



REQUEST FOR PROPOSALS FOR

HEDGE FUND CONSULTING

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
(FCERA)**

**RESPONSES TO TIMELY REQUESTS FOR
INTERPRETATION OR CLARIFICATION**

DATE ISSUED: OCTOBER 26, 2015

DEADLINE FOR RFP RESPONSE SUBMISSIONS: NOVEMBER 20, 2015 AT 4:00 PM PACIFIC TIME

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (FCERA)

Responses to Timely Requests for Interpretation or Clarification

Inquiries from multiple sources have been aggregated.

1. Can you share FCERA's current ROI on the investable assets from Current Hedge Fund vendor?

Please see our quarterly investment reports:

<http://www2.co.fresno.ca.us/9200/investments.htm>

2. The current qualification mandated in the RFP, (such as 100 years of aggregate experience and must have at least ten people conducting due diligence); these stated qualifications suggests FCERA and/ or the Pension Consultant have a particular Hedge Fund in mind for this RFP, otherwise, what is purpose of type of sort? None of the before mentioned qualifications have any to do with performance.

The filtering criteria is set such that a firm with sufficient experience and resources submits a response to cover a large and complex investment class that offers a wide variety of options and an extensive set of due diligence risks.

3. Can you share the name of Pension Consultant for this Hedge Fund RFP?

This RFP is being issued by staff. There is no Pension Consultant for this Hedge Fund RFP.

4. Would FCERA be willing to consider a hedge fund platform with capabilities to tailor customized hedge fund solutions and launch managed accounts, based on your pension's current and future portfolio needs?

Yes, if the Proposer meets the minimum requirements specified in the RFP.

5. Discretionary vs. Non-Discretionary Services: In the Scope of Work section, Fresno says that both non-discretionary AND discretionary consulting will be considered. By the term discretionary consulting, do you mean that fund of hedge fund managers (and their traditional commingled as well as custom separate account offerings) are viewed by Fresno as potentially offering a compelling solution to your needs, and as such will be considered in this search? Does Fresno at this juncture have any preference between the two?

Fresno is not seeking a comingled fund vehicle solution for its 8% allocation. Fresno is seeking an advisory relationship for the investment of its 8% allocation. The structure for the relationship is advisory in nature, with sourcing of the accounting function external to Fresno. The structure of the investments may comprise fund of funds, a fund of one, direct hedge fund investments, or a combination of the previous. Cost and opportunity will be the driving factors in its review of proposers.

6. Fresno current return targets. Can you update me to current with regard to:
- Required rate of return for Fresno total investment program?
 - Expected rate of return resulting from the most recent asset allocation study?
 - Expected rate of return on hedge funds as an asset class per most recent asset allocation study?
 - Nominal and real for each of the above?

Please see RFP Exhibits, quarterly investment reports, asset allocation reports and other investment reports posted on the FCERA website.

<http://www2.co.fresno.ca.us/9200/investments.htm>

7. Role of hedge funds in the total portfolio: Can you confirm that the role of the hedge fund program is at a high level to produce a return stream with the following characteristics:
- Absolute orientated returns
 - Diversification via low correlation of returns to public equities and fixed income
 - Down market principal protection, esp. in down equity markets
- Are there any other roles that Fresno at this juncture has identified for the portfolio to play? i.e. inflation hedge? Other?

Please see RFP Exhibits, quarterly investment reports, asset allocation reports and other investment reports, together with meeting minutes and agenda backup, posted on FCERA's website. <http://www2.co.fresno.ca.us/9200/investments.htm>. Proposers are invited to describe what they believe is the role hedge funds can play in a diversified portfolio.

8. Hedge Fund Program/Portfolio characteristics: Have any high level preferences been expressed by staff or your board with regard to how a hedge fund program might look?

Listen to Board deliberations on May 6, June 2, June 17, and September 2, 2015.

