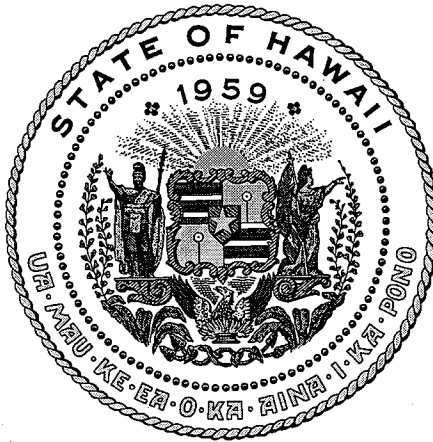


Employees' Retirement System of the State of Hawaii

**Request for Proposals
Private Equity Consultant Services
RFP 2012-04**



Issued November 19, 2012

***FIRMS WHO WISH TO RECEIVE ADDENDA TO THIS RFP MUST REGISTER
WITH THE ERS AS POTENTIAL OFFERORS.***

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QUESTIONNAIRE:

***ATTACHMENT A -- EMPLOYEES' RETIREMENT SYSTEM OF THE STATE
OF HAWAII ANNUAL REPORT***

ATTACHMENT B -- SAMPLE CONTRACT

Employees' Retirement System of the State of Hawaii
Private Equity Consulting Services
Request for Proposals

ADMINISTRATIVE OVERVIEW

I. Background

The Employees' Retirement System of the State of Hawaii ("ERS") was established by Chapter 88, Hawaii Revised Statutes ("HRS") for the purpose of providing retirement allowances and other benefits for public employees. The Statewide program has a contributory and a non-contributory defined benefit program with over 66,000 active and inactive vested members, as well as over 33,000 retirees and beneficiaries. There are 6 employers for the State and county employees, teachers, police officers, firefighters, judges and elected officials.

Administration of the ERS falls under the policy and executive direction of a Board of Trustees with certain areas of administrative control vested in the State of Hawaii Department of Budget and Finance.

The ERS investment portfolio is valued at over \$11.7 billion as of September 30, 2012 and is managed by 37 investment firms in a combination of separate and commingled accounts. Current asset classes include domestic equity, international equity, domestic fixed income, international fixed income, real estate, private equity (buyout, venture capital, special situations) timber farming, global inflation-linked bonds, covered calls, and a TALF strategy fund. The Asset Allocation Targets adopted by the Board of Trustees on January 13, 2010 is: Public Domestic Equity: 30%; Public International Equity: 26%; Global Fixed Income: 20%; Private Equity: 7%; Real Estate: 7%; Real Return: 5%; and, Covered Calls: 5%. The ERS anticipates achieving the public security asset class targets and a majority of the alternative asset class targets by the end of 2012; the private equity asset class target is anticipated to be achieved several years later. Additional investment information can be obtained at the ERS website at: <http://www4.hawaii.gov/ers/Financials.htm>.

II. Purpose

The ERS is soliciting proposals from qualified firms to provide non-discretionary private equity investment consulting services to the Employees' Retirement System of the State of Hawaii. The ERS will award one contract for the services covered by this Request for Proposal ("RFP"). A more detailed description of these services is set forth in Paragraph VI of the Scope of Work section. When responding to this RFP we encourage you to describe the ways in which you believe your organization's service capability is unique or would add particular value. Please be succinct in your answers and, if certain services cannot be provided, please state where appropriate.

III. Authority

This RFP is issued under the provisions of Chapters 88 and 103D, Hawaii Revised Statutes, and the

implementing Administrative Rules. All prospective offerors are charged with presumptive knowledge of all requirements of the cited authorities. Submission of a valid executed proposal by any prospective offeror shall constitute a representation of such knowledge on the part of such prospective offeror.

IV. Procurement Officer and Contract Administrator

This RFP is issued by the Employees' Retirement System of the State of Hawaii. The individual listed below is the Procurement Officer and Contract Administrator for this procurement.

Mr. Wesley Machida, Administrator
Employees' Retirement System of the State of Hawaii
City Financial Tower
201 Merchant Street, Suite 1400
Honolulu, HI 96813
Phone: (808) 586-1700
Fax: (808) 586-1677

V. Procurement Timetable

Listed below are the important actions and corresponding final dates by which the actions must be taken or completed. **Offerors are notified that these dates are estimated by the ERS and are subject to change at the discretion of ERS. The ERS reserves the right to change any date(s) as deemed necessary and in the best interest of the ERS.** If ERS decides to change a date for any reason, notification will be given via the addendum process described in Paragraph XIII of this section.

<u>Proposed Actions</u>		<u>Date</u>
Release of the RFP		November 19, 2012
Last date for questions		November 29, 2012
ERS' response to questions		December 7, 2012
Deadline to submit proposals		December 19, 2012
Determination of priority-listed offerors		December 20-21, 2012
Presentations by priority-listed offerors to Board		January 10-11, 2013
Best and final offers		January 23, 2013
Final selection		February 11, 2013
Service initiation		February 15, 2013

Priority-listed offerors selected in accordance with Paragraph V of the Proposal Evaluation section of this RFP will be required to make a presentation during the period of January 10-11, 2013, in Honolulu, Hawaii. Priority-listed offerors will be contacted by the ERS staff to arrange a specific time and location for the presentation.

VI. Communications and Questions

Offerors and potential offerors (including agents of offerors or potential offerors) should not contact any member of the ERS Board of Trustees or any member of the ERS staff. An exception to this rule applies to firms who currently do business with ERS; provided that any contact made by any such firm should be related to that business, and should not relate to this RFP.

If additional information is required regarding this RFP requests for such information must be submitted in writing (fax and email are acceptable) to the Procurement Officer. The Procurement Officer, listed in Paragraph IV of this section, is the sole point of contact from the date of release of this RFP until the selection of the offeror or offerors to whom an agreement will be awarded.

Questions will be accepted until **4:30 p.m. (Hawaii Standard Time) November 29, 2012**. A written response to any questions will be provided by ERS via the addendum process described in Paragraph XIII of this section.

Firms who wish to receive addenda to this RFP must register with the ERS as potential offerors. Firms requesting this RFP in writing (including by email) or by telephone are automatically registered. All other firms must register by sending an email to: konishig@hiers.org. Please reference ERS RFP 2011-01 in the subject line of the email.

VII. Submission of Proposals

Offerors must carefully examine the solicitation, amendments (if any), required contract forms, and other documents, laws and rules, as necessary, before submitting a proposal. The submission of a proposal shall be considered to be a warranty and representation that the offeror has made a careful examination and understands the work and the requirements of this solicitation.

Each qualified offeror may submit only one (1) proposal. Alternate proposals will not be accepted, except that an offeror may submit separate fee proposals for each mandate covered by the offeror's proposal.

The proposal should be labeled "Employees' Retirement System of the State of Hawaii Private Equity Consultant Services RFP 2012-04." A master (so marked), sixteen (16) copies (one copy must be unbound and ready to photocopy), and one (1) electronic copy (MS Word or Adobe Acrobat format on a 650MB/74 minute format CD) of the response must be received no later than **4:30 p.m. (Hawaii Standard Time) December 19, 2012**. The sealed package should be addressed to the Procurement Officer listed in Paragraph IV of this section.

The outside cover of the package containing the proposal shall be marked as indicated below:

Employees' Retirement System
State of Hawaii
Private Equity Consultant Services Proposal
RFP 2012-04
(Name of Firm)

No faxed or e-mailed proposals will be considered or accepted!

VIII. Receipt, Opening and Recording of Proposals; Late Proposals

Proposals and modifications will be time-stamped upon receipt and held in a secure place by the Procurement Officer until the established due date.

Proposals may be modified or withdrawn, prior to the deadline for submission of proposals, by the following:

- Modifications - a written notice received by the Procurement Officer stating that a modification to the proposal is submitted; or a written notice by facsimile machine sent to the Procurement Officer stating that a modification to the proposal is submitted; and the written notice accompanying the actual modification securely sealed in a separate envelope or container.
- Withdrawal - a written notice received by the Procurement Officer; or a notice by facsimile machine to the Procurement Officer.

Proposals will not be opened publicly, but will be opened in the presence of two or more procurement officials. Proposals and modifications will be shown only to personnel having a legitimate interest in them.

After the date established for receipt of proposals, a register of proposals will be prepared which will include the name of each offeror and the number of modifications received, if any. The register of proposals shall be open to public inspection only after a contract has been awarded.

