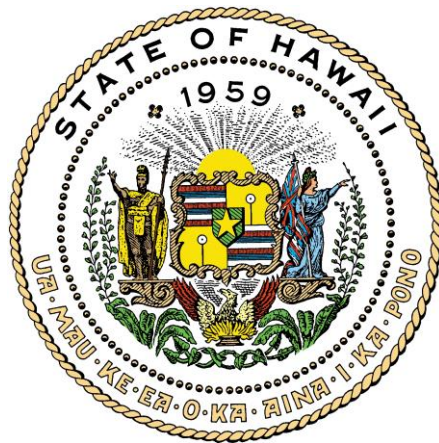


**Employees' Retirement System of the State of Hawaii**  
**Request for Proposals**  
**Private Equity Consultant Services**  
**RFP 2022-04**



**Issued**

***AUGUST 29, 2022***

Firms who wish to receive addenda to this RFP must register with the ERS as potential offerors.

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**Employees' Retirement System of the State of Hawaii**  
**Private Equity Consultant 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 74,000 active and inactive vested members, plus over 45,000 retirees and beneficiaries. There are five 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 Department of Budget and Finance.

ERS investment portfolio is valued at over \$22.5 billion as of December 31, 2021. The Private Growth (Private Equity) portfolio consists of over 103 active general partner relationships and over 230 active limited partnerships in commingled, secondary (fund of fund) and potential co-investment strategies. Current sub-strategies include Buyouts (small, mid, large, mega), Growth Equity, Special Situations, Mezzanine, Venture Capital, Distressed Debt, Co-Investments and Secondaries. The Board of Trustees adopted a functional risk allocation framework in 2014 and updated the strategic target and range for Private Growth in 2016 to a 13.5% target allocation with a maximum range of 25% of ERS assets.

Additional information regarding the ERS's investments, including the ERS's Investment Policy, Guidelines and Procedures manual, is available on the ERS's website (<https://ers.ehawaii.gov>) at the Investments tab.

The ERS's Annual Comprehensive Financial Report (ACFR) are available at: <https://ers.ehawaii.gov/resources/financials>.

**II. Purpose**

The ERS is soliciting proposals from qualified firms to provide private equity investment consulting services to the Employees' Retirement System of the State of Hawaii. The ERS will award one or more contracts 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 (“HRS”), 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. Pursuant to HRS §103D-102(d), the use of the Chapter 103D RFP process shall not constitute a waiver of any applicable exemption from Chapter 103D, HRS, and shall not subject this procurement to any other provision of Chapter 103D, HRS.

### 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. Thomas Williams, Executive Director  
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>
RFP Available to Prospective Offerors	August 29, 2022
Closing Date for Submission of Questions	September 13, 2022 by 4:30 p.m. (H.S.T.)
ERS' response to offerors' questions	September 19, 2022
Closing date for Receipt of Proposals	September 30, 2022 by 4:30 p.m. (H.S.T.)
Determination of Priority-Listed Offerors	October 3-12, 2022
ERS Visits to Offerors' Facilities (optional at ERS' discretion)	December 1-9, 2022
Oral Presentations (in Honolulu at ERS' discretion)	January 18-20, 2023
Best and final offers due	January 27, 2023 by 4:30 p.m. (H.S.T.)

Contractor Selection and Award (approximately)	February 14, 2023
Service initiation	April 1, 2023

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 18-20, 2023 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) September 13, 2022**. A written response to any questions will be provided by ERS via the addendum process described in Paragraph XIII of this section.

**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 2022-04." A master (so marked), 15 hard copies (one copy must be unbound and ready to photocopy), and one (1) electronic copy of the long questionnaire (MS Word or Adobe Acrobat) and one (1) electronic copy of the excel questionnaire response must be received no later than **4:30 p.m. (Hawaii Standard Time) September 30, 2022**. The sealed package should be addressed to the Procurement Officer listed in Paragraph IV of this section.

A copy of the proposal in PDF format with bookmarks correlated to the sectional dividers in the hardcopy binders, the questionnaire, and the questionnaire responses are also to be submitted on CD or usb drive.

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 2022-04  
(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, accompanying the actual modification; or a written notice by facsimile machine or electronic mail 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 submitted within two working days of receipt of the facsimile or electronic transmittal.
- **Withdrawal** - a written notice received by the Procurement Officer or a notice by facsimile machine or electronic mail 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, including but not limited to provide cost or pricing data when required.
- 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 A 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 A

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

Any protest by the requestor following a debriefing, shall be filed within five (5) working days, as specified in HAR §103D-303(h).