<http://www2.co.fresno.ca.us/9200/Agenda.htm>

Fresno is not seeking a comingled fund vehicle solution for its 8% allocation. Fresno is seeking an advisory relationship for the investment of its 8% allocation. The structure for the relationship is advisory in nature, with sourcing of the accounting function external to Fresno. The structure of the investments may comprise fund of funds, a fund of one, direct hedge fund investments, or a combination of the previous. Cost and opportunity will be the driving factors in its review of proposers.

9. Have any decisions been made or preferences expressed with regard to:
- Expected return range?
 - Range of acceptable portfolio volatility?
 - Any types of hedge fund strategies that would not be allowed?
 - Desired liquidity?
 - Max tolerance for illiquidity?
 - Range of holdings?
 - Max single holding?
 - Use of emerging managers?
 - Other?

No.

10. Section II.E. requires that the Proposer provide an outsourced, consolidated accounting service for FCERA's hedge fund investment allocations. If the Proposer cannot perform these accounting services, and cannot recommend a third-party advisor, will the Proposer's submission be rejected on that basis alone?

Outsourced, consolidated accounting services for FCERA's hedge fund investment allocations is an essential service of the proposal in order for FCERA to successfully implement a direct hedge fund allocation within existing staffing levels. No, a Proposer's submission will not be rejected on that basis alone; however, if a proposal does not provide a solution that incorporates existing staffing constraints, or specific business plan to accommodate the staffing resources required to address the accounting and monitoring of multiple direct hedge fund investments, the proposal will be at a significant competitive disadvantage.

11. Point 6 in Section IV.A. and point 8 in Section IV.B. of the RFP state, respectively, that the Proposer "must carry Errors and Omissions ("E&O") Insurance coverage," preferably in the amount of \$10,000,000. Is this requirement met where the ultimate parent company of the Proposer carries such a policy?

Yes, provided that the Proposer represents and warrants that the insurance extends to the acts and omissions of the subsidiary Proposer, and that the parent is prepared to name FCERA as an additional loss payee under its policy.

12. Section VI.C. requires that objections to any provision of the RFP be made within 10 calendar days of the issuance of the RFP – accordingly, by October 20, 2015. Section VII.A. provides that the successful Proposer enter into a contract substantially in the form of the "Consulting Agreement," which is Appendix B of the RFP. Are Proposers thus required to lodge any objections to provisions of the Consulting Agreement by October 20, 2015?

Yes, required objections include objections to the proposed Consulting Agreement as well.

13. Section VI.H. notes that "[s]ubmissions of the RFP and associated materials will become the property of FCERA and may be used by FCERA in any way deemed appropriate." Under this term and condition, does FCERA expect respondents to transfer intellectual property rights of documents submitted to FCERA such that FCERA can use, copy or redistribute any information submitted through the RFP? Or is FCERA simply informing respondents that they do not intend to return to the Proposer any documents submitted as part of the RFP response?

FCERA is a California public agency subject to myriad open meeting and access to public records laws. Further, FCERA may have a business purpose in using information received in a public forum (e.g. this RFP process). **Responses to the RFP are public documents and Proposers waive any claim to confidentiality or intellectual property rights with regard to any portions of their submissions.**

14. We noticed that the RFP indicates that responses should be considered a public document and that responders may not impose any confidentiality requirements on FCERA. However, we assume that to the extent responses contain information that would be exempt from disclosure pursuant to the California Public Records Act such information would be protected and can be masked, deleted, or otherwise segregated. Provided that is the case we intend to submit two versions of a proposal – one set that is complete in its entirety, and another that is redacted and/or marked "Business-Confidential" for purposes of future disclosure should a request be received. Please advise if this is acceptable for purposes of this RFP.

FCERA is a California public agency subject to myriad open meeting and access to public records laws. Further, FCERA may have a business purpose in using information received in a public forum (e.g. this RFP process). Responses to the RFP are public documents and Proposers waive any claim to confidentiality or intellectual property rights with regard to any portions of their submissions. At this stage, we require that all responses be considered public. **Please do not submit any material that you consider proprietary or confidential in response to this RFP.**