Any notice of withdrawal, notice of modification of a proposal with the actual modification, or any proposal received by the Procurement Officer after the time and date set for receipt and opening of proposals is late and will not be considered for award. A late proposal, late modification, or late withdrawal shall not be considered late if received before contract award and if it would have been timely but for the action or inaction of personnel within the ERS. A late withdrawal request shall be answered with a statement of the reasons for non-acceptance of the withdrawal.

An offeror may withdraw and resubmit a proposal prior to the final submission date. No withdrawals or re-submissions will be allowed after the final submission date.

IX. Best and Final Offer

Priority-listed offerors will be given an opportunity to submit a best and final offer.

X. Mistakes in Proposals

Mistakes shall not be corrected after award of contract. When the Procurement Officer knows or has reason to conclude before award that a mistake has been made, the Procurement Officer will request the offeror to confirm the proposal. If the offeror alleges mistake, the proposal may be corrected or withdrawn.

Once discussions are commenced or after best and final offers are requested, any priority-listed offeror may freely correct any mistake by modifying or withdrawing the proposal until the time and date set for receipt of best and final offers.

If discussions are not held, or if the best and final offers upon which award will be made have been received, mistakes shall be corrected to the intended correct offer whenever the mistake and the intended correct offer are clearly evidenced on the face of the proposal, in which event, the proposal may not be withdrawn.

If discussions are not held, or if the best and final offers upon which award will be made have been received, an offeror alleging a material mistake of fact which makes a proposal nonresponsive may be permitted to withdraw the proposal if: the mistake is clearly evident on the face of the proposal but the intended correct offer is not; or the offeror submits evidence which clearly and convincingly demonstrates that a mistake was made.

ERS reserves the right to waive or permit cure for minor informalities, errors or omissions, and to conduct discussion with all qualified offerors in any manner necessary to serve the best interests of ERS.

XI. Costs for Proposal Preparation

Expenses for the development and submission of responses to the RFP are the sole responsibility of the organization submitting the response. Travel and expenses to and from the State of Hawaii are also the sole responsibility of the organization submitting the response.

XII. Disqualification of Proposals

The ERS reserves the right to consider as acceptable only those proposals submitted in accordance with all requirements set forth in this RFP and which demonstrate an understanding of the scope of work. Any proposal offering any other set of terms and conditions, or terms and conditions contradictory to those included in this RFP, may be disqualified without further notice.

An offeror will be disqualified and the proposal automatically rejected for any one or more of the following non-exclusive reasons:

- Proof of collusion among offerors, in which case all proposals and offerors involved in the collusive action will be rejected.
- The offeror's lack of responsibility and cooperation as shown by past work.
- The proposal shows any noncompliance with applicable law.
- The proposal is conditional, incomplete, or irregular in such a way as to make the proposal incomplete, indefinite, or ambiguous as to its meaning.
- The proposal has any provision reserving the right to accept or reject award, or to enter into an agreement pursuant to an award, or provisions contrary to those required in the solicitation.
- The delivery of the proposal after the deadline specified in the timetable.
- The offeror being in arrears on existing contracts with the State or having defaulted on previous contracts.

- The offeror's lack of sufficient experience to perform the work contemplated.
- The offeror's conflicts of interest or lack of independence in judgment.

XIII. RFP Amendments and Addendum

ERS may modify any part of the RFP, prior to the date fixed for final submission of responses, by issuance of an addendum to all participating parties. ERS will respond to questions and inquiries via the addendum process. Addenda will be numbered consecutively.

XIV. Cancellation of Request for Proposals/Rejections of Proposals

This RFP may be cancelled and any or all proposals may be rejected in whole or in part, when it is determined to be in the best interests of the ERS.

XV. Uncertainties Beyond the Control of the ERS

The ERS recognizes that circumstances beyond the control of the ERS may arise that may significantly affect the ability of the contractor to provide the services described in this RFP or as proposed by the contractor. Accordingly, the ERS reserves the right to modify the agreement to address such circumstances.

XVI. Proposal Bonds; Performance and/or Payment Bonds

No bid bond is required to be submitted with the proposal, and no performance or payment bond will be required for the contract awarded pursuant to this RFP.

XVII. Acceptance of Proposal and Execution of Contract

Acceptance of a proposal, if any, will be made as provided in the Procurement Timetable. The offeror must have the ability to perform as called for in the RFP and in the contract. The ERS shall be the sole judge of capability. The successful offeror will be notified by letter that its proposal has been accepted and that the offeror is being awarded the contract.

ERS reserves the right to award a contract based upon the written responses received and without prior discussion or negotiations.

Attachment B is a sample contract used by the ERS for investment consulting services. In submitting a proposal, the offeror will be deemed to have agreed to each provision set forth in Attachment B unless the offeror identifies the provision to which objection is made and submits alternative language. The ERS reserves the right to further negotiate the terms and conditions of the contract with the successful offeror. The contract awarded pursuant to this RFP shall consist of the RFP and any amendments thereto, and the specific terms and conditions of the negotiated contract.

The ERS shall forward a contract to the successful offeror for execution. The contract shall be signed by the successful offeror and returned within ten days after receipt by the offeror or within such further time as may be allowed.

No contract shall be considered binding upon the ERS until the contract has been fully and properly executed by all parties thereto.

If the offeror to whom a contract is awarded shall fail or neglect to enter into the contract within ten days after such award or within such further time as may be allowed, the Procurement Officer will consider the next highest ranked offeror or may call for new proposals, if it is deemed to be in the best interests of the ERS.

XVIII. Debriefing

Nonselected offerors may submit a written request for debriefing to the Procurement Officer or designee within three working days after the posting of the award of the contract. If a debriefing is requested by one or more of the nonselected offerors, a combined debriefing will be held. The debriefing will be held by the Procurement Officer or designee, to the maximum extent practicable, within seven working days after receipt by the Procurement Officer or designee of the first request for debriefing; and may be conducted in person or by telephone at the sole discretion of the ERS. The debriefing will be held at:

Employees' Retirement System of the State of Hawaii
City Financial Tower
201 Merchant Street, Suite 1400
Honolulu, HI 96813

XIX. Requirements for Doing Business in the State of Hawaii

Hawaii business. A business entity referred to as a "Hawaii business" is registered and incorporated or organized under the laws of the State of Hawaii. As evidence of compliance, offeror shall submit a CERTIFICATE OF GOOD STANDING issued by the Department of Commerce and Consumer Affairs Business Registration Division ("BREG"). A Hawaii business that is a sole proprietorship, however, is not required to register with the BREG, and therefore not required to submit the certificate. An offeror's status as sole proprietor or other business entity and its business street address indicated on Proposal Letter will be used to confirm that the offeror is a Hawaii business.

Compliant non-Hawaii business. A business entity referred to as a "compliant non-Hawaii business" is not incorporated or organized under the laws of the State of Hawaii but is registered to do business in the State. As evidence of compliance, offeror shall submit a CERTIFICATE OF GOOD STANDING.

To obtain a CERTIFICATE OF GOOD STANDING go online to www.businessregistrations.com and follow the instructions. To register or to obtain a "Certificate of Good Standing" by phone, call (808) 586-2727 (M-F 7:45 am to 4:30 pm-HST). The "Certificate of Good Standing" is valid for six (6) months from date of issue and offerors are advised that there are costs associated with registering and obtaining a "Certificate of Good Standing" from the BREG.

Section 3-122-112, Hawaii Administrative Rules ("HAR"), requires that, before award of contract may be made, the successful offeror must provide proof of compliance with the requirements of the following chapters of the Hawaii Revised Statutes ("HRS"):

- 1) Chapter 237, general excise taxes
- 2) Chapter 383, unemployment insurance
- 3) Chapter 386, workers' compensation
- 4) Chapter 392, temporary disability insurance
- 5) Chapter 393, prepaid health care

And one of the following:

- 1) Be registered and incorporated or organized under the laws of the State of Hawaii, or
- 2) Be registered to do business in the State of Hawaii.

Reference Responsibility of Offerors in §3-122-112, HAR. Offeror shall produce documents to the Procurement Officer to demonstrate compliance with this section.

HRS Chapter 237 tax clearance requirement for award and final payment.

Pursuant to §103D-328, HRS, the successful offeror shall be required to submit a tax clearance certificate issued by the Hawaii State Department of Taxation (DOTAX) and the Internal Revenue Service (IRS). The certificate is valid for six (6) months from the most recent approval stamp date on the certificate and must be valid on the date it is received by the purchasing agency.

