Q&A for Private Markets RFP

Q. Are the dates in the performance table in Question 35 of the RFP correct? The RFP has Vintage Years 2004-2008 for data.

   A. Yes. Seeing that performance metrics for private markets fund investments younger than five years are generally not meaningful, OP&F has requested performance metrics for private markets investments older than five years.

Q. We understand that proposals will be retained and will be public record. Our answers will include confidential, proprietary information. As such, may we mark certain sections of our answers Confidential, and will those sections be redacted before RFPs are filed and subject to public inspection?

   A. Yes, RFP responders should mark the RFP sections with information they believe is confidential and proprietary. We will redact initially in response to a records request and we will notify RFP responders. If there is legal action as a consequence, we will not defend the responders; the RFP responder would have to do that for themselves.

Q. Will the chosen consultant’s investment recommendation (and non-recommendation) reports be subject to the Freedom of Information Act?

   A. At this time, we expect that the selected firm’s investment recommendation reports will be provided to OP&F’s Board alongside investment staff’s materials at OP&F’s Board of Trustees meetings when the investment is being presented for approval. As such, these materials would be subject to the Freedom of Information Act.

Q. The RFP asks for firm financial statements and auditor’s letter. We are happy to provide the auditor’s letter, and can also provide our firm balance sheet. However, as a private company, we do not provide full financials. Will that be acceptable for the purposes of the RFP?

   A. Yes.

Q. Do you give any consideration for an emerging advisor that is owned by a disabled veteran?

   A. We give equal consideration to all firms. All firms are welcome to apply via the RFP process but, in order to be considered, firms must meet all of the minimum criteria spelled out in our RFP. If you do not already have the RFP, it can be downloaded from a link on the following website page: http://www.op-f.org/Information/RFPs.aspx

Q. If a firm has less than $5 billion in private market assets under management and/or advisement, can it still compete for the private markets advisory services mandate?

   A. Firms interested in the assignment must meet all of the minimum criteria spelled out in our RFP. Therefore, if a firm does not have at least $5.0 billion in private markets assets under
management and/or advisement, based on net asset value, as of June 30, 2013, that firm will not be considered for the assignment.

Q. We would like to be part of the RFP process because we believe that the experience of our team and access to top tier funds will benefit Ohio P&F. However, we do not meet two of the criteria. The first, is a minimum of $5 billion in assets under management, we currently stand at approximately $3 billion. The second, is that we must provide private markets advisory/consulting services to at least three tax-exempt institutional clients. We have no other consulting relationships; however we believe this could benefit Ohio P&F because it would give us the ability to provide more dedicated support to the pension fund and superior access that is not diluted by other advisory relationships. Please advise if we would still be considered if we submit the completed RFP.

A. We established minimum criteria for a reason and we cannot make exceptions. Thus, your admitted inability to meet two of our minimum criteria would disqualify your firm from consideration.

Q. In view of Minimum Qualification #2 that states “The firm must have a minimum of $5.0 billion in private markets assets under management and/or advisement, based on net asset value, as of June 30, 2013”, how would a firm be assessed if it has approximately $4 billion in private markets assets under management and advisement and meets all the other minimum criteria?

A. Firms interested in the assignment must meet all of the minimum criteria spelled out in the RFP.

Q. Please provide more details on the current internal team that is focused on private markets investing as well as the private markets decision-making and approval processes at OP&F.

A. Currently, OP&F has two individuals focused on alternative investments, one of whom focuses 100% of their time on the private markets portfolio. With respect to our private markets decision-making and approval process, OP&F staff recommends private markets investments to our Investment Committee/Board of Trustees for their consideration and approval.

Q. Do you have an investment staff? If so, how many employees are there on staff? How do you anticipate the private markets consultant, the investment staff relationship and the current consultant (Wilshire) working?

A. Yes. Five of our fourteen investment staff members are investment professionals. Two of these professionals focus on alternatives investments with one focusing 100% of their time on private markets. We expect the private markets consultant to act as an extension of staff with respect to sourcing and due diligence efforts on private markets investments.

Q. Do you currently use a “private markets” consultant? Who is conducting the due diligence on new investments in the private markets?

A. No. OP&F Staff.
Q. Is there an incumbent firm currently providing the services requested in the RFP? If so, please provide details on the mandate as well as the fee structure for services provided by the firm(s).

   A. No.

Q. If the RFP is to rehire or replace your current consultant, what prompted the search? Is the incumbent consulting firm allowed or encouraged to rebid? How long has the incumbent consultant been with your plan?

