

DAVID Y. IGE  
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**STATE OF HAWAII  
EMPLOYEES' RETIREMENT SYSTEM**

September 23, 2022

**ADDENDUM NO. 3  
To  
Request for Proposals  
Private Equity Consultant Services  
RFP 2022-04  
Issued August 29, 2022**

**OFFERORS:**

In accordance with Section VII. Of the Request for Proposals (RFP), the Employees' Retirement System of the State of Hawaii (ERS) is providing the following responses to questions from potential offerors:

1. **QUESTION:** Can you please clarify if the scope of services describes two distinct mandates, one discretionary, starting under "Discretionary Private Equity Services" header on page 22 of the RFP; and the second non-discretionary, starting under "The consultant will provide the following:" on page 23 of the RFP?

**RESPONSE:** The scope of services is intended to describe a single discretionary mandate. Please see Addendum No. 2, Item A1 on page 23 is deleted.

- a. **QUESTION:** Does ERS prefer to award a single contract to one contractor that can provide all services covered by this RFP, or more than one contract to divide the non-discretionary consulting service from the discretionary implementation service?

**RESPONSE:** ERS will award a single contract (for discretionary services) to one contractor that can provide all services covered by this RFP.

2. **QUESTION:** Can you share the fees that the ERS pays to its current private equity consultant(s)?

**RESPONSE:** Year 1: \$725,000  
Year 2: \$725,000



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Year 3: \$725,000  
Year 4: \$725,000  
Year 5: \$725,000

- a. **QUESTION:** To the extent the current private equity consultant(s) do not provide the scope of services described in the RFP, which services are not provided by (each of) the current private equity consultant(s)?

**RESPONSE:** The current private equity consultant does not currently provide up to 5 non-discretionary, full business and operational due diligence reports per year at ERS' request at no additional cost (see item B.(x) under Discretionary Private Equity Investment Services.

3. **QUESTION:** Page 21 of the RFP (second paragraph) states: "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." Can you specify the range and duration of services to be provided by the contractor beyond the contract period?

**RESPONSE:** No, the range and duration cannot be determined at this time.

4. **QUESTION:** How large is the current HIERS private equity portfolio? Please provide number of funds and total dollars (e.g. commitments, NAV, unfunded commitments), with breakdown between primary funds, secondary investments, co-investments, and fund-of-funds. Which of these components and what portion of the HIERS private equity portfolio would fall under the contractor's discretionary authority?

**RESPONSE:** Please refer to our website for more information:  
<http://ers.ehawaii.gov/investments/holdings>

5. **QUESTION:** Can you share your expectations regarding future private equity investments over each of the next 3-5 years? Please provide total dollars to be committed/invested, with a breakdown between primary funds, secondary investments, co-investments, and fund-of-funds.

**RESPONSE:** Total commitments \$600-\$700mm per year in 14 to 16 funds consisting of mostly primary funds, but may include some secondary investments and fund-of-funds. Co-investment are with another manager, outside of this mandate. The consultant would also be required to source and forward any opportunities from ERS' own PE portfolio, to its recently approved direct co-investment program manager.

6. **QUESTION:** Does ERS require or have any preference either way for the contractor to provide any of the following services? If yes, are they included in the scope of services to be provided under this RFP or would they be a potential add-on/separate service in the future?

- a. Assistance with sourcing and structuring strategic partnerships.

**RESPONSE:** The contractor should have general knowledge regarding strategic partnerships, but it is unlikely that ERS would undertake such strategy within the next 3-5 years. If strategic partnerships are pursued, full investment and operational due diligence would be undertaken; this would be a potential add-on/separate service.

- b. Targeted venture capital programs

**RESPONSE:** Contractor should consider venture capital as being within the scope of this RFP.

- c. Targeted private debt programs

**RESPONSE:** The contractor should consider special situations and mezzanine as being within the scope of this RFP.

- d. Direct co-investing

**RESPONSE:** The contractor should have general knowledge regarding direct co-investing and would be required to source and forward such opportunities from ERS' own portfolio to its recently approved direct co-investment program manager. It is unlikely ERS would undertake another mandate within the next 3-5 years.

- e. Targeted secondary exposure

**RESPONSE:** The contractor should consider secondary exposure as being within the scope of this RFP.

7. **QUESTION:** RFP Question C.1: Are you able to clarify how to interpret "FMS" and "AS" in *Table 1 – PE Client Relationships*?

**RESPONSE:** "*Fiduciary Management Services (FMS)*" "*Advisory Services (AS)*"

8. **QUESTION:** RFP Question H.8: Can you confirm the below sentence in the question is meant to read the "year 2021", or a different year (i.e. 2026) since 2021 has already passed?

o "*In addition, if you were awarded the private equity consulting 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 2021*"

**RESPONSE:** 2021 should be 2026

9. **QUESTION:** Can you disclose what you are currently paying the private equity incumbent on an annual basis?