The tax clearance certificate shall be obtained on the State of Hawaii, DOTAX TAX CLEARANCE APPLICATION Form A-6 (Rev.2003) which is available at the DOTAX and IRS offices in the State of Hawaii or the DOTAX website, and by mail or fax:

DOTAX Website (Forms & Information): <http://www.state.hi.us/tax/alphalist.html>

DOTAX Forms by Fax/Mail: (808) 587-7572

1-800-222-7572 Why is this not in any certain place? (need to check with Gerri)

Completed tax clearance applications may be mailed, faxed, or submitted in person to the Department of Taxation, Taxpayer Services Branch, to the address listed on the application. Facsimile numbers are:

DOTAX: (808) 587-1488

IRS: (808) 539-1573

The application for the clearance is the responsibility of the offeror, and must be submitted directly to the DOTAX or IRS and not to the purchasing agency.

Contractor is required to submit a tax clearance certificate for final payment on the contract. A tax clearance certificate, not over two months old, with an original green certified copy stamp, must accompany the invoice for final payment on the contract.

In addition to a tax clearance certificate an original "Certification of Compliance for Final Payment"

(SPO Form 22), attached, will be required for final payment. A copy of the Form is also available at www.spo.hawaii.gov.

HRS Chapters 383 (Unemployment Insurance), 386 (Workers' Compensation), 393 (Temporary Disability Insurance), and 393 (Prepaid Health Care) requirements for award.

Pursuant to §103D-310(c), HRS, the successful offeror shall be required to submit an approved certificate of compliance issued by the Hawaii State Department of Labor and Industrial Relations (DLIR). The certificate is valid for six (6) months from the date of the issue and must be valid on the date it is received by the purchasing agency.

The application for certificate of compliance (Form LIR #27) can be obtained from the DLIR website:

<http://www.dlir.state.hi.us/forms/ApplicationforCertificateofCompliance.pdf>

or from:

DLIR Administrative Services Office
830 Punchbowl Street, Room 309
Honolulu, HI 96813
Phone: (808) 586-8888
Fax: (808) 586-8899

The DLIR will return the form to the offeror who in turn shall submit it to the purchasing agency. The application for the Certificate is the responsibility of the offeror, and must be submitted directly to the DLIR and not to the purchasing agency.

Hawaii Compliance Express

Alternately, instead of separately applying for these paper certificates at the various state agencies, applicants may choose to use the Hawaii Compliance Express (HCE), which allows businesses to register online through a simple wizard interface at <http://vendors.ehawaii.gov> to acquire a "Certificate of Vendor Compliance." The HCE provides current compliance status as of the issuance date. The "Certificate of Vendor Compliance" indicating that applicant's status is compliant with the requirements of HRS Chapter 103D-310(c), shall be accepted for both contracting purposes and final payment. Applicants that elect to use the new HCE services will be required to pay an annual fee of \$15.00 to the Hawaii Information Consortium, LLC (HIC). Applicants choosing not to participate in the HCE program will be required to provide the paper certificates as instructed in the prior sections.

Timely Submission of all Certificates

The above certificates should be applied for and submitted to the purchasing agency as soon as possible. If a valid certificate is not submitted on a timely basis for award of the contract, an offeror otherwise responsive and responsible may not receive the award.

Employees' Retirement System of the State of Hawaii
Private Equity Consultant Services
Request for Proposals
PROPOSAL

I. Introduction

The offeror shall prepare a written proposal that will fully describe the qualifications and availability of the offeror to provide the services requested and the compensation the offeror proposes in response to this RFP. The proposal shall include, without limitation, the following:

- Cover Letter
- Questionnaire Answers (Please complete a separate questionnaire for each mandate covered by your offer.)
- Form ADV (Parts I and II)
- Code of Ethics
- References
- Fee Proposal
- Sample Reports (performance, research, manager search, asset/liability modeling, etc.)
- Financial Statement
- Mandatory Requirements Certification

II. Cover Letter

The RFP response must include a cover letter addressed to the Procurement Officer. The letter, which will be considered an integral part of the Proposal, must contain the following:

i. Contact Information

The cover letter shall include the offeror's name, address, telephone/fax numbers, and e-mail address.

ii. Terms and Conditions of RFP

A statement that the offeror fully understands and will comply with all terms and conditions contained in the RFP.

The offeror must include written acknowledgement of receipt of any and all amendments or addenda made to this RFP.

iii. Legal Entity

A statement indicating that the offeror is an individual, a partnership, a limited liability company or a corporation, and the legal entity name with whom the ERS will contract. If the offeror is a corporation, a partnership, a limited liability company or other legal entity,

include a statement indicating the jurisdiction where the offeror is organized.

iv. Authorized Signature

The cover letter must be signed by an individual or individuals authorized to legally bind the offeror (i.e., the firm that will contract with the ERS). If the offeror is a corporation, evidence in the form of a certified copy of a corporate resolution or certified copy of articles of incorporation or bylaws shall be submitted showing the individual's authority to bind the corporation. If the offeror is a partnership, the proposal must be signed by all the partners or evidence in the form of a certified copy of the partnership agreement shall be submitted showing the individual's authority to bind the partnership. Similar evidence must be submitted for an individual signing the proposal letter on behalf of any other kind of entity.

v. Federal Tax ID No.

The cover letter shall include the offeror's federal tax identification number.

vi. Hawaii General Excise Tax ID No.

A Hawaii General Excise Tax (GET) ID must be provided or a representation that a Hawaii General Excise Tax ID will be obtained prior to commencement of the work.

vii. Current Licenses and Registration

A statement that the offeror maintains the current licenses necessary to provide the services required. In addition, an offeror must provide evidence that the offeror is registered to do business in the State of Hawaii prior to commencement of the work. True and accurate copies of the offeror's license(s) and certificates must be provided.

viii. Subcontracting of Services

A statement by the offeror indicating that the work described in the RFP will not be subcontracted, except as described in the proposal, or assigned. The extent to which the work will be subcontracted and the qualifications of any subcontractor will be considered in evaluating the offeror's ability to perform the service referred to in the RFP.

ix. Non-discrimination

A statement of affirmative action that the offeror does not discriminate in employment and practices with regard to race, color, religion, age (except as provided by law), sex, marital status, political affiliation, national origin, handicap or disability.

x. ERS Approval of Contractor's Recommendations

A statement that the offeror understands that the ERS reserves the right to disapprove contractor recommendations without penalty when they conflict with the policy or fiscal interests of the ERS, as determined by the ERS Board of Trustees.

xi. Terms and Conditions of Contract

Affirm that the provisions of the sample contract in Attachment B are acceptable or state any proposed modifications. ERS reserves the right to decline or classify as "unresponsive" any substantive changes, modifications, or revisions to the provisions of the sample contract.

III. Confidential or Proprietary Information

The offeror shall designate those portions of the proposal that contains trade secrets or other proprietary data/information that the offeror wishes to remain confidential. This information must be clearly marked and readily separable from the proposal to facilitate public inspection of the non-confidential portions. Any request for public inspection is subject to the requirements of Chapter 92F, Hawaii Revised Statutes. The entire proposal CANNOT be considered confidential. The fee proposal CANNOT be considered confidential.

**Employees' Retirement System of the State of Hawaii
Private Equity Consultant Services
Request for Proposals**

PROPOSAL EVALUATION

I. Introduction

ERS seeks to retain the highest quality organization to provide investment consulting services in a fair and competitive process. Through the selection process, ERS reserves its sole discretion in awarding the contract. ERS reserves the right:

1. To not award the contract to the lowest cost offeror.
2. To not award the contract at all.
3. To award a contract or contracts for only a portion of the services.

II. Evaluation Process

A committee selected by the Procurement Officer and ERS Board of Trustees will review and evaluate all proposals submitted by the deadline specified in this RFP.

The evaluation process will be conducted in five phases:

Phase 1 - Evaluation of Mandatory Requirements

Phase 2 - Establishment of Priority List of Offerors
Phase 3 - Interviews with Priority-Listed Offerors
Phase 4 - Final Evaluation of Proposals
Phase 5 – Award

III. Evaluation Criteria

The evaluation criteria listed below will be used to evaluate and rank offerors' proposals.

Ability, including resources, knowledge, and independence of judgment, and avoidance of conflicts of interest, to perform the services referred to in the RFP

Philosophy, process, soundness of approach and understanding of the needs of the ERS

Stability and relevant history and experience of the firm and the individual consultants proposed for the ERS

Fees

Client references

ERS reserves the right to modify the evaluation criteria, or any other part of this RFP, prior to the date for final submission of responses.

