

Portfolio Questions

1. **Question:** What are the WSIB's expectations around future commitments across private credit, co-investments, and secondaries?

Answer:

The WSIB currently does not include credit opportunities as part of its private equity program, with the exception of two existing managers that have been grandfathered into the private equity portfolio. Going forward, any commitments to private credit opportunities will be allocated to the Innovation Portfolio. Please see the answer to question 5 for more detail. For co-investments, the WSIB has a relation with Fisher Lynch, which manages the WSIB's co-investments on a discretionary basis. Secondary investments are a part of the WSIB's private equity program but occur on an infrequent basis. For reference, the last purchase of a secondary interest occurred in 2016 and the WSIB has never sold an LP interest into the secondary market.

2. **Question:** On average, how many of the annual commitments were with existing managers and how many were with new ones?

Answer:

The majority of investments are with existing managers, while the number of new managers typically range from zero to four per year.

3. **Question:** What initiatives, if any, does WSIB anticipate for its Private Markets program over the next five years?

Answer:

Currently, the WSIB does not plan for any significant changes in its approach to private equity investing. However, the WSIB evaluates new initiatives and opportunities on an ongoing basis.

4. **Question:** 1. 1.5 Overview of the Organization specifies the number of general partner relationships the WSIB considers to be active. Can the WSIB also provide the number of funds it considers to be active associated with these general partnership relationships?

Answer:

As of September 30, 2019, the WSIB considers 198 funds active, defined as funds managed by the active manager relationships with some amount of unrealized value remaining.

Services Questions

5. **Question:** We noticed in your annual report that the WSIB made a commitment to an impact fund which is part of the Innovation portfolio. Is the Innovation portfolio part of this mandate? If so, can you please provide information on the objectives of the Innovation portfolio?

Answer:

The focus of this RFP is the WSIB's private equity program. The flat fee you bid should be for only those services. It is the WSIB's expectation that the successful bidder for the private equity consulting contract will also conduct work for the Innovation Portfolio.

However, this work will be focused on conducting due diligence only and will be billable to the WSIB on an hourly basis under Project Work Orders agreed to by the WSIB and the Contractor. The WSIB expects approximately three of these projects per year. An updated RFP will be uploaded to <https://www.sib.wa.gov/opportunities/se.asp> on or about Tuesday, May 5 to make this expectation more explicit. The WSIB's objective for the Innovation Portfolio is to have the ability to invest in attractive opportunities that do not fit the mandates of the other asset classes. The definition of what constitutes a fit for the Innovation Portfolio is done on a case-by-case basis by investment staff.

6. **Question:** Does the WSIB RFP cover consultancy only for the Private Equity Portfolio? Or also other portfolios, from time to time, such as the Innovation Portfolio?

Answer:

This RFP is for the private equity program with limited services around the Innovation Portfolio. Please see the answer to question 5 for details on the Innovation Portfolio and how it relates to this RFP. The contract that results from this RFP will be written broadly enough to permit Project Work Requests to be issued for any of WSIB's asset classes, but we do not anticipate any due diligence projects beyond the Innovation Portfolio.

7. **Question:** Are Private Debt strategies included in WSIB's Private Equity allocation? If so, are Private Debt strategies included in the scope of this mandate?

Answer:

With the exception of two existing managers that have been grandfathered into the program, private debt strategies are not considered part of the WSIB's private equity program and therefore are not included in the scope of this mandate. However, they may be considered for the Innovation Portfolio. Please see the answer to question 5 for details on that program and how it relates to this RFP.

8. **Question:** Historically, of the due diligence efforts that have been pursued, how much was staff driven, consultant driven, or a collaboration?

Answer:

The due diligence process is a collaboration between staff and the consultant. The WSIB starts its annual planning process for commitments in the coming year at the beginning of the fourth quarter. As part of this planning process, staff, with input from the consultant, identifies all re-up opportunities that the WSIB plans to pursue. These re-ups form the core for the commitments over the next year but the plan also allocates an amount for new relations to be pursued. The due diligence effort on existing partners, as well as any due diligence conducted on new general partners that were not included in the annual plan, is conducted in parallel by WSIB staff and the consultant. While staff and the consultant communicate and share findings during this time, the consultant and staff conduct due diligence independently of each other, as the consultant conducts diligence on behalf of the Board of the WSIB, not its staff. Staff and the consultant both must come to a positive conclusion for the commitment process to move forward.

9. **Question:** For J. of the "Deal Sourcing, Due Diligence and Investment Recommendation Services" section does the WSIB provide the standard intake form or would this be

developed with the selected consultant? If there is a form already in place, could it please be shared?

Answer:

This form is currently being developed by WSIB staff to capture details on the underlying portfolio companies' performance and presumably will include metrics such as revenue, EBITDA, net debt, and others. The implementation of this template will be closely coordinated with the consultant.

10. **Question:** Could a sample investment recommendation memo please be shared?

Answer:

Staff and the consultant prepare separate recommendation memoranda as part of their parallel due diligence processes. The consultant can therefore use the format deemed most appropriate. WSIB's staff memoranda cover the investment thesis, investment performance, management, investment strategy, portfolio fit, terms and conditions, internal scoring summary, key concerns, and due diligence conducted.

11. **Question:** For G. of the "Deal Sourcing, Due Diligence and Investment Recommendation Services" would the WSIB be looking to the consultant for their opinion of whether prospective agreements are industry standard or are there other criteria that would be covered? If so, could some examples please be provided?