**RESPONSE:** See Response No. 2

10. **QUESTION:** What do you expect to commit to private equity on an annual basis over the next three years?

**RESPONSE:** Commitment estimated at \$600 - \$700 million per year

11. **QUESTION:** How many funds do you expect to commit to annually?

**RESPONSE:** Estimate 14 to 16 funds per year.

12. **QUESTION:** Over the last three years, how many private equity managers have you committed to annually?

**RESPONSE:** Roughly 14 to 16 funds annually.

13. **QUESTION:** What is the size of your senior staff?

**RESPONSE:** Currently seven senior/professional staff.

14. **QUESTION:** Do you have any dedicated staff to private equity?

**RESPONSE:** One dedicated staff.

15. **QUESTION:** PDF page 11, RFP Page 10: With regard to *Section XIX. Requirements for Doing Business in the State of Hawaii*, please confirm that these only need to be completed once the successful bidder is notified that they have been chosen.

**RESPONSE:** HCE compliance certificates would be required upon award of contract, and for final payment on a contract, as required by HRS §103D 310, HAR §3-122-112, HRS § 103-53.

16. **QUESTION:** Is the current private equity relationship with Hamilton Lane fully discretionary?

**RESPONSE:** Yes, but approvals subject to final legal and business review as Hawaii has specific laws, rules, regulations and policies etc. that require our final review and concurrence.

17. **QUESTION:** What fees do you pay Hamilton Lane?

**RESPONSE:** See Response No. 2

18. **QUESTION:** Can you provide a list of the PE holdings that the consultant would expect to manage/advise upon?

**RESPONSE:** A list of holdings may be found on our website:  
<http://ers.ehawaii.gov/investments/holdings>

19. **QUESTION:** Can you clarify if the HiTIP in-state VC program will be the responsibility of the offeror to manage (in a discretionary manner)? Can you provide a list of holdings in this portfolio and further details about this portfolio?

**RESPONSE:** HiTIP will not be part of the discretionary mandate, however, the performance of HITIP is consolidated into the overall PE portfolio. The respondent will be expected to include performance results of the HiTIP program and any other PE investment funds, completed outside of the discretionary mandate, into the PE portfolio. A list of holdings and other information may be found on our website:  
<http://ers.ehawaii.gov/investments/holdings>.

20. **QUESTION:** Would Hawaii ERS be willing to accept a basis points fee for discretionary services?

**RESPONSE:** No. Seeking flat fee.

21. **QUESTION:** Can you please confirm which minimum qualifications are correct? For example, the list in the *Mandatory Requirements Certification* is different from the minimum qualifications listed in *Section IV. Phase 1 - Evaluation of Minimum Qualifications*.

**RESPONSE:** Where there is a conflict between the minimum and mandatory requirements, the mandatory requirements would prevail.

22. **QUESTION:** With regard to the scope of services in *Section VI*, certain scope items note "discretionary and advisory". Is the chosen consultant expected to retain discretion over the entire pool of private equity assets or is there a portion of assets that would be advised upon in a non-discretionary manner?

**RESPONSE:** ERS will award a single contract (for discretionary services) to one consultant. The chosen consultant is expected to retain discretion over the entire pool (to include all legacy funds) of private equity assets.

23. **QUESTION:** Is Hawaii ERS on the advisory board for any of the 230 funds in your portfolio?

**RESPONSE:** Yes

24. **QUESTION:** If so, how many?

**RESPONSE:** ERS' staff is on 4 private equity advisory boards.

25. QUESTION: Which funds do you expect the consultant to serve on the advisory board for?

**RESPONSE:** Hamilton Lane is on many more (number is unknown) advisory boards. The consultant is expected to aggregate its client's commitments to obtain a size advantage when requesting an advisory board seat.

26. QUESTION: Has the PE program completed any secondary sales to date?

**RESPONSE:** No sales to date.

27. QUESTION: Do you expect to complete secondary sales?

**RESPONSE:** No current expectations to complete secondary sales, but the consultant should have the skill set to undertake such a sale, if necessary.

28. QUESTION: Is the chosen provider expected to track the value of stock sales as well as stock distributions?

**RESPONSE:** The ERS has a distribution manager. The provider would be expected to track the value up to point of transfer to the distribution manager. The consultant would coordinate stock transfers between a general partner and the distribution manager.

29. QUESTION: Which provider does Hawaii ERS use for the in-kind distribution broker?

**RESPONSE:** ERS' stock distribution manager uses Morgan Stanley.

30. QUESTION: The scope of services notes that you would like IRRs reported monthly. Is quarterly IRR reporting acceptable?

