level detail and fund-level detail, please note that in Exhibit D of your proposal.*

Question: What are the current fees paid for private markets services?

Answer: *Currently, RSIC pays no separate fees for private markets services.*

Question: Is Aon Hewitt invited to re-bid?

Answer: *Aon Hewitt is invited to submit a proposal.*

Question: How many in-person meetings per year are anticipated for private equity?

Answer: *From time to time, the consultant will be expected to meet at RSIC’s offices in Columbia, South Carolina. While the number of these meetings per year will likely vary over time, we anticipate 8 or fewer during the first year of the contract and fewer in the subsequent years. Videoconferencing capabilities may reduce the instance of in-person meetings.*

In regards to manager due diligence meetings, we expect that the consultant will conduct most of these meetings during the normal course of the consultant’s business and most would not require a trip solely on RSIC’s behalf.

Question: Are there any potential changes in investment team staffing?

Answer: *While there are no planned changes to the investment team, as with any organization, staffing changes may occur at any time.*

Question: Have any opportunities been lost because they couldn't be analyzed by existing specialist consultant?

Answer: *RSIC currently solely has a general consultant.*

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

Answer: *Liquidity at the Plan level is carefully monitored. Given the liquidity offered by other asset classes, the Portfolio should have sufficient liquidity over the next five years to maintain allocations to illiquid asset classes.*

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Question: Are there requirements/restrictions on staff travel to potential overseas due diligence trips for international opportunities?

Answer: *While RSIC staff is not prohibited from travelling overseas for due diligence, there are factors that make international travel difficult.*

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

Answer: *RSIC currently uses a standard side letter for investment opportunities. At the current time, RSIC has no intention of making changes to its form side letter. However, RSIC reserves the right to make necessary changes to its form side letter to address investment strategies as well as changing legal, regulatory, and policy environments. RSIC would welcome the consultant’s input on potential modifications to the standard side letter currently in place.*

Question: Does RSIC currently have a target allocation for the Private Markets sub-asset classes?

Answer: *RSIC’s Long-Term Policy Allocation is delineated on page 11 of the Statement of Investment Objectives and Policies, which can be found using the following link:*

<https://www.ic.sc.gov/Policies/AIP/PDFs/2016-2017%20SIOP.pdf>

Question: Are there any potential changes to private equity target asset allocation? Are there any potential changes to the sub-strategy targets between ‘private equity’ and ‘strategic lending’ in the near term?

Answer: *RSIC reviews its target asset allocation annually, and any changes are generally adopted at the April meeting of the Commission.*

Question: How much does RSIC expect to commit to private markets investments during the next three-five years?

Answer: *RSIC intends to focus on high conviction investment opportunities within private markets and does not have a fixed commitment pace, as noted in RSIC’s Statement of Investment Objectives and Policies. Given compelling opportunities, we are interested in making commitments that at least maintain the current level of exposure to our private markets asset classes.*

Question: How much has RSIC committed to each investment within these private markets strategies and in what year each investment was made.

Answer:

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	Private Equity	Private Debt	Real Assets
2005	100,000,000	NA	NA
2006	218,532,700	NA	149,700,000
2007	417,646,000	280,000,000	NA
2008	879,415,652	1,098,289,174	305,473,686
2009	548,537,272	1,025,013,285	100,000,000
2010	544,021,716	498,710,000	318,810,000
2011	463,781,307	174,000,000	527,767,786
2012	111,102,500	867,910,672	435,000,000
2013	140,000,000	99,000,000	25,523,681
2014	179,750,000	262,475,549	350,000,000
2015	502,952,632	467,000,000	475,000,000
2016	159,500,000	850,000,000	650,000,000
Total:	4,265,239,779	5,622,398,680	3,337,275,153

Question: How many commitments to private equity, private credit, and real assets funds did you make in 2015 and 2016, and do you anticipate any material change in the number of annual commitments going forward?

Answer: *The number of commitments in 2015 and 2016 to private equity, private debt, and real estate is listed in the chart below:*

	Private Equity	Private Debt	Real Estate
2015	7	3	4
2016	2	3	3

As stated previously, RSIC is committed to investing in high conviction private markets opportunities, and therefore, any commitments going forward will depend on the available opportunity set and not a commitment pacing schedule.

Question: What are your current pacing plans in 2017 and 2018 for private equity, private credit, and real assets?

Answer: *RSIC intends to focus on high conviction investment opportunities within private markets, and accordingly, does not have a stated commitment pace going forward.*

Question: Can you please describe staff involvement in decision making and ability to change / amend relationships with strategic partners?

Answer: *Decisions regarding investments within strategic partnerships are made by the Chief Investment Officer in conjunction with the Internal Investment Committee. Amendments to relationships with strategic partners are made by the Investment Commission.*

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Question: 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: *Please refer to Section II A, of the South Carolina Retirement System Investment Commission’s Statement of Investment Objectives and Policies, which outlines the roles and responsibilities for each party associated with administration and management of assets for the South Carolina Retirement System. The link for this document is found below:*

<https://www.ic.sc.gov/Policies/AIP/PDFs/2016-2017%20SIOP.pdf>

Question: Certain investment opportunities may have characteristics that could make it suitable for either the ‘private equity’ portfolio or the ‘strategic lending’ portfolio – consequently, how are investments classified or placed in either portfolio?

Answer: *RSIC acknowledges that the grey area for classifying investments between private equity and private debt exists when dealing with distressed investments. In this case, RSIC’s general rule is that if it is a situation of “distressed for control”, then it is classified as private equity, while if it is “distressed for trading” or when control is not sought, it is generally classified as private debt.*

Question: 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: *Except in special situations, such as venture capital, RSIC does not expect to invest additional capital in fund of funds. We utilize separately managed accounts when Staff believes that a better outcome can be achieved either through reduced fees or differentiated exposure. We currently have a robust co-investment program, and we anticipate continuing this program. We may engage a co-investment partner in the near future to assist with the program. While we have no plans to participate in direct secondary purchases, we are open to compelling opportunities.*

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

Answer: *RSIC is looking for a consultant who will help us to formulate a strategic vision for the private markets asset classes, combined with an ability to support Staff with implementation. In this regard, it is imperative that the private markets consultant(s) be able to work alongside staff to proactively source, gain access to, and effectively underwrite investment opportunities in such a way that leads to strong long-term performance.*

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

Answer: *The most important issue currently facing RSIC’s private equity program is effectively sourcing opportunities that are outside of our current realm, gaining access to oversubscribed*

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funds, and underwriting opportunities in such a way that effectively demonstrates managers’ ability to reliably create value in excess of the public markets.

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

Answer: *The RSIC investment team will be very involved with the deal log. It is imperative that the consultant be willing to work closely with staff at every point in the process.*

Question: To enable a meaningful and coherent response to your question #59 can you please provide a full listing of the Private Markets portfolio including size of commitment and performance since inception?

Answer: *Please refer to the 2015-2016 South Carolina Retirement System Investment Commission Annual Investment Report, which can be found at the link below, as well as in the South Carolina Retirement System Investment Commission Third Quarter 2016 Investment Performance Review, which will be emailed to each firm who provided an Intent to Respond in due course. Should this information be insufficient, RSIC may provide additional information to Offerors that are selected as finalists.*

<https://www.ic.sc.gov/Reporting/AIR/PDFs/2016annualreport.pdf>