



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

**PRIVATE EQUITY EMERGING MANAGER
DISCRETIONARY SEPARATE ACCOUNT**

June 22, 2021

TABLE OF CONTENTS

I.	Background Information	Error! Bookmark not defined.
II.	Scope of Services	5
III.	Requirements and Instructions for RFP Response	Error! Bookmark not defined.
	A. Proposal Deadline	7
	B. Format and Content.....	Error! Bookmark not defined.
	C. Questions Relating to this RFP	Error! Bookmark not defined.
	D. Evaluation of Responses and Additional Conditions...	Error! Bookmark not defined.
IV.	Evaluation Process	9
V.	Contract Terms and Conditions.....	Error! Bookmark not defined.
VI.	Tentative Timetable.....	Error! Bookmark not defined.
VII.	Notice to Respondents Regarding the Public Records Act	10
VIII.	Responses become LACERA Property	Error! Bookmark not defined.
IX.	Contract Negotiations	11
X.	Reservations by LACERA	Error! Bookmark not defined.

RFP ATTACHMENTS

A – Intent to Respond	A1
B – LACERA Private Equity Portfolio	B1
C – LACERA Investment Policy Statement	C1
D – Minimum Qualification Certification	D1
E – Questionnaire	E1
F – Supplemental Questionnaire (Microsoft Excel file)	F1
G – Supplemental Diversity & Inclusion Questionnaire	G1
H – Supplemental Diversity & Inclusion Questionnaire Table (Microsoft Excel file)	H1
I – Investment Management Agreement	I1

June 22, 2021

Dear Potential Provider:

The Los Angeles County Employees Retirement Association ("LACERA") is requesting proposals from qualified firms interested in providing discretionary separate account management services to implement the LACERA Private Equity Emerging Manager Program (the "Program"). The specific services requested via this Request for Proposal ("RFP") are contained in Section II, Scope of Services.

If you are interested in responding, please submit your Intent to Respond (**Attachment A**) by **3:00 PM, PDT, Friday, July 23, 2021**, as well as your completed proposal (email and hard copies) by **3:00 PM, PDT, Friday, August 20, 2021**, to:

Mr. Christopher J. Wagner
Principal Investment Officer
LACERA
300 North Lake Avenue, Suite 850
Pasadena, CA 91101
alternatives@lacera.com

Detailed instructions for proposal submission are included in Section III of this RFP. Questions concerning the RFP must be submitted in writing by **3:00 PM, PDT, Monday, July 5, 2021**.

Thank you for your interest in providing services to assist LACERA in the implementation of its Emerging Manager Program, and we look forward to your response.

Sincerely,
Mr. Christopher J. Wagner
Principal Investment Officer

I. Background Information

The Los Angeles County Employees Retirement Association's (LACERA) Board of Investments ("BOI") adopted a private equity program structure whereby LACERA works with a non-discretionary advisor to evaluate direct commitments to funds through its core portfolio and opportunistically engages discretionary managers to gain exposure to difficult to access areas of the market and those that require a highly efficient, nimble execution style.

LACERA began investing in private equity in 1986; a copy of the current private equity portfolio is included as **Attachment B**. For additional information about LACERA, please refer to LACERA's Comprehensive Annual Financial Report ("CAFR"), which is posted on the LACERA website, www.lacera.com, under the tab "Investments" and LACERA's Investment Policy Statement (**Attachment C**). As of December 31, 2020, the \$8.9 billion LACERA Private Equity portfolio consisted of a "core" portfolio of direct fund investments and co-investments and two targeted separate account programs: (1) the Middle-Market Program and (2) the Program.

This RFP is to solicit proposals from qualified organizations to provide discretionary separate account investment services for the Private Equity Emerging Manager Program. The purpose of this Program is to provide LACERA exposure to smaller, lesser-known firms and in some cases first time funds whose general partners acquired their experience working at more established firms. The BOI selected an outsourced separate account strategy as the most effective way to implement LACERA's Emerging Manager Policy because of the resources required to manage the Program. After a formal RFP process in 2008, the BOI selected JPMorgan to manage a \$150 million allocation on a discretionary basis. In September of 2013, the Board approved an additional \$100 million allocation to keep the program funded while deferring to undertake an RFP process at that time. In August 2016, the Board approved an additional \$100 million allocation to keep the program funded in advance of the planned Private Equity Emerging Manager Program, Fund-of-Funds Separate Account Manager Search (the "Search"). Most recently in February 2018, the Board approved a \$300 million allocation after a formal RFP process.