IV. Phase 1 – Evaluation of Mandatory Requirements

The evaluation of the mandatory requirements shall be on a "pass/no pass" basis. The purpose of this phase is to determine whether an offeror's proposal is sufficiently responsive to the RFP to permit a complete evaluation. Each proposal will be reviewed for responsiveness. Failure to meet the mandatory requirements ("no pass") will be grounds for deeming the proposal nonresponsive to the RFP and rejection of the proposal. Only those proposals meeting the following mandatory requirements ("pass") of Phase 1 will be considered in Phase 2:

- Offeror must be an investment advisor registered under the Investment Advisers Act of 1940.
- Offeror must have been in business for a minimum of five (5) years.
- Offeror must provide investment consulting services to at least one public retirement system defined benefit client with assets greater than \$3 billion.
- Offeror must be based in the United States. "Based in the United States" means that offeror's principal place of business is in the United States and that offeror is subject to service of process in the United States.
- The primary consultant assigned to the ERS account shall have a minimum of seven (7) years experience providing domestic and international investment consulting services to public pension plans.
- Submission of Financial Statement.
- Submission of a complete Cover Letter.
- Submission of a proposal that contains references, fee proposal and sample reports.

- Submission of Mandatory Requirements Certification.

V. Phase 2 – Establishment of Priority List of Offerors

All offerors who pass Phase 1, Evaluation of Mandatory Requirements, shall be classified as "acceptable." If there are more than three "acceptable" offerors, the Evaluation Committee will evaluate all proposals and establish a priority list of no more than three (3) offerors who received the best preliminary evaluations. The order, priority and points to be applied to each evaluation criteria are as follow:

CRITERIA	POINTS
Ability, including resources, knowledge, and independence of judgment and avoidance of conflicts of interest, to perform the services referred to in the RFP	40
Stability and relevant history and experience of the firm and the individual consultants proposed for the ERS	25
Philosophy, process, soundness of approach and understanding of the needs of the ERS	25
Client references	10
Fees	0
TOTAL	100

VI. Phase 3 – Interviews with Priority-Listed Offerors

During the course of this phase, the ERS Board of Trustees and the Procurement Officer will conduct interviews with the priority-listed offerors in Honolulu on January 10 -- 11, 2013.

VII. Phase 4 – Final Evaluation of Proposals

During this phase, the ERS will conduct final evaluations of the priority-listed offerors' proposals in accordance with the following criteria:

CRITERIA	POINTS
Ability, including resources, knowledge, and independence of judgment and avoidance of conflicts of interest, to perform the services referred to in the RFP	30
Fees	25
* Lowest fee for first 3 years = 15 points	
**Lowest fee for 5 years = 10 points	
Philosophy, process, soundness of approach and understanding of the needs of the ERS	20

Stability and relevant history and experience of the firm and the individual consultants proposed for the ERS	20
Client references	<u>5</u>
TOTAL	100

***Formula for determining allocation of points for fee for the first 3 years:**

allocated points = (\$ amount of the lowest fee proposal x 15) ÷ \$ amount of the fee proposal being evaluated

****Formula for determining allocation of points for fee for five years:**

allocated points = (\$ amount of the lowest fee proposal x 10) ÷ \$ amount of the fee proposal being evaluated

VIII. Phase 5 – Award

The ERS Board of Trustees and the Procurement Officer will make the final selection.

Employees' Retirement System of the State of Hawaii Investment Consulting Services Request for Proposal SCOPE OF WORK

I. Introduction

The purpose of the agreement resulting from this RFP is to obtain comprehensive pension fund investment consulting services for the ERS.

The contractor must be an investment advisor registered under the Investment Advisors Act of 1940 at the time of RFP proposal submission, as amended and shall provide investment advisory and consulting services as described in this RFP. One or more contractor(s) may be selected to provide investment consulting services.

The contractor will enter into an agreement in substantially the form set forth in Attachment B that will obligate the contractor to provide investment consulting services.

II. Agreement Period

The term of the agreement is three years with a two year extension at the option of the ERS. The term of the agreement will commence on or around February 15, 2013. The ERS will determine in 2015 whether to extend the term of the contract. If the contract extension is not granted, the contract will

expire in 2015. If the extension is granted, the contract will expire in, 2017.

The last payment due to the contractor will be issued after the quarterly performance report and other contracted materials, for December 31 of the expiring year, have been received.

The term of the agreement may be extended by the ERS at the ERS's option to facilitate the completion of any investment manager or custodian bank searches in progress at the end of the then existing term. Such extension shall be solely for the purpose of completing the searches and shall be at no additional cost to the ERS.

III. Compensation

The annual fixed fee shall be paid in equal quarterly installments. The contractor shall submit to the ERS a quarterly statement for the work covered under the annual fixed fee.

Any work not covered by the annual fixed fee AND if approved in writing in advance by the ERS Administrator or his designee, shall be submitted for payment upon completion of the work. The contractor shall submit to ERS a statement upon completion of the work not covered by the annual fixed fee.

The statements shall include the work performed by the contractor in sufficient detail to justify payment. The ERS shall process the claim for payment in accordance with the standard operating procedures of the ERS.

Funds are not presently available for performance under this contract beyond the current fiscal year. The ERS' obligation for performance of the contract beyond the fiscal year is contingent upon the availability of funds from which payment for contract purposes can be made. No legal liability on the part of the ERS for any payment may arise for performance under the contract beyond the current fiscal year until funds are made available for performance of the contract.

IV. Multi-Term Solicitation

This solicitation is for a multi-term contract. The proposed annual fixed fee shall be the same throughout the contract, except to the extent that price adjustment may be provided in this RFP and the resulting contract. The multi-term contract will be cancelled only if funds are not appropriated or otherwise made available to support continuation of performance in any fiscal period succeeding the first; however, this does not affect the State's rights or the contractor's rights under any termination clause of the contract. The head of the purchasing agency must notify the contractor on a timely basis if funds are not available for the continuation of the contract for each succeeding fiscal period. Offerors must submit prices for the entire time of performance only. In the event of cancellation, the contractor will be reimbursed unamortized reasonably incurred nonrecurring costs, if applicable.

V. Liaison and Authorization to Proceed

The ERS Chief Investment Officer will serve as the primary liaison with the contractor during the term of the agreement. The Chief Investment Officer will chair status meetings, assist in scheduling, and monitor and assess the contractor's performance.

The ERS does not encourage, and will not in any way be bound by, work performed on behalf of the ERS without written approval by the ERS Administrator or his designee. Any work performed by the contractor prior to written approval by the ERS to proceed is done at the contractor's own expense.

VI. Scope of Services

By entering into a contract with the ERS pursuant to this RFP, the contractor will be agreeing to perform all of the services described in the scope of services for the applicable mandate.

The contractor(s) shall not bind or purport to bind the ERS for any contractual commitment in excess of the contract period. Contractor(s) shall comply with all applicable ERS policies and procedures, and familiarize themselves and be conversant with the Board of Trustees' Investment Guidelines, Policy & Procedures Manual.

For the purposes of this RFP, the term "public market manager" refers to any firm that manages the following types of assets: domestic equity, international equity, global equity, domestic fixed income, international fixed income and global fixed income whose securities normally trade on public exchanges under a traditional long, buy-and-hold strategy; and where the ERS investment size is of sufficient capacity, managed under a separate account.

Furthermore, the term "alternative investments" refers to any firm that manages the following types of assets: real estate, private equity (buyout, venture capital, special situations and distressed debt), timberland, hedge funds, covered calls, global inflation linked securities, energy, infrastructure, commodities and currency. Alternative investments may include publicly traded or unlisted securities that are offered in a private investment legal structure (e.g., limited partnership or limited liability corporation).

Nondiscretionary Private Equity Consultant Services. The private equity consultant will provide the following services:

A. Strategic Private Equity Consulting

1. Assist the Board of Trustees, Investment Committee, and ERS staff in the development of an appropriately structured private equity program, including establishment of goals, strategy, objectives, and performance standards in light of the 7% Private Equity Policy target effective January 13, 2010. (The previous private equity program target was 3.5%.) Policy and program oversight would include all ERS private equity advisors and privately-structured fund investments (currently consisting of a discretionary core private equity manager and a discretionary in-state venture capital "HiTIP" program manager).

2. Prepare quarterly and annual “program level” performance reports for the entire ERS private equity program. Also conduct special analyses and provide research as requested to better define program goals and objectives, monitor portfolio risk, develop performance and peer benchmarks and model program cash flows/commitment pacing, or for other purposes relating to the private equity program.
3. Develop and produce written investment policy and manager guidelines for the private equity program.
4. Appear as requested at the consultant’s expense (up to 5 times per year in the State of Hawai’i) at Investment Committee and/or Board of Trustees meetings or other meetings to (a) present performance, program updates, research, analyses, written reports, and recommendations or (b) respond to questions relating to the private equity program.
5. Conduct and prepare comprehensive written research, analysis, and advice on specific private equity investment issues; conduct special projects or other activities as requested.
6. Attend telephonic meetings with ERS staff in order to provide advice and counsel on matters relating to the private equity program, as requested.
7. Coordinate and communicate with the broader ERS organization, other ERS investment consultants, the incumbent full discretionary private equity manager, the incumbent in-state venture capital manager, any other private equity managers hired by ERS during the duration of the engagement, and other asset class managers as appropriate to ensure effective and successful administration of the private equity program.