Answer:

The WSIB is looking for an independent opinion on whether the document in question is acceptable to sign, given the goals of the WSIB's private equity program, taking into consideration its policy and procedures, as well as industry standards. Examples would include the evaluation of whether fees in an extension are appropriate or whether a proposed LPA amendment is acceptable.

12. **Question:** Does the WSIB have its own legal review that will be involved with parts G. & H. in the "Deal Sourcing, Due Diligence and Investment Recommendation Services" section?

Answer:

Yes. WSIB staff works directly with the Attorney General's Office as well as outside counsel regarding legal matters like LPA negotiations, subscription documents, and amendments. The consultant is expected to provide a separate opinion on these matters.

13. **Question:** To what extent does staff have authority over investment implementation? For example, is there an investment process with an investment committee and Board?

Answer:

Staff has delegated authority on re-up investments that are part of the board-approved annual plan. This is expected to constitute the majority of all investments in a year. For investments that are not part of the annual planning process (typically these range from zero to four per year), after receiving approval from the internal Investment Committee, staff presents the recommendation to the Private Market Committee, which is a sub-set of the board members. For this meeting, the consultant and the prospective general partner are expected to make in-person presentations.

Reporting Questions

14. **Question:** What level and frequency of reporting is required for this mandate?

Answer:

The consultant is not expected to provide detailed quarterly or annual reports. However, the provider is expected to occasionally coordinate with the provider of back office services to the WSIB, currently Hamilton Lane, if any type of project requires back office input. However, it is estimated that these occurrences will be rare and mostly take place around the creation of the annual plan.

15. **Question:** Portfolio reporting is not addressed at length in this RFP. Is there an expectation for WSIB's Private Equity consultant to produce quarterly/annual portfolio reporting?

Answer:

Please see the answer to question 14 for more detail.

16. **Question:** If portfolio reporting is expected as part of this service, does WSIB require separate portfolio reporting for the 20 underlying plans?

Answer:

Quarterly or annual reporting is not a part of this RFP. Please see the answer to question 14 for additional detail. All work related to this RFP is expected to be completed on an aggregate level for the entire private equity portfolio and does not require the consultant to provide any work or analysis at the underlying plan level.

Procurement Questions

17. **Question:** Why is this search being conducted?

Answer:

The current Private Equity Consultancy Services contract is expiring at the end of the year and must be rebid.

18. **Question:** 2. 5.5.2 Information and Format Requirements references a fee schedule format in Exhibit C to be used as part of proposal submission, but no fee schedule format is provided. Is there a specific output the WSIB assigned to this requirement?

Answer:

WSIB has uploaded Exhibit F, Fee Schedule. We apologize for any inconvenience.

19. **Question:** Section 5.5.1 of the RFP provides that “[RFP] responses retained shall become the property of WSIB...”. Similarly, in Section 7 (subsection 5.6 [sic] Proprietary Information), WSIB states, “[a]ll material submitted in Response to this RFP shall become property of WSIB.” Does WSIB expect Offerors to transfer intellectual property rights of documents submitted to WSIB such that WSIB can use, copy or redistribute any information submitted through the RFP, or is WSIB simply informing Offerors that

WSIB is not obligated to return to Offerors any documents submitted as part of the RFP response?

Answer:

WSIB is informing prospective Offerors that documents submitted as part of this procurement may become public records subject to state retention requirements, and thus may not be destroyed or returned upon selection of an Apparently Successful Offeror. Additionally, such materials may be subject to disclosure in response to a request under the Public Record Act, RCW 42.56, though the WSIB works with Offerors and Contractors to protect clearly marked proprietary and confidential information where possible.

20. **Question:** Has the WSIB selected a provider for RFP #20-06, Private Markets Fee Validation and Reporting & Audited Financial Statement Review Services? If yes, will they be responsible for or involved with the performance reporting of this mandate?

Answer:

The WSIB has selected Colmore to provide Category A services, and has decided not to select a vendor for Category B services.

21. **Question:** Section 7 of the RFP requires that the Successful Offeror maintain a fidelity bond. For the private equity consulting services contemplated by this RFP, the Successful Offeror will not be a discretionary advisor, nor will it hold WSIB's cash or securities. As a result, would WSIB be willing to waive the insurance requirement for a fidelity bond?

Answer:

The WSIB is not willing to waive this requirement.

22. **Question:** Section 7.7 of the RFP refers to an Exhibit F of the RFP that contains the special and general terms and conditions. Does WSIB mean Exhibit E and not Exhibit F? We can see an Exhibit E – Sample Contract which includes General Terms and Conditions as Attachment A as part of the RFP documentation, but there is no Exhibit F. If WSIB did mean to refer to an Exhibit F, can you please post a copy of those terms and conditions for Offerors to review?

Answer:

This is a typo, and should be a reference to Exhibit E, not F.

23. **Question:** RWC 42.56.270(26) provides for a public records exemption for certain “financial and commercial information submitted to or obtained by the retirement board of any city that is responsible for the management of an employees’ retirement systems pursuant to the authority of chapter 35.96 RWC...” Is WSIB considered a retirement board of any city responsible for the management of an employees’ retirement systems pursuant to the authority of chapter 35.96?

Answer:

Though it manages the retirement funds of all but three of Washington’s cities, WSIB is not considered the retirement board of any city.