   A. OP&F currently does not utilize a consultant for the services requested in the RFP.

Q. What is the annual fee being paid to the current “private markets” consultant(s)?

   A. Not Applicable

Q. If OPF accompanies the chosen consultant on a due diligence visit, who is responsible for OPF’s travel costs?

   A. OP&F.

Q. When OPF approves a partnership investment, will OPF or the chosen consultant be responsible for legal negotiations (including the costs of such negotiations) with the approved General Partner?

   A. OP&F will be responsible for legal negotiations, including the costs of such negotiations, with the approved General Partner. With that said, OP&F would anticipate conferring with the selected consultant concerning certain business matters and terms contained in partnership documents.

Q. Does the Plan currently utilize a private markets consultant? If so, is the current consultant being considered as part of this process? If not, does your generalist consultant Wilshire handle this responsibility?

   A. No to all.

Q. How much is your current consulting firm being compensated annually to provide these investment consulting services to the Plan?

   A. Not applicable.

Q. How many education and training sessions on private markets investing does OPF anticipate requesting each year?

   A. This has yet to be determined but, as an indication, it is likely that the selected firm would be invited to provide an educational session at OP&F’s Annual Board of Trustees Retreat.
Q. How many meetings at the OP&F office is it expected that the selected firm would be required to attend (excluding education and training sessions) each year?

A. This has yet to be determined but, at a minimum, at least one per year.

Q. How many Board meetings is the private markets consultant required to attend?

A. This has yet to be determined but, as an indication, it is likely that the selected firm would be invited to provide an educational session at OP&F’s Annual Board of Trustees Retreat.

Q. How many meetings per year are anticipated? Do you have a preliminary schedule of the meetings?

A. This has yet to be determined but, at a minimum, at least one per year. OP&F Board/Investment Committee meetings are typically held on the final Wednesday of the month.

Q. How many meetings are required (or expected) for the Investment Adviser to attend in Columbus?

A. This has yet to be determined but, at a minimum, at least one per year. In addition, it is likely that the selected firm would be invited to provide an educational session at OP&F’s Annual Board of Trustees Retreat.

Q. Is there currently a distribution manager in place? If not, would the Investment Advisor be expected to perform the search for that entity?

A. No. The selected provider would not be expected to perform the search for a distribution manager, if applicable.

Q. Does OP&F have a target for private markets commitments per year (by size of commitment or number of commitment)?

A. We expect aggregate commitments to the private markets asset class of $330 million over the next several years with an expected average commitment size between $30 and $50 million, resulting in approximately 6-10 investments per year.

Q. Is the mandate in question a US or a global mandate? If global, of the six to ten investments per year, how many do you expect to be outside of the US?

A. The mandate in question is a global mandate. Recommendations to OP&F’s Board for consideration and approval are considered from a portfolio construction perspective as well as on the partnership’s stand-alone investment merits. With respect to geographic allocation, OP&F’s private markets program seeks to maintain the following geographic exposure:

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>50-80%</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>20-50%</td>
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Q. What is the current private market performance benchmark?

   A. The benchmark is the Wilshire 5000 Index. The long-term performance objective is 3% greater than the benchmark, net of fees, calculated over a rolling ten-year period.

Q. The current target to private equity is 8.0% plus/minus 2.5%. Are there any expectations of doing an asset allocation study in the near-term future that might change the target and/or range?

   A. OP&F conducted an asset/liability valuation study in 2012 with OP&F’s Investment Committee/Board of Trustees approving a new long-term asset allocation policy at its December 2012 meeting. At its March 2013 Board Meeting, OP&F’s Investment Committee/Board of Trustees approved updated asset class rebalancing ranges. OP&F’s historical practice has been to conduct an asset liability study every 3-5 years, unless circumstances warrant a more frequent review.

Q. Can we review the latest “Private Market Investment Plan” presented by staff and Wilshire Associates to the OP&F’s Board?

   A. Yes, these documents will be provided separately to those requesting them.

Q. Are you considering any new asset classes in the alternatives universe (i.e., natural resources, infrastructure)?

   A. Not currently.

Q. What do you think is the single most important characteristic of an investment consulting firm?

   A. OP&F will be evaluating the qualified candidates across many criteria including those mentioned in the RFP.

Q. What issues are under current consideration by the staff and/or committee? What strategic decisions are currently pending that the new consultant, should you determine to make a change, would likely become involved with?