B. Deal Sourcing and Due Diligence

1. Develop a structured process that will analyze the full universe of available private equity investments and efficiently identify those most appropriate for investment for ERS. The process should include, but shall not be limited to, development of search criteria, review of qualifications, conduct of due diligence of investment candidates, and preparation of background materials for evaluation and decision making by the Board of Trustees or in compliance with established Investment Policy and State of Hawaii statutes.
2. Develop a proactive program to identify new investment opportunities using a global approach (i.e., US and non-US investments) including limited partnership funds, co-investments, secondaries, fund of funds, and other appropriate investment vehicles suitable for a public pension plan.
3. Conduct initial screening and due diligence on prospective investments, which may be sourced by the other ERS consultants or ERS investment staff. If appropriate, engage in comprehensive due diligence that may include general partner site visits and appropriate reference checking, and development of a written investment analysis with appropriate investment recommendations.
4. Present written recommendations to the Investment Committee and Board of Trustees, which will include, but shall not be limited to, full results of the comprehensive due diligence,

strategic considerations, partnership reviews, commitment amounts, and how the investments compliments the overall portfolio.

5. Work with ERS staff and legal counsel to negotiate the appropriate legal documentation and contracts including (but not limited to) limited partnership agreements (LPA), side letters, and subscription agreements.

C. Monitoring of the Private Equity Portfolio

1. Provide on-going investment monitoring that may include attending annual meetings, serving on advisory boards, analyzing policy and peer benchmarks, and conducting manager meetings.
2. Provide regular updates/assessments of relevant operational and/or strategic changes with investment managers, including, though not limited to, performance, organization, ownership, investment products, and disclosure issues.
3. Ensure compliance by the managers with the terms of their contracts.
4. Review and recommend course of action on all fund document amendments, consents, and extensions; and capital calls, distributions, and other movements of cash related to investments recommended by the non-discretionary private equity advisor.
5. Assist and advise ERS staff with work-out situations, breaches or violations of LPA provision and side letter provisions, and fund dissolutions as may arise.

D. Database Management

1. Maintain historical information on all cash flows, net asset values, unfunded commitments by ERS, fee payments, cost basis, and returns on each investment.
2. Calculate performance metrics including IRR and multiple calculations measured against performance benchmarks.
3. Ability to review cash flows and performance data by individual investment, sector, asset class, and the total portfolio over quarterly periods.

E. Reporting for Private Equity Program

1. Quarterly performance report to include at a minimum:
 - i. Allocation breakdown by geography, sector and industry
 - ii. Updates on each fund
 - iii. Listing of each fund by sector
 - iv. Date of commitment to each fund
 - v. Commitment amount to each fund
 - vi. Drawdown amounts by fund
 - vii. Outstanding commitment by fund

- viii. Distribution amounts by fund
- ix. Fund NAVs
- x. Multiples by fund
- xi. IRR of each fund
- xii. Items iii. – v. aggregated for the total private equity program

2. Monthly Report to include:

- i. Listing of each fund by sector
 - ii. Date of commitment to each fund
 - iii. Commitment amount to each fund
 - iv. Drawdown amounts by fund
 - v. Outstanding commitment by fund
 - vi. Items iii – v aggregated for the total private equity program
3. Reconcile the quarterly and monthly reports with the records of ERS custodian bank for accuracy and provide any other reporting required by the ERS Accounting Division.
4. Provide assistance with the appropriate information to ERS staff in meeting and satisfying Comprehensive Annual Financial Report (CAFR) requirements, and other public information requests.

F. Education

- 1. Provide educational and/or training sessions to the Board and ERS staff on regarding private equity investing as requested or needed.
- 2. Provide ERS staff with access to investment research and publications used by consultant.

G. External Relations

- 1. Support the Investment Committee, Board of Trustees, and ERS staff through written and/or oral presentations at their meetings with legislative and executive branch staff as necessary.
- 2. Support the Investment Committee, Board of Trustees, and ERS staff through written and/or oral presentations at their meetings with the media and general public.

H. Other

- 1. Meet at least quarterly to review contract issues, update ERS staff on new services/technology, and to plan improvements in services.
- 3. Provide access to ERS or its representatives, the State auditor, or other third parties identified by ERS for the purpose of performing any audits or reviews that are deemed necessary by ERS

**Employees' Retirement System of the State of Hawaii
Private Equity Consultant Services
Request for Proposal**

MANDATORY REQUIREMENTS CERTIFICATION

The undersigned Offeror hereby represents and warrants to the Employees' Retirement System as follows:

1. Offeror is an investment advisor registered under the Investment Advisors Act of 1940.
2. Offeror has been in business as an investment consultant for a minimum of five years.

Date business commenced (please provide commencement date for each of the areas covered by the proposal): _____

3. Offeror provides investment consulting services to at least one public retirement system defined benefit client with assets greater than \$3 billion.

Name(s) of client(s): _____

4. The primary consultant assigned to the ERS account has a minimum of seven years experience providing domestic and international investment consulting services to public pension plans.

Name of the primary consultant: _____

Number of years of experience: _____

5. The Offeror's principal place of business is in the United States. Offeror is subject to service of process in the United States.

Location of Offeror's principal place of business: _____

6. If awarded the contract, the Offeror will serve as a "fiduciary" with respect to the ERS.

OFFEROR'S NAME: _____

Signed: _____ **Date:** _____

FEE PROPOSAL

As the term of the contract is expected to be three (3) years with a two (2) year extension issued at the discretion of the ERS, the Fee Proposal should be guaranteed for a period of not less than five (5) years from the effective date of the contract. The services detailed under Paragraph VI of the Scope of Work Section of this RFP should form the basis for the proposed fees and should be referred to for a detailed description of the services required of the successful offeror. Proposed fees must include travel, taxes and all expenses.

Offerors should submit an all-inclusive annual fee for all services as follows:

All inclusive flat fee – year 1	\$ _____
All inclusive flat fee – year 2	\$ _____
All inclusive flat fee – year 3	\$ _____
Sub Total (Years 1-3)	\$ _____
All inclusive flat fee – year 4 (if extension is issued)	\$ _____
All inclusive flat fee – year 5 (if extension is issued)	\$ _____
Total Fees (Years 1-5)	\$ _____

The method of payment is described in Paragraph III of the Scope of Work section.

The final contract fee should represent the only compensation received by the consultant for services provided to ERS. There should not be any other benefit, monetary or otherwise, that results from this relationship between the consultant and ERS.

QUESTIONNAIRE

(Please complete the excel questionnaire.)

Employees' Retirement System of the State of Hawaii

Request for Proposals

Private Equity Consultant Services

RFP 2012-04

QUESTIONNAIRE

Employees' Retirement System of the State of Hawaii
RFP 2012-04
Private Equity Consultant Services
QUESTIONNAIRE

Your answers must be numbered consecutively as listed below, including the restatement of the questions followed by your firm's responses.

Private equity is broadly defined for the purposes of this RFP to include (but is not limited to) buyouts, venture capital, special situations which may be multi-stage opportunities and growth equity, secondaries, and co-investments; other specialized investments that include timber, global TIPS, TALF, targeted in-state venture capital; and could include infrastructure, commodities, and hedge funds in the future.

A. Organization

1. Provide your company's headquarters name and address, and the primary RFP contact's name, phone number, address (if different), fax number, and e-mail address. Provide the address of the office that will service this account.
2. Provide the legal entity name that will be represented on the contract should your organization be awarded this consulting mandate.
3. How many offices does the firm currently have? Where are the offices located? Please provide the address and phone number? What Specified Services are provided by each office?
4. List all owners of the firm and describe the ownership structure by percentage. In addition, please state the name or entity of any one owner who controls more than 50% of the firm. Indicate any owners who are not involved with the ongoing management or daily affairs of the firm. Include an organizational chart with names, titles, and reporting relationships in Exhibit A.
5. Provide a brief history of your firm's involvement in the private equity ("PE") consulting business, including the year of organization, current ownership structure, affiliations and any recent changes. Are ownership changes planned or anticipated at this time?
6. Was the firm founded primarily by principals and/or staff from another private equity organization(s)? If "yes," provide the name of the organization(s) from which these individuals came and the names of individuals from each organization(s). How many employees were there when the firm was founded? How many of the employees are still actively employed by the firm today and what are their roles or functions?
7. How many years has the firm provided Private Equity Consultant services to public pension plans?
8. How many years full discretionary? How many years non-discretionary?
9. What do you consider to be your firm's consulting specialties, strengths, and limitations? What services, if any, does your firm (or any subsidiary) offer in addition to pension fund real estate

consulting services? General or real estate consulting services offered?