LACERA is currently undertaking the Search through the issuance of this RFP, with the proposed timeline described in Section VI, *Tentative Timeline*. The *Program Objectives* are to:

1. Direct capital toward private equity managers that are traditionally overlooked by large institutional investors, but that have the potential to deliver competitive, risk-adjusted rates of return. LACERA defines private equity emerging managers as first, second, or third institutional funds with capital commitments between \$300 million to \$1 billion for buyout and growth equity funds and between \$100 million and \$400 million for venture capital funds;
2. Access the small fund universe globally;
3. Source top-quality managers for the core private equity portfolio as they graduate from "emerging" manager status;
4. Achieve terms favorable to LACERA (economic and governance-related) when investing in emerging manager funds; and

5. Achieve an annualized investment return of 200 basis points over the Morgan Stanley Capital International All Country World Index Investable Market Index (“MSCI ACWI IMI”) over a 10-year time frame, net of all partnership fees, expenses and carried interest as well as any manager fees, expenses, and carried interest.

II. Scope of Services

LACERA seeks one or multiple separate account fund-of-funds manager(s) (“Separate Account Manager”) to invest in private equity emerging managers on a discretionary basis and achieve its Program Objectives (defined above). Services will include: (1) identifying high quality emerging managers with the potential to grow into LACERA’s core private equity portfolio; (2) consulting with staff on emerging manager investments and the structure of the emerging manager portfolio; (3) investment selection; (4) investment monitoring; and (5) performance review. LACERA will track the number of emerging managers that “graduate” from the Program portfolio to core private equity portfolio investments; the number of graduates will serve as a key performance indicator of the Program.

The investment performance objective for this Program, as measured by Internal Rate of Return, is an annualized return of the MSCI ACW IMI Index over a 10-year time frame plus 200 basis points. This objective is net of all partnership fees, expenses and carried interest, as well as any manager fees, expenses, and carried interest. The performance objective is consistent with LACERA’s private equity asset class return expectation.

The discretionary Separate Account Manager will provide LACERA with the following services:

A. Identify and Select High-Quality Emerging Managers

Conduct independent and thorough analysis of each investment opportunity. Due diligence procedures of the Separate Account Manager may include, without limitation, any or all of the following:

- gather and review the investment documents, including offering materials, the limited partnership agreement, financial statements, and the like;
- request and review other information, supplied in writing, relevant to the due diligence investigation that might otherwise not be provided by the general partner, such as financial statements and other data supporting claimed track records, valuations, and relevant investment experience;
- conduct in-depth analyses, reference checks and due diligence reviews of the prospective general partner and its organization;
- analyze and independently verify claimed performance and track record by investigating the general partner's prior funds, and the portfolio investments made;
- examine the assumptions used to value any unrealized investments;
- visit the general partner's primary offices and conduct interviews with the key individuals, assessing the depth and stability of the general partner's organization, touring

facilities, reviewing the general partner's investment sourcing, due diligence, monitoring, and record keeping procedures;

- compare the merits with similar offerings to determine whether the investment is the best available opportunity of its kind;
- compare the terms, conditions, and attributes of the proposed investment to other similar and available opportunities;
- review the proposed terms and structure of the investment, and if appropriate, negotiate any changes or provisions as necessary;
- maintain complete, written records and files of all due diligence; and
- the Separate Account Manager will make best efforts to obtain an advisory board seat for LACERA in each fund contained in the Program and ensure LACERA is positioned to systematically receive complete information required to remain compliant with California public disclosure regulations and laws.