   A. The search for a consultant to provide private markets investment sourcing and due diligence services is to provide OP&F additional resources and capabilities to allow OP&F to implement its private markets program through direct partnerships and less so through primary fund-of-funds.

Q. What if the proposer’s suggested pacing plan does not equal that proposed by the general consultant?

   A. We expect that the annual pacing plan would be a collaborative effort among OP&F’s general investment consultant, staff and the selected firm before it would be submitted to OP&F’s Board for consideration and approval.
Q. Under what exceptions will Ohio P&F invest in general partnerships not already committed to by one of its existing fund of funds managers beyond the qualifying language in Exhibit D, Section III of the Private markets Investment Policy? Can you provide an example? What about for newer strategies such as opportunistic credit or direct lending?

A. Currently, on an exception basis, OP&F’s Investment Committee/Board of Trustees may approve an investment in a partnership to which one of OP&F’s fund-of-funds has provided an introduction but has not formally approved a commitment if the General Partner of the partnership has produced a significant track record of managing top quartile partnerships as measured against generally accepted industry benchmarks for the most recent time period available, has experienced no significant personnel changes since their last partnership, and the partnership intends to use an investment strategy and sector focus similar to those used by the General Partner’s earlier partnerships.

With that said, once an advisor/consultant has been hired, we expect to recommend that OP&F’s Private Markets Investment Policy be amended to eliminate the requirement that OP&F’s commitment to a partnership be contingent upon one of OP&F’s fund-of-funds approving a primary commitment to the partnership.

Q. Is there a preference for an all-in pricing proposal as opposed to an a la carte proposal?

A. No.

Q. Under Item I, Background Information, there is the following statement: “However, excluding certain exceptions, the non-Ohio based individual partnerships to which OP&F can make capital commitments are limited to partnerships to which one of our existing fund-of-funds has also approved a primary commitment.” a) What are the “certain exceptions”; b) Can we be provided with a list of the primary commitments made by the fund-of-funds; c) How would the Investment Advisor be informed as to when a “new” primary commitment is made by a fund-of-fund manager, thereby “allowing” that new primary commitment to potentially also be made directly?

A. a) Currently, on an exception basis, OP&F’s Investment Committee/Board of Trustees may approve an investment in a partnership to which one of OP&F’s fund-of-funds has provided an introduction but has not formally approved a commitment if the General Partner of the partnership has produced a significant track record of managing top quartile partnerships as measured against generally accepted industry benchmarks for the most recent time period available, has experienced no significant personnel changes since their last partnership, and the partnership intends to use an investment strategy and sector focus similar to those used by the General Partner’s earlier partnerships.

b) No.

c) Once an advisor/consultant has been hired, we expect to recommend to that OP&F’s Private Markets Investment Policy be amended to eliminate the requirement that OP&F’s commitment to a partnership be contingent upon one of OP&F’s fund-of-funds approving a primary commitment to the partnership. This would eliminate the need for the notification referenced in your question, which has so far been managed by OP&F staff through regular contact with OP&F’s fund-of-funds managers.
Q. Is there a specific format desired for recommendation/non-recommendation reports to OP & F?
   A. No. OP&F will work with the selected provider to settle on an agreed upon format to satisfy all interested parties upon hiring.

Q. Is it anticipated that the firm selected will be responsible for any monitoring or reporting on either legacy investments in the OP&F portfolio or new investments made under this mandate?
   A. No.

Q. Who is responsible for the ongoing monitoring of an investment post-commitment, OPF or the chosen consultant?
   A. OP&F.

Q. Who coordinates cash flows for the pension fund, staff, custodian, general consultant or the private markets consultant?
   A. OP&F investment staff coordinates cash flows for the pension fund with respect to the private markets program.

Q. How many performance review reports for the private markets program are required per year (annual or quarterly)?
   A. At this time, we do not expect the selected firm to perform performance review reports for the private markets program.

Q. Do you expect the contracted investment consultant to conduct manager searches in addition to providing due diligence reports?
   A. The specific services being sought are investment sourcing and due diligence services, along with knowledge transfer activities.

Q. Does OP&F anticipate making any direct investments or co-investments in its private markets program? Does OP&F have an appetite for secondary purchases as well?
   A. At this time, OP&F does not expect to make any direct investments or co-investments in its private markets program. In fact, OP&F is currently forbidden from making individual direct company investments per its Private Markets Investment Policy. OP&F currently accesses secondary private markets exposure through commitments to secondary funds.