### **XIX. Requirements for Doing Business in the State of Hawaii**

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.

Proof of compliance with the foregoing requirements can be provided through the Hawaii Compliance Express (HCE), which allows vendors, contractors and service providers doing business with the State 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 date the Certificate of Vendor Compliance is issued. The Certificate of Vendor Compliance indicating that offeror or contractor's status is compliant with the requirements of HRS Chapter 103D-310(c), will be accepted for both contracting purposes and final payment.

**If a Certificate of Compliance showing that the offeror's status is "Compliant" is not submitted on a timely basis for award of the contract, an offeror otherwise responsive and responsible may not receive the award.**

The contractor must maintain such compliance during the term of the contract and for final payment. The ERS may conduct periodic checks to confirm that a contractor maintains compliance with the foregoing requirements throughout the term of the contract, including any extensions. If a contractor's Certificate of Vendor Compliance shows that the contractor's status is "Not Compliant" or "Expired", the ERS has the right to withhold any and all payments to the contractor until the contractor's Certificate of Vendor Compliance shows that the contractor's status is "Compliant." Such withholding shall not be considered or constitute a breach of contract and shall not be a basis or excuse for nonperformance of the contract by the contractor or entitle contractor to claim interest for a late payment.

**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 A 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.

**II. Evaluation Process**

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

The evaluation process will be conducted in six phases:

- Phase 1 - Evaluation of Minimum Qualifications and Mandatory Requirements of all offerors
- Phase 2 - Establishment of Priority List of Offerors
- Phase 3 – Due diligence and facilities inspections (optional) by ERS Evaluation Committee
- Phase 4 – Best and Final Offers
- Phase 5 – Board Interviews with Priority Finalist Offerors
- Phase 6 - Award

**III. Evaluation Criteria**

The evaluation criteria listed sections V and VII will be used to evaluate and rank offerors' proposals. 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 Minimum Qualifications and Mandatory Requirements of all offerors**

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 minimum qualifications and mandatory requirements ("no pass") may be grounds for deeming the proposal nonresponsive to the RFP and rejection of the proposal. Only those proposals meeting the minimum qualifications and mandatory requirements ("pass") of Phase 1 will be considered in Phase 2.



The minimum qualifications are:

- Offeror must be an investment advisor registered under the Investment Advisors Act of 1940.
- Offeror must have ten (10) years of experience in domestic and international private equity/debt investment consulting.
- Offeror must provide private equity/debt consulting services to at least one public retirement system defined benefit client with assets greater than \$5 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 private equity/debt consulting services to public pension plans.

The mandatory requirements are submission of:

- Cover Letter
- Questionnaire Answers
- Form ADV (Parts 1 and 2)
- Code of Ethics
- References
- Fee Proposal
- Sample Reports (performance, research, manager search, asset/liability modeling, pacing, etc.)
- Financial Statement
- Minimum Qualifications Certification

**V. Phase 2 – Establishment of Priority List of Offerors**

All offerors who pass Phase 1, Evaluation of Minimum Qualifications and Mandatory Requirements, shall be classified as "acceptable" or "potentially acceptable". If there are more than three "acceptable" or "potentially acceptable" offerors, the Evaluation Committee will evaluate all proposals and establish a priority list of three (3) offerors who received the best preliminary evaluations. The order, priority and points to be applied to each evaluation criteria as follows:

<b>CRITERIA</b>	<b>POINTS</b>
Ability, including resources, knowledge, and independence of judgment, performance of discretionary mandate(s) and avoidance of conflicts of interest, to perform the services referred to in the RFP	40
Philosophy, process, soundness of approach and understanding of the needs of the ERS	30
Stability and relevant history and experience of the firm and the individual consultants proposed for the ERS	20
Fees	5
Client references	5

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.

**VI. Phase 3 – Due diligence and facilities inspections (optional) by ERS Evaluation Committee**

The ERS may conduct inspection of priority-listed offerors' facilities December 1-9, 2022 or as can be conveniently scheduled.

During the course of this phase, the ERS Board of Trustees may conduct interviews with the priority-listed offerors in Honolulu during the week of January 18-21, 2023.

**VII. Phase 4 – Best and Final Offers**

The priority-listed offerors' best and final offer must be received by the Procurement Officer no later than 4:30 p.m. HST on January 27, 2023. If the Procurement Officer does not receive a best and final offer from a priority-listed offeror, the immediate previous offer will be construed as the priority-listed offeror's best and final offer.