B. Investment Monitoring

- Provide a Form of Process Letter for each investment commitment and include a) one page investment opportunity summary, b) investment diligence report, c) operational due diligence report, d) allocation process, e) legal documentation.
- Provide comprehensive monitoring and reporting from fund closing through exit.
- Adhere to and meet all reporting requirements under California and other applicable laws.
- Collaborate and reconcile monthly financial data with LACERA's custodian bank.
- Review, analyze, assess, and execute (as necessary):
 - transaction documents (such as proposed amendments, waivers, or other proposed modifications to the partnership agreement) including any limited partnership agreements or offering materials;
 - performance reports, financial statements and other related materials which describe each of the funds' investment activities and overall performance of their respective investments; and
 - contributions and commitments to the funds as well as any distributions received.
- Develop and maintain relationships with key participants including the general partner, capital market intermediaries and other industry advisors/service providers to be knowledgeable to evaluate a fund's investment strategy, activities, performance, proposed amendments, and prospects.
- Provide weekly Separate Account pacing report, manager fundraise updates, and summary of general partner co-investment offerings.
- Assess and foster the general partner's commitment to diversity, equity, and inclusion.

- The manager will track diversity metrics at the underlying firm-level including the number of women and minorities holding professional investment roles and the number of women and minorities serving as members of the Investment Committee of the underlying fund. Diversity metrics shall be tracked at the time a recommendation to commit to the fund managed by said firm is made and at set intervals during the term of the investment.
- Evaluate the general partner's environmental, social, governance ("ESG") policy and provide ESG metrics and required LACERA compliance data requests.

C. Collaboration with Board and Staff

- Upon request, develop and present to the Board and/or staff overview presentations on private equity emerging manager market.
- The Separate Account Manager will prepare and provide staff with three quarterly performance reports per year and, following the end of each calendar year, with one annual performance report (with commentary on fourth quarter performance). The annual performance report will be presented at a scheduled meeting of LACERA's Board of Investments. All performance reports shall contain monitoring comments as well as a detailed discussion of investment performance for each fund.
- Collaborate with staff in investment diligence opportunities and future initiatives.
- Facilitate LACERA's direct access and maximum allocation to co-investment and secondary opportunities offered by general partners in the emerging manager program.
- Any preferential rights arising from LACERA's commitment to a primary fund through the Program shall accrue directly to LACERA, including any rights to co-investments and secondary opportunities, preferential co-investment terms, rights to serve on limited partner advisory committees and information rights.
- Provide LACERA with a weekly pipeline report of all investable opportunities known.

III. Requirements and Instructions for RFP Response

A. Proposal Deadline

The completed proposal (email, redacted, and hard copies) must be delivered by **3:00 PM, PDT, Friday, August 20, 2021**. Any proposal delivered after the proposal deadline will not be considered. Faxed transmissions are not acceptable. The **email transmission and an original (unbound) and six copies (bound) of the completed proposal** are to be sent to the attention of:

Mr. Christopher J. Wagner
Principal Investment Officer
LACERA
300 North Lake Avenue, Suite 850
Pasadena, CA 91101
alternatives@lacera.com

Also send **one electronic** and **one unbound 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 VII 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. Cover Letter

A cover letter (1 page) shall be signed by the individual(s) who is (are) authorized to bind the respondent contractually. The letter shall contain a statement to the effect that the respondent is not currently under investigation by any regulatory agency, state or federal, for any reason. The letter should identify your firm’s competitive advantage, the specific team that will be working on the LACERA separate account, and the reasons why the firm should be selected.

2. Minimum Qualification Certification

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

3. Table of Contents

The response must contain a one-page table of contents that identifies the major sub-sections of the Questionnaire.

4. Questionnaires

Provide your response to the enclosed Questionnaire (**Attachment E**). 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 "RFP Opportunities" section.

5. Attachments

Respondents seeking consideration as a LACERA Private Equity Emerging Manager Program discretionary separate account manager must provide all information requested to be included as Exhibits to the completed Questionnaire.

Please submit Tables A, B, C, D, E, F, G, H, and I in Microsoft Excel file (**Attachment F**) format by completing the templates provided in Microsoft Excel and attaching as the requested Exhibits.

Please complete the Diversity and Inclusion Questionnaire (**Attachment G**) and Diversity and Inclusion Questionnaire Table (**Attachment H**) 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

Direct all questions, inquiries, and requests for additional information concerning this RFP to Christopher J. Wagner no later than **3:00 PM, PDT, Monday, July 5, 2021** by e-mail (alternatives@lacera.com). All questions received and responses thereto will be posted on LACERA's website (www.lacera.com) under the "RFP Opportunities" section on or about **3:00 PM PDT, Friday, July 16, 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 July 5, 2021, 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.