10. What percentage of your total firm (i.e., the contracting entity and parent, if applicable) revenues come from outside your Private Equity Consultant services?
11. Describe your present and future business plan/strategy as it relates to ownership structure and Private Equity Consultant services.
12. Is your firm a registered investment advisor with the SEC under the Investment Advisers Act of 1940? If not, what is your fiduciary classification?
13. Does your firm act as a fiduciary when serving as a pension fund private equity consultant? Please elaborate if your firm does not and why.
14. Does your firm also provide Private Equity Consultant services to other private equity managers (i.e., fund of funds managers, discretionary private equity managers)? If “yes,” how do you manage conflicts of interest? Please explain.
15. Does your firm or affiliates provide investment management, brokerage or other services for clients?
16. Do you subcontract or outsource any parts of your investment consulting business? If “yes,” please describe in detail which parts are performed externally and the reason for doing so. Please provide the name(s) of the providers, their office location, how long they have been in business, and the qualifications of the specific people who will be working on our account.
17. Describe the levels of coverage for errors and omissions insurance or bonding and any other fiduciary or professional liability insurance the firm carries. List your insurance carriers.
18. If your firm maintains errors and omissions insurance coverage, or any fiduciary or professional liability coverage, have any claims been filed in the last five years? If so, provide an explanation and indicate the current status.
19. Provide (1) an organizational chart diagramming the relationship between the professional staff and if applicable (2) the parent-subsidary, affiliate, joint venture entities, or sub-advisory relationships. Attach as Exhibit B.
20. Provide a copy of your most recent Form ADV (Part I & II). Attach as Exhibit C.

B. Firm Experience

1. What do you consider to be your firm's consulting specialties, strengths, and limitations? What services, if any, does your firm (or any subsidiary) offer in addition to pension fund Private Equity Consultant services?
2. How many years has the firm provided Private Equity Consultant services both on a discretionary and non-discretionary basis; and to public pension plans both on a discretionary and a non-discretionary basis? How has this service arrangement between discretionary and non-discretionary evolved and grown since the firm's founding? What is your firm's percentage of total committed capital in terms of its discretionary relationships vs. non-discretionary relationships? Has your firm moved away from

non-discretionary (or discretionary) engagements within the last 10 years, and if “yes,” why?

C. Clients

1. Complete the Table 1 below for no less than three of your largest institutional clients (and please list those clients that you are using to meet the RFP Minimum Qualifications and so noted with a “*”).

Table 1 – PE Client Relationships – please note if FMS or AS:

Name of Client	AUM \$(000,000)	Years with Client	Discretionary or Non-Discretionary	FMS Or AS

2. Complete Table 2 below for PE Structure Type. Indicate the total amount of assets under your pension fund Private Equity Consultant management at the end of December 31, 2006 to December 31, 2011 by commitments. Separate the commitment amount as follows using the format provided:

Table 2 – AUM by Structure Type (State in \$000,000 as of December 31)

Period	Direct	Commingled	Co-Investments	Secondary	Other (specify)	Total
2011						
2010						
2009						
2008						
2007						
2006						

3. References: (Please get advanced permission from each reference provided).

List three current three public pension funds (or three other clients if public pension funds are unavailable) with assets equal to or over \$3 billion for whom you have provided primary Private Equity Consultant services on a retainer basis.

For each reference listed include client name, address, telephone number, email address and whether they are a full-retainer client or project and whether they are discretionary or non-discretionary with name of contact person.

4. Provide a list of pension fund clients to whom your firm has provided specific project consulting (no long-term retainer) in the last three years and briefly describe the type of assignment (e.g. investment policy, staffing study, market study, specialized/non-traditional private equity investments, etc.) using

the format below:

Name of Project-Based client	Year service provided	Type of Assignment

- Provide a list of clients that have terminated your services within the last five (5) years, the dollar amount of assets under management at time of termination, and the reasons for termination of each client.
- Describe your plans for managing the future growth of your firm in terms of staff, maximum assets, number of clients per senior consultant given current staffing resources, etc.
- Provide information in Table 3a and 3b below for the firm's five largest US Private Equity tax exempt clients for both discretionary and non-discretionary accounts between January 1, 2006 and December 31, 2011. Terminated relationships should be noted along with the year by footnote. In addition, we request that you also include any US PE tax exempt clients with PE assets between \$200 and \$400 million in market value and committed dollars between \$200 million to \$800 million, and footnote with an "*" after the client's name.

Table 3a and Table 3b – Other Clients (as of 12/31/2010* or as of date of termination)

Discretionary Clients (Table 3a)

Client Name	Client Total Plan Size	Total PE AUM US \$(000,000)	Market Value US \$(000,000)	Committed US \$(000,000)

Non-Discretionary Clients (Table 3b)

Client Name	Client Total Plan Size	Total PE AUM US \$(000,000)	Market Value US \$(000,000)	Committed US \$(000,000)

D. Personnel

- State the total number of professionals assigned to providing professional-level Private Equity Consultant services within your organization and how many of those professionals who would have direct responsibility for the ERS account (place a "*" after their name). Please complete the table below for all professionals within your organization providing Private Equity Consultant services.

Table 4 - Team Experience

Name	Title	Job Function	Education, Credentials, Professional Designations	Years Managing PE at the Firm	Years Managing PE

2. Provide biographies of your key professional personnel. (Exhibit D.)
3. List the name and location of primary individual(s) and the names and locations of personnel who directly support the primary individual(s) and backup personnel who would be responsible for our account and provide brief biographies including titles, functions, academic credentials, relevant experience and number of years in their current position on job functions and in Private Equity Consultant , how many other accounts for which they currently have responsibility, and a profile of their current clients. Identify and explain the role of back-up personnel and other contingency plans in the case of key professional and primary personnel leaving.
4. List the office location (primary and secondary) from which the work is to be delivered. Will any of the key staff or support staff working on the ERS account work from a location other than an office (e.g., from home, remote facilities)
5. List the personnel who share an equity stake in the organization, and describe any other provided incentives to retain your most talented staff.
6. Explain how junior level staff are trained or developed to assume more senior level positions in your firm and cite the criteria used to promote them.
7. List and describe how many support staff including (but not limited to) research analysts and other technical personnel that the primary consultant has access to in servicing ERS account.
8. What policies are in effect to control the workload as it relates to the number of clients serviced by each consultant? Is there a limit on the number of accounts that a consultant may handle?
9. Describe the turnover in key professional personnel in each of the last five (5) years. Indicate the number of people gained/lost in the following categories:
 - a. Client consultants
 - b. Key technical personnel

Table 5

Name/Position	Joined/Left the Firm	Years with Firm	Replacement	Reason for leaving

E. Services

1. List all standard services provided in a typical private equity full service consulting and performance monitoring relationship. List the special services that you have provided to meet other needs of your clients including any service mentioned or referenced in this RFP and Questionnaire (and which of those mentioned or referenced in this RFP and Questionnaire that you will not do). Which of those services are in addition to (or not mentioned in) the Scope of Services described in this RFP?
2. Describe your process for reviewing and approving capital calls and distribution notices from general partners representing traditional private equity, timber, TALF, infrastructure, commodities, etc. What is your turnaround time for such approvals?
3. Briefly summarize your philosophy relating to the consultant's relationship with Boards; Investment or private equity committees, staff; and private equity managers.
4. What approaches does your firm use to communicate with your clients? What should a client expect from you in terms of client service? What is your availability to meet with the Investment Committee and staff for investment policy review, manager searches, review of individually managed account-related matters, and other issues that may arise?
5. Do you attend annual manager or partnership meetings on behalf of your clients? If not, will you participate at a specific client's request and will there be an additional charge for this service?
6. Describe the services of your organization that distinguish your firm from other private equity consultants, and discuss how your firm's strengths would add value to our Fund.
7. Please elaborate on the approach, delivery frequency, and staffing assigned to the following *Specified Services* offerings (a portion or all) for a non-discretionary private equity engagement.
 - a. Partnership or fund sourcing
 - b. Desk review and on-site due diligence; preparation of comprehensive due diligence reports
 - c. On-going fund and GP monitoring.
 - d. Strategic and tactical planning and pacing studies.
 - e. Asset allocation/risk management advisory for private equity programs.
 - f. Legal (partnership document) review.
 - g. Terms and conditions negotiation.
 - h. Work-out situations.
 - i. Performance reporting
 - j. Annual GP meetings attendance.
 - k. Private equity program policy development and program structuring assistance.
 - l. Cash flow modeling.
 - m. Capital call and distribution notice review and checks& balances in process
 - n. Other services (please elaborate) Tax withholding and any other filings
8. The ERS is seeking the services of a non-discretionary consultant. However, please mark each service that the firm and its own employees provide with an "X". Please indicate any services that are outsourced to 3rd parties outside of the organization by an "OS". Please complete Table 6.