**VIII. Phase 5 – Board Interviews with Priority Finalist Offerors**

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

<b>CRITERIA</b>	<b>POINTS</b>
Ability, including resources, knowledge, and independence of judgment, performance of discretionary mandate(s) and avoidance of conflicts of interest, to perform the services referred to in the RFP	30
Fees	20
Philosophy, process, soundness of approach and understanding of the needs of the ERS	30
Stability and relevant history and experience of the firm and the individual consultants proposed for the ERS	15
Client References	5
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**

**IX. Phase 6 – Award**

The ERS Board of Trustees will make the final selection.

**Employees' Retirement System of the State of Hawaii**  
**Private Equity Consultant 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 (2) year extension at the option of the ERS. The term of the agreement will commence on or around April 1, 2023. The ERS will determine in 2026 whether to extend the term of the contract. If the contract extension is not granted, the contract will expire in 2026. If the extension is granted, the contract will expire in, 2028.

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, except with respect to discretionary investments authorized below. 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/debt (buyout, venture capital, growth equity, mezzanine, 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).

Under a discretionary service model, the service provider is responsible for the full monitoring, reporting and capital call/cash management to include reconciliation of capital account balances and remaining commitment of the legacy portfolio along with all related decisions that are required to be made, such as fund amendments and secondary selling decisions. The service provider is also responsible for the portfolio construction, manager & fund selection and securing allocation for the current portfolio, and the transfer and reconciliation of in-kind distributions to the broker designated by the Investor, along with all decisions that are required to be made including reviewing & negotiating legal documents. Often under a Discretionary service model, the Investor's Staff (CIO and/or Investment Officers) are responsible for oversight of the Discretionary service provider to ensure they are adhering to the governing rules and acting in accordance with their delegated authority. They may be involved in overall strategy but are not involved in individual investment decisions. Discretionary service model is an outsourced turn-key approach to private equity portfolio construction.

### **1) Strategic Planning & Research – works with both discretionary & advisory**

- Annual strategic or tactical plan
- Assess portfolio progress
- Recommendation on portfolio construction
- Portfolio pacing/vintage year modeling
- Cash flow forecasting
- Market intel & forward calendar
- Special projects

## 2) Investment Sourcing, Due Diligence & Legal – discretionary

- Tactical selection based on strategic plan
- Investment diligence across the private equity landscape
- Final investment recommendations
- Review and negotiate terms for investments
- Ensure compliance with rules and regulations
- Provide ongoing oversight of partnership documents
- Annual meetings/advisory board attendance

## 3) Cash Flow Administration/Portfolio Monitoring – both discretionary & advisory

- Data transition and reconciliation
- Provide oversight on legacy & current portfolio
- Monitor/advise on fund developments
- Cash flow administration and account reconciliation
- Capital call management-verify legitimacy and accuracy of capital calls, distributions (both cash and in-kind) and capital account balances
- Quarterly reporting - portfolio performance, analytics and diversification

General consulting services would fall into a special projects area designed for specific portfolio enhancements. This is where ERS would engage the consulting services for advice/recommendations and guidance in very specific areas. Any of these areas could also be outsourced in a Discretionary mandate. Staff may have interest in creating specific programs around various areas, such as:

- Strategic partnerships
- Targeted Venture capital program
- Targeted Private Debt program
- Direct Co-investing
- Targeted Secondary exposure
- Other staff sourced private equity fund investments

**Discretionary Private Equity Investment Services.** The contractor will provide the following discretionary investment management services.

- A. The contractor, in a manner satisfactory to the ERS, shall provide investment services with respect to the assets in the ERS's core private equity program, other than assets managed by Specialty Managers (as defined in the Investment Policy (defined below)), (the "Assets") in collective private equity investment funds (the "Investment Funds") with discretion and authority to buy, sell or otherwise effect investment transactions involving the Assets in the name and on behalf of the ERS consistent with the annual strategic plan agreed to between the contractor and the ERS (the "Strategic Plan"). The Strategic Plan may be amended or supplemented from time to time by mutual agreement of the contractor and the ERS. The "Assets" include securities and Investment Funds in which the ERS held an interest prior to the contractor receiving authority to make investment decisions with respect to the Assets pursuant to the contract.