**RESPONSE:** Quarterly is acceptable as stated in Section E(1) under Scope of Services.

31. QUESTION: With regard to scope item "*ensure compliance with rules and regulations*" under 2. *Investment Sourcing, Due Diligence & Legal* of the scope of services, can you please clarify what this would entail?

**RESPONSE:** Please see Section III "Authority" of the RFP, repeated below. 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.

32. **QUESTION:** Is the excel questionnaire only meant to be submitted electronically (e.g., on the USB)?

**RESPONSE:** Please submit the excel questionnaire in hard copy marked original and electronically unencrypted.

33. **QUESTION:** Is the electronic submission (e.g., via USB) supposed to include only the questionnaire (in PDF) and excel questionnaire or should we include our entire submission (including Exhibits, cover letter, legal documents etc.) in the electronic submission?

**RESPONSE:** Please include an electronic copy of your entire submission (including exhibits, cover letter, legal documents etc.).

34. **QUESTION:** Should we provide a redacted copy of our submission with confidential information removed to assist with potential FOIA requests?

**RESPONSE:** No.

35. **QUESTION:** If so, should we provide that as a hard copy or electronic copy (on the USB) – or both?

**RESPONSE:** Not applicable

36. **QUESTION:** Question C1 - Table 1: It is our understanding that FMS = Fiduciary Fund Management and AS = Advisory Services. How should we respond if we act as a fiduciary for both discretionary and non-discretionary advisory relationships?

**RESPONSE:** Yes, FMS is Fiduciary Management Services and AS is Advisory Services. Please respond as FMS for discretionary services as we are not awarding a contract for non-discretionary relationships.

37. **QUESTION:** Question C3 - With regard to providing references for clients with over \$3billion, does this refer to the consultant's private equity assets under advisement for that client or the client's total plan assets?

**RESPONSE:** Total plan assets.

38. **QUESTION:** Question H.8 – Is 2021 the correct year for which you want projected committed capital weights by region?

**RESPONSE:** The year should be 2026.

39. **QUESTION:** Is there more detail that we could seek on the non-discretionary part?

**RESPONSE:** The non-discretionary part (also see question 2a) would include full business and operational due diligence and ongoing performance and cash management (reconcile capital account balances, calls and distributions).

40. **QUESTION:** Is it a new program?

**RESPONSE:** No

41. **QUESTION:** Is it designated for certain types of funds?

**RESPONSE:** These are staff sourced investment opportunities that have a separate approval process from the private equity consultant.

42. **QUESTION:** How much capital deployed annually?

**RESPONSE:** To Be Determined

43. **QUESTION:** Generally, what is the purpose and how does it work?

**RESPONSE:** These are staff sourced investment opportunities that have a separate approval process from the private equity consultant.

44. **QUESTION:** Is there any flexibility on the hard copy submission?

**RESPONSE:** Yes, please see Addendum No.1 posted on our website on September 15, 2022 for updated requirements and response to question #32.

45. **QUESTION:** Could you provide more detail on the level of detail required in the reporting?

**RESPONSE:** Please refer to “The mandatory requirements are submission of:” section. Submit all sample reports (see bullet 7 below) you believe will help in your response.

- 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

46. **QUESTION:** Does the current consultant provide non-discretionary, full business and operational due diligence reports?



**RESPONSE:** Occasionally, but not contracted in the scope of services to do so.

47. **QUESTION:** Can you please clarify whether ERS is interested in receiving proposals for discretionary solutions for the private equity services desired?

**RESPONSE:** ERS will award a single contract (for discretionary services) to one contractor that can provide all services covered by this RFP. Please refer to Addendum No. 2 for updated requirements.

- a. **QUESTION:** If so, is ERS interested in seeing historical performance, and how should it be provided?

**RESPONSE:** Yes, please refer to “The mandatory requirements are submission of:” section. Submit all sample reports (see bullet 7 below) you believe will help in your response.

- 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, pricing, etc.)
- Financial Statement
- Minimum Qualifications Certification

38. **QUESTION:** Is ERS open to considering fee proposals structured with management and performance fee components rather than the flat fee structure outlined?

**RESPONSE:** No.

39. **QUESTION:** If ERS hires a provider on a discretionary basis, will a separate private equity non-discretionary consultant also be retained? How would you envision these two entities working together?

**RESPONSE:** See response to question 1 above.

40. **QUESTION:** Is ERS interested in receiving proposals for a Specialty Manager private equity provider?

**RESPONSE:** No.

41. **QUESTION:** If so, is ERS interested in seeing historical performance, and how should it be provided?

**RESPONSE:** Not applicable

42. QUESTION: Is ERS open to considering fee proposals structured with management and performance fee components rather than the flat fee structure outlined?

**RESPONSE:** No.

A handwritten signature in blue ink, appearing to read 'Williams', with a long horizontal flourish extending to the right.

Thomas Williams  
Executive Director