Table 6 – Non-Discretionary Private Equity Services
--

<xx> Fiduciary Fund Management Services (subject to Investment Advisors Act of 1940)	<xx> Reporting
<xx> Non Fiduciary Fund Management	<xx> Annual meetings
<xx> Fiduciary Advisory Services (non-discretion)	<xx> Legal work
<xx> Non-Fiduciary Advisory Services (non-discretion)	<xx> Work out
<xx> PE Program structure and policy advising	<xx> Transition
<xx> PE Strategic allocation advising	<xx> Co-investment
<xx> Fund of Funds management for PE assets	<xx> Secondaries
<xx> Separate accounts management for PE assets	<xx> Capital call review

9. Does your firm retain full-time internal legal counsel for limited partnership and related legal document reviews? Does your firm utilize outside legal counsel and for what purpose or assignments? What services would be provided to a client within the proposed fee structure? In what instances or circumstances would you recommend that the client retain its own outside legal counsel and for what purpose?

F. Assets Under Management

1. Complete Tables 7a and 7b below for the amount of funds that the firm managed or provided consultant oversight as of December 31, 2011. Please footnote the table to provide information if the private equity assets were managed in a fiduciary capacity by the consultant or whether management of the private equity assets were managed by client's staff.

Table 7a – AUM for all accounts – December 31, 2011

	\$(000,000)	% of Total Firm's AUM	No. of Clients
PE – US Public Pension			
PE – Endowments and Family Offices			
PE – Corporate			
PE – Other Clients			
Total PE Assets – Separate Accounts			
Total PE Assets – Fund of Funds			
Total US Public Pension Assets			
Total Firm AUM			

Table 7b – AUM for non-discretionary accounts – December 31, 2011

	\$(000,000)	% of Total Firm's AUM	No. of Clients
PE – US Public Pension			

PE – Endowments and Family Offices			
PE – Corporate			
PE – Other Clients			
Total PE Assets – Partnership Funds (LP) Accounts			
Total PE Assets – Fund of Funds			
Total Firm AUM			

2. Please state the firm's committed dollars by year and percentages of that amount for buyout, venture capital, and other PE investments for all commitments. State percentages in the last three columns using this format: "XX%". Please complete Table 8.

Table 8 – All Client and Non-Discretionary Committed Dollars

Year Ending December 31	All Committed USD \$(000,000)	Non-Discretionary USD \$(000,000)	Buyout Percentage	Venture Capital Percentage	Other Percentage
2011					
2010					
2009					
2008					
2007					
2006					
2005					
2004					
2003					
2002					
2001					

G. Philosophy and Approach

1. Please describe your firm's current consulting philosophy and approach to non-discretionary Private Equity Consultant services.
2. How has this philosophy and approach changed in light of the Great Recession and concerns about PE liquidity and changes in fund valuations?
3. Does your firm favor or specialize in mega-buyouts, large buyouts, middle market buyouts, smaller end buyouts; seed and early stage venture, mid-stage venture, late stage venture, growth equity, etc.; distressed debt, mezzanine, infrastructure, real assets, etc. Please elaborate on the pros and cons of these various stages and segments, and how you might position ERS's PE portfolio to gain

diversification.

4. How does your firm ensure that it is obtaining broad coverage of the best (i.e., top quartile) general partners?
5. What consideration does liquidity play in structuring a client's portfolio?

H. Firm Capabilities & Investment Process

1. Indicate the types of investment strategies and vehicles that the firm has experience with for US Public fund clients and describe the optimal situation for using one vehicle type versus the others:
 - a. *Limited Partnership interests*
 - b. *LLC*
 - c. *Fund of Funds*
 - d. *Co-Investments*
 - e. *Secondaries*
2. Briefly explain the firm's overall investment process. How does the firm bring the client's investment staff into the investment process for a non-discretionary engagement?
3. How would your firm manage and provide oversight (including the presentation of performance) for the entire private equity program (discretionary and non-discretionary programs), and coordinate with the incumbent discretionary private equity advisor on making complementary partnership fund investments and coordinating and implementing a comprehensive private equity strategy?
4. How does the firm source and develop new relationships with GPs prior to making an actual commitment? Does your firm prefer to strengthen existing relationships and do follow-on funds or seek new general partners to find added value?
5. How many general partners have you met with annually in each of the last three years in your offices (ending December 31, 2011)? At the GP's offices?
6. Describe the benchmark or process that the firm uses to determine which general partners are "top quartile."
7. List a sample (if allowable or conceal names as appropriate) of the "top quartile" funds (or projected to be top quartile) that your firm has made commitments to for (and prior to) vintage year 2006 for US Public Pension Plan clients. Indicate whether the funds are Buyout, VC, Growth Equity, Distressed Debt or Special Situation funds along with the individual funds' gross IRR as of December 31, 2011.
8. Indicate the firm's geographic investment coverage by describing the firm's investment activities in the following markets (and address only instances where actual investment commitments have been made). If you do not invest in any of the categories below, please briefly state why you do not invest in those regional markets. Which regional categories below do you plan to make new investments (or overweight, underweight, or make no investment) in the next three to five years and why you plan to follow that strategy (e.g., growing industry sector, changes in GDP, political climate, changes in national law, degree of investment transparency, changing demographics, changes in consumer or business demand)? In addition, if you were awarded the Private Equity Consultant engagement, what

would you project the committed capital weights of the ERS PE portfolio to be by percentage (totaling 100%) for the regions below in the year 2016? 2021?

- a. United States
- b. Canada
- c. Western Europe
- d. Central, Eastern Europe, Russia
- e. Japan
- f. China
- g. India
- h. Southeast Asia
- i. Australia
- j. Israel / Middle East
- k. Latin America
- l. Africa

Explain how the firm determines its PE strategic allocation policy for US Public fund clients like ERS (e.g. allocation between Buyout, VC, Growth Equity, Distressed Debt, Special Situation and Secondary funds). Is that allocation policy similar or the same for all of your U.S. Public Pension Plan clients or customized to meet specific client's needs? Please explain.

9. Describe how the firm's PE strategic allocation policy for US Public fund clients has changed over the past 5 years and how it might evolve over the next 5 years?
10. Assume the ERS existing private equity portfolio and holdings (see attached ERS Private Equity holdings report dated 10/31/2012) at a 3.8% net asset value target with a current market valuation of approximately \$450 million, a non-discretionary engagement,, and an overall plan sponsor fund that is projected to grow at 4% per year. Assume the incumbent discretionary core private equity manager commits \$150 million annually. Describe the appropriate fund commitment "bite size" for Buyout, VC, Growth Equity, Distressed Debt and Special Situation funds that will allow the client to reach a 7% Private Equity target on a funded basis. How long will it take for the client to reach the 7% net asset value target? Would your firm have any challenges providing adequate commitments each year without sacrificing quality of fund investments? Has your firm ever been unable to meet the desired commitment size for any of your clients, and if "yes," how did your firm address this issue?
11. Briefly describe the firm's due diligence process. Please attach a copy of a recent due diligence report recommending a commitment AND a report where the investment was declined. (Redacted is acceptable). Include this in **Exhibit E**.
12. What is your approach to allow the client to source its own partnership funds for referral to the private equity consultant? Please describe any experience your firm may have in this arrangement.
13. Describe the firm's experience for managing and monitoring existing client-sourced private equity fund investments. Is the firm able to report performance information for the client's overall private equity program while separating out the performance of between the PE consultant investments versus those of the existing private equity core manager?
14. Briefly describe the firm's approach to non-US, non-Western European Private Equity investments and how it differs from the firm's process for evaluating US and Western European funds.

15. Briefly describe the firm's experience with opportunistic alternative investments, e.g., TALF, PPIP, Mezzanine, and Distressed Debt.
16. On a forward looking basis, under what circumstances would your firm recommend a fund-of-funds PE vehicle versus making investments directly in limited partnership funds? What would be an optimal percentage between the two for a client like ERS? Does your firm manage its own PE fund-of-funds alongside separate accounts? If so, describe the strategy and return expectation of those fund-of-funds. Would your firm ever recommend a fund-of-funds managed by another investment manager rather than your own firm's fund-of-funds?