- B. The contractor shall have discretion as to all investment decisions regarding the Assets, without limitation, (i) voting of, or granting or withholding consent with respect to, any securities; (ii) entering into, amending or terminating any contract; (iii) commencing, settling or discontinuing any claim or action on behalf of the ERS; (iv) exercising any option, conversion or subscription rights relating to any securities or other property constituting a part of the Assets, or selling any such rights; (v) joining in, dissenting from, or opposing the reorganization, consolidation, recapitalization, liquidation, merger, sale, mortgage, pledge or lease of any securities or other property constituting a part of the Assets; (vi) depositing any Assets with any protective, reorganization or similar committee, and paying or agreeing to pay out of the Assets part of the expenses and compensation of any such committee and any assessments levied with respect to any securities or other property so deposited; (vii) monitoring and preparing performance reports, conducting capital call management including capital account reconciliation, account set-up and verifying audit confirmations; (viii) providing business and operational due diligence reports to ERS, and obtaining Placement Agent and other supporting documents from GPs; (ix) execute and submit to GP necessary closing documents; (x) Provide up to 5 non-discretionary, full business and operational due diligence reports per year at ERS' request at no additional cost; and (xi) generally taking or refraining from taking any other action relating to the investment or reinvestment of the Assets. The CONTRACTOR shall have no duties with respect to the Assets or the STATE except for: (1) the investment and reinvestment of the Assets in accordance with the terms of this Contract; and (2) as provided in that certain Contract for Goods and Services dated April 1, 2023, by and between STATE and CONTRACTOR and (vii) generally taking or refraining from taking any other action relating to the investment or reinvestment of the Assets.
- C. The contractor shall exercise the discretion and authority granted to contractor by the contract in accordance with: (i) a Strategic Plan, tactical, or business; (ii) the investment guidelines set forth in the Private Equity Portfolio Policies and Procedures of the Board of Trustees Policy, Guidelines and Procedures manual ("Investment Policies Manual") as they exist on the date of the contract and as they may be amended by the Board, from time to time, (ii) the laws of the State of Hawaii, and (iii) prudent investment practice. Contractor acknowledges receipt of a copy of the Investment Policies Manual which is currently in effect. The Board shall as soon as reasonably practical notify the contractor in writing of any changes to the Investment Policies Manual. The contractor agrees that all actions taken by contractor under the contract shall be taken with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent expert acting in like capacity and familiar with such matters would use in like situations. The ERS acknowledges that the contractor does not guarantee any rate of return on, or market value of, any investments of the Assets.

The consultant will provide the following:

- 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 long-term 13.5% Private Equity Policy target effective July 1, 2015. (The previous private equity program target was 7%.) Policy and program oversight would include all ERS private equity advisors and privately-structured fund investments (currently consisting of primary, secondary, co-investment and fund-of-fund



managers). It also includes various types of privately placed investments (currently consisting of buyouts, growth, venture capital, debt, opportunistic and other strategies and a discretionary in-state venture capital program manager (the Hawaii Targeted Investment Program (“HiTIP”) manager). Services to exclude real estate investments.

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 contractor’s expense (up to 6 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, any incumbent discretionary- or non-discretionary private equity manager or consultant, 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, strategic partnerships 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 contractors 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 compliment 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. The updates/assessments include all aspects of the private equity program, including but not limited to strategies such as primary, secondary, buyout, distressed, debt, venture, growth, and strategic relationships.
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, waterfalls, promote/carried interest, other fees and expenses, and other movements of cash.<sup>5</sup> 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 (1- 3- 12-months, 1- 3- 5- 10-years, and since inception)
  - xii. Items iii. – v. aggregated for the total private equity program
2. Monthly Report to include:
- i. Meeting Agenda
    - a. Summary list of commitments closed to date
    - b. Forward calendar of investments expected to close
  - ii. L.P. Annual Meeting Calendar for our investments
  - iii. Deal Log
    - a. Ongoing list of funds reviewed by contractor during the year
    - b. Include the status (e.g., screening, in process, questionnaire sent, site visit, approved, declined etc.)
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 regarding private equity investing as requested or needed.
  - 2. Provide ERS staff with access to investment research and publications used by contractor.
- 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.

2. 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.
3. Recommend and possibly implement optimal distribution management program for in-kind distributions.
4. Assist in sourcing, researching, recommending, monitoring, and managing possible strategic relationships and partnerships with private market asset managers with the ERS staff.

**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 - services as follows:

	Discretionary Services
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 both the MS Word and the Excel questionnaires).

**Attachment A  
Sample Contract**

**(Refer to the Attached File)**