D. Evaluation of Responses and Additional Conditions

All responses received shall be subject to evaluation by a committee and, if advanced to the semi-finalist shortlist, will involve telephonic and/or in-person committee interviews and on-site visits. The finalists may be asked to make oral presentations to the BOI. The final evaluation and selection will be made by the BOI. LACERA reserves the right to reject all responses.

IV. Evaluation Process

If advanced beyond round one of the evaluation phase, respondents may be asked to complete a subsequent questionnaire, hold telephonic or in-person committee interviews or on-site visits by LACERA. Finalists may make oral presentations to the Board of Investments.

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 consulting field. This responsibility as a fiduciary shall apply only to those services that the Separate Account Manager provides pursuant to the contract.

VI. Tentative Timetable

The following is the tentative time schedule for LACERA's search for firms to provide discretionary separate account investment services for the Private Equity Emerging Manager Program. All dates are subject to modification by LACERA.

LACERA RFP Issued	June 22, 2021
Submission – RFP Questions Deadline (Firm)	July 5, 2021
LACERA Response to Written Questions	July 16, 2021
Submission – Letter of Intent (Firm)	July 23, 2021
Submission – RFP Response Deadline	August 20, 2021
Notification of Firms Past First Round (Tentative)	October 18, 2021
Notification of Advancement (Tentative)	December 20, 2021
Selection Announced (Tentative)	February 9, 2022

VII. Notice to Respondents Regarding the Public Records Act and Ralph M. Brown Act

The information submitted in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (California Government Code Section 6250, et. seq., 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. If a respondent believes that any portion of its proposal is exempt from public disclosure or discussion under the Act, the respondent must provide a full explanation and mark such portion “TRADE SECRETS,” “CONFIDENTIAL” or “PROPRIETARY,” and make it readily separable from the balance of the response. Proposals marked “TRADE SECRETS,” “CONFIDENTIAL” or “PROPRIETARY” in their entirety will not be honored, and LACERA will not deny public disclosure of all or any portion of proposals so marked.

By submitting a proposal with material marked “TRADE SECRETS,” “CONFIDENTIAL” or “PROPRIETARY,” a respondent represents it has a good faith belief that the material is exempt from disclosure under the Act; however, such designations will not necessarily be conclusive, and a respondent may be required to justify in writing why such material should not be disclosed by LACERA under the Act. Fee and pricing proposals are not considered “TRADE SECRET,” “CONFIDENTIAL” or “PROPRIETARY”.

If LACERA receives a request pursuant to the Act for materials that a respondent has marked “TRADE SECRET,” “CONFIDENTIAL” or “PROPRIETARY,” and if LACERA agrees that the material requested is not subject to disclosure under the Act, LACERA will either

notify the respondent so that it can seek a protective order at its own cost and expense, or LACERA will deny disclosure of those materials. LACERA will not be held liable, however, for inadvertent disclosure of such materials, data, and information or for disclosure of such materials if deemed appropriate in LACERA's sole discretion. LACERA retains the right to disclose all information provided by a respondent.

If LACERA denies public disclosure of any materials designated as "TRADE SECRETS," "CONFIDENTIAL" or "PROPRIETARY", the respondent agrees to reimburse LACERA for, and to indemnify, defend and hold harmless LACERA, its Boards, officers, fiduciaries, employees and agents from and against:

1. 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 of any such designated portions of a proposal; and

2. All Claims arising from or relating to LACERA's public disclosure of any such designated portions of a proposal if LACERA determines disclosure is deemed required by law, or if disclosure is ordered by a court of competent jurisdiction.

If LACERA staff recommends any respondent to the Boards for hiring, such recommendation, the reasons for the recommendation and the relevant proposal(s) will appear on a publicly posted agenda and in supporting materials for public meetings of the Boards.

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 a discretionary separate account manager services 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.

The contract negotiated, if any, must allow LACERA to terminate (a) for its convenience upon not more than 30 days' notice, (b) if funds are not appropriated for the services to be provided, and (c) for default.

The general form of the contract LACERA intends to use for the discretionary separate account management services set forth in this RFP is attached as **Attachment I**. By submitting a proposal without comment on the contract, you will be deemed to have agreed to each term in the contract, and to not seek any modifications to the contract. If you object to a term in the contract, or wish to modify or add terms to the contract, your proposal 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. 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 in a position 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 consulting 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.