I. Database

1. Outline the overall capabilities of your database system.
2. How many of the following are tracked on your performance database?
 - a. managers/advisors
 - b. direct investments
 - c. commingled funds
 - d. specialized, non-traditional funds
3. Discuss the number of individuals assigned to monitoring investment products and frequency of both their internal and external manager visits.
4. How frequently is the private equity investment manager information updated? What are the sources of data and how do you ensure that your data is an unbiased and fair representation of the private equity investment manager universe? How is the investment strategy (core, enhanced, high return, etc.) determined for an investment manager or product? (i.e., what are the specific criteria used.)
5. What level of detail is included in your database to be used for screening (e.g., assets under management, client information, staffing information, research capabilities, ownership fees, organizational changes, etc.)? How is this information verified?
6. Do you receive a fee or other consideration from managers who wish to be maintained on your database? Do you sell investment manager database information? Do you receive compensation directly or indirectly from the sale of this information? What percentage of your revenue do you derive from sales to or subscriptions from money managers on your database?

J. General Partners Searches

1. Please list the firm's top 5 existing GP relationships where your firm has made a commitment to at least two or more of their funds, and the fund's strategy. For confidentiality reasons, you may list them as "Fund 1, Fund 2, etc." Also describe what has made these funds a top 5 relationship for your firm (e.g., performance, team stability, proprietary deal flow)
2. Briefly describe the due diligence process on managers during searches. How does on-site due diligence fit into the search process? Who or what internal governance body approves commitments and amounts to funds? Are such commitment decisions approved for all similar clients or for specific

clients?

3. What percentage of the time would each of key staff assigned to the ERS account spend meeting with general partners as part of its due diligence process? How many due diligence site visits are conducted each year by each of these key staff?

K. Investment Policy/Asset Allocation

1. Describe your pension fund experience (preferably public fund) and approach in developing investment policy and objectives for a diversified pension fund especially within the context of a comprehensive strategic plan. Comment on your process for analyzing a client's portfolio structure and for recommending modifications. Describe the manner in which you assist the Board and the Investment Committee in monitoring investment policy, strategy and asset mix.
2. Please provide an example of an investment policy focused or specific to private equity. Briefly address in the policy/strategy any economic/market assumptions and how the strategy achieves its objectives given current and future market volatility changes in interest rates, changes in inflation, and supply and demand constraints. Please attach this policy as **Exhibit F**.
3. What is the most appropriate way to categorize and discuss private equity investments to help the client best understand the levels of risk being assumed?
4. What is your internal policy for allocating private equity investment opportunities across several of your clients? Please attach this policy as **Exhibit G**.
5. What is your outlook on some of the key global events in the US, Europe, Asia, Africa, and the Middle East, and how does that influence your views on private equity program and policy, if any? How does inflation figure into your views? What are the specific investment strategies and crafting of policy that you believe will help public pension plan clients achieve high levels of risk-adjusted returns.
6. Describe any comprehensive *program-level* risk management tools or systems you use to understand and evaluate various kinds of risks associated with a client's private equity program. Do these tools/systems allow for look through to portfolio companies for risk management analyses?
7. Based on your knowledge of the ERS and its Investment Policy Statement, please write a maximum one page document on what approach you would take and some general changes you would initiate in making a revision to the Private Equity Policy in terms of direction, performance, and risk of the total program. For this exercise, assume oversight over all private and private-structured assets (not including real estate) to include the current private equity core program, the HiTIP (in-state venture capital program which has its own unique policy statement), Timber (with its own unique policy statement), and TALF.

L. Performance Measurement

1. Is your performance measurement system proprietary/developed internally or an "off shelf" product? Do you plan to make any changes to the current system?
2. What private equity categories (to include BO, VC, etc) are tracked in your performance measurement

system?

3. How many years of useable performance data are on your database?
4. Do you certify that client reporting is GIPS® compliant or complies with any other organizational or regulatory standard?
5. Briefly describe your methodology in computing partnership returns including the actual formula utilized, the frequency of calculation, the treatment of cash flow, the treatment of stock distributions and the treatment of fees.
6. What benchmark(s) do you recommend for evaluating the performance of a public pension plan private equity program?
7. How do you verify and reconcile the managers' returns?
8. What is used to independently verify the reasonableness of GP marks ?
9. The ERS currently expects its private equity program to generate 350 basis points above a public index return. Is this realistic? What return expectations would you recommend to ERS on a going-forward basis both in terms of IRR and capital multiple
10. Describe the flexibility available to customize reports.
11. Please provide as **Exhibit H** a sample of your firm's performance and other standard reports.
12. Describe how your organization identifies problems with general partner activities and performance. Include the process by which steps are taken to rectify the problems.
13. Describe steps you have taken on behalf of your clients who have partnership investments that are performing poorly, legal issues, or where there is a "zombie" or non-performing GP.

M. Litigation and Investigations

1. Is there any current or pending litigation or investigations by regulatory agencies against the firm or any of its officers? If "yes," please describe the nature of this litigation, current status and when it is expected to be resolved. Also, list any such litigations or investigations that have been filed or initiated against the firm since January 1, 2001 and how it was resolved.
2. Has any senior management or principal level employee or staff member been convicted of a misdemeanor or felony in the past five years?

N. Compliance and Conflicts of Interest

1. Does the firm, or parent company, currently engage in any other business activities other than non-discretionary Private Equity Consultant ? If "yes," describe the nature of the other business activities, what percentage of the non-discretionary Private Equity Consultant business makes up the total revenue of the overall firm, and how you mitigate conflicts of interest among various parts of the business where such conflict exists or is *perceived* to exist.

2. Does your firm have a dedicated, full-time compliance officer? If not, who manages conflicts?
3. State whether or not the employees comply with the Code of Ethics and Standards of Professional Conduct of the Association of Investment Management and Research (AIMR).
4. Does your firm maintain a code of ethics? If so, attach as **Exhibit I**.
5. Does the firm currently manage, or plan to offer, any Fund of Funds products? If “yes,” describe how the firm avoids any conflicts of interest between its Fund of Funds product and other private equity offerings available to clients. Describe how the firm allocates over-subscribed investment opportunities among clients.
6. Describe any financial relationships that exist with other organizations such as brokerage firms, insurance companies, commercial banks, investment banking firms, investment management firms, etc.
7. Describe your firm’s gift acceptance policy.
8. Please disclose the nature of any business relationship that the firm has now, or has had, in the past ten years with any current or past ERS Board member, consultant, or staff.
9. What is your firm’s position on third-party placement agents and do you currently engage or do business with such service providers? What is the policy for disclosure of placement agents? When and who is responsible for paying the placement agent fees? Is there a one-for-one reduction in management fee of the fund for the placement agent fee?

O. Miscellaneous

1. Please write a one page Private Equity investment plan briefly describing what recommendations you would make to restructure the ERS portfolio if you were awarded a contract to consult on the private equity program on a non-discretionary basis. Include this recommendation write-up in **Exhibit J**.
2. Please include no more than three samples of white papers or other short research communications provided to your clients on private equity. Include these samples in **Exhibit K**.
3. What impact has FASB 157 had on your business and its ability to report valuations back to the client on a timely basis? Please describe some of the issues that your firm has addressed with complying with FASB 157 especially as it relates to your US public pension plan clients. What issues have your clients raised with your organization on this matter?
4. Describe the firm’s policy or position regarding FOIA (Freedom of Information Act) requests and other public disclosure laws. In particular (but not exclusively), address the policy at is relates to venture capital funds.
5. Does the firm provide clients with an online web portal? How long has this site been in use? Describe in detail the information that is available on this website. e.g., partnership names, commitments, aggregate IRR by investment type, fund level IRR, etc.) and what format the data is available in (downloadable excel file, pdf, etc.)

6. List the major bank custodians that the firm works with.
7. What are your views and commentary of the Institutional Limited Partnership Association's "ILPA Principles"? Are there any provisions of the Principles that you support or disagree with?
8. Is your organization a member of the ILPA? Has your organization ever been asked to provide research support for their policy development? Has your organization ever participated at the annual ILPA Summit?
9. Describe the nature of your written Business Recovery Plan.

Attachment A

Employees' Retirement System of the State of Hawaii Annual Report

Comments: RFP may be downloaded from the ERS Website
<http://ers.ehawaii.gov>

**Attachment B
Sample Contract**

(Refer to the Attached File)