



## Responses to Inquiries

**RFP 23-08**

**General Investment Consulting Services**

**&**

**RF 23-09**

**Alternative Investment Consulting Services**

**November 27, 2023**

### **PART 1: INQUIRIES RELEVANT TO BOTH THE GENERAL AND ALTERNATIVE INVESTMENT CONSULTING RFPS**

1. Is the Board of Trustees meeting schedule for 2024 available? If so, can you please provide it?

**Answer: Proposed INPRS Board Meetings for 2024 are listed below.**

- February 16, 2024 (Friday) 10 AM – 2 PM
- April 26, 2024 (Friday) 10 AM – 2 PM
- June 21, 2024 (Friday) 10 AM – 2 PM
- September 6, 2024 (Friday) 10 AM – 2 PM
- October 25, 2024 (Friday) 10 AM – 2 PM
- December 13, 2024 (Friday) 10 AM – 2 PM

2. Do you have a preliminary schedule of the Board meetings?

**Answer: Please see the answer to question #1.**

3. Are the staff meetings the day prior to Board meeting in person?

**Answer: Yes, the day prior is the typical schedule for staff meetings.**

4. What is the most important investment issue your Plan is currently facing?

**Answer: The INPRS Defined Benefit team imperatives are listed below.**

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- Achieve the 6.25% Long Term Rate of Return Assumption.
- Achieve the return as efficiently & effectively as possible.
- Always have enough cash on hand to pay the bills.

5. What is the biggest investment-related issue the Board of Trustees is currently facing?

Answer: Please see the answer to question #4.

6. Are there any notable evaluations or topics being reviewed by the Board, Investment Committee and/or Staff?

Answer: Recent topics under evaluation include the implementation of House Bill 1008, which prohibits the Board from making an investment decision with the purpose of influencing any social or environmental policy or attempting to influence the governance of any corporation for nonfinancial purposes. Please see the link below for more information.

<https://iga.in.gov/legislative/2023/bills/house/1008/details>

7. Are there any expected changes (e.g., asset allocation, investment managers) that are not reflected in the current investment program?

Answer: No. INPRS conducts an Asset-Liability study every five years, with the next study to be implemented during fiscal year 2026 (July 1, 2025, to June 30, 2026).

8. How many ad-hoc meetings with the INPRS Investment Staff are typical each year?

Answer: Ad-hoc meetings may be via teleconference, in-person, or virtual meetings as deemed appropriate by INPRS Investment Staff, with an estimated at two to three meetings per year.

9. Is there any dissatisfaction with your current consultants?

Answer: The Consulting Services RFP is consistent with INPRS's standard ten-year rebidding cycle.

10. Would you require operational due diligence on existing and/or new fund placements?

Answer: Operational due diligence is required for every new Alternative Investment commitment. Operational due diligence is required every two years for existing public managers.

11. How many operational due diligence meetings were conducted in 2023 and 2022? Can you elaborate on the cadence of these visits, are they rolling on existing public and private mandates or new mandates?

Answer: Operational due diligence is required for every new Alternative Investment commitment. Operational due diligence is required every two years for existing public managers. INPRS has 20 public managers and approximately 36 public fund investments. Please see the following table for new Alternative Investment commitments during 2023 and 2022.

<u>Asset Class</u>	<u>YTD 2023</u>	<u>2022</u>
Absolute Return	1	1
Private Credit	4	5
Private Equity	4	5
Real Assets	8	10

12. Are legal reviews to be initiated by the consultant or is this an internal function?

**Answer:** Legal reviews are an internal function, with law firms engaged by INPRS’s staff.

13. How often have educational meetings been requested / conducted?

**Answer:** Educational meetings on various topics are estimated at two to three per year. Ad-hoc meetings may be via teleconference, in-person, or virtual meeting as deemed appropriate by INPRS Investment Staff.

14. In terms of the decision to move forward with investments, how many are joint decisions with staff and the consultant vs. staff determinations?

**Answer:** Working with INPRS Investment Staff, the Consultant shall serve as INPRS’s non-discretionary Investment Consultant and serve in an advisory capacity.

15. Regarding scope item 10 (RFP 23-08) and item 9 (RFP 23-09) under the heading “Investment Manager Diligence **and Compliance**”, would INPRS be able to provide clarity as to what specific tasks or responsibilities would be expected of the consultant to fulfill this scope item?

**Answer:** INPRS requests that the consultant provides written investment recommendations that are consistent with INPRS’s Policy Statement, a copy of which is available in the link below.

[https://www.in.gov/inprs/files/INPRS\\_IPS.pdf](https://www.in.gov/inprs/files/INPRS_IPS.pdf)

16. One insurance requirement outlined on page 30 (RFP 23-08) and page 31 (RFP 23-09); section 15.C of Appendix A.2 is higher than what we have seen in other public RFPs. Our firm carries a \$3 million Fidelity Bond, which, as a nondiscretionary consultant, has served to be a sufficient level of insurance. With this as context, can you please advise if our insurance coverage—which we believe meets or exceeds current industry standards—would be considered adequate by Indiana Public Retirement System?

**Answer:** INPRS will accept reasonable fidelity bonds, the amount of coverage will be taken into consideration during the evaluation portion of the RFP process, relative to other respondents.

17. If the respondent is already registered to do business in the state of Indiana, is the respondent still required to submit the Foreign Registration Statement requested in Appendix B2?

**Answer:** Only businesses that are not already registered in the state of Indiana would need to submit the Foreign Registration Statement. Note that registration is not a requirement to submit a response, but it is the Respondent’s responsibility to register prior to the initiation of any contract discussions.

**PART 2: INQUIRIES SPECIFIC TO THE GENERAL INVESTMENT CONSULTING RFP**

18. How many manager searches have been conducted each year, over the last 3 years?

Answer: The following number of public manager searches were assisted by the General Investment Consultant each year. INPRS anticipates 1-2 searches per year.

<u>Asset Class</u>	<u>YTD 2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Manager Searches	2	-*	1	2

\*One search was conducted for the Defined Contribution plan, outside the scope of this RFP.

19. We understand an asset/liability study was most recently conducted in 2020-2021 based on an August 25, 2021, Pension Management Oversight Committee meeting minutes PDF located on the INPRS website. Can you please provide a copy of the most recent asset/liability study?

Answer: A summary of the conclusions of the asset/liability study can be found beginning on page #5 of the 2021 Pension Management Oversight Committee presentation. Actuarial Valuation Reports are located on INPRS's website. Copies are available using the links below.

<https://www.in.gov/inprs/publications/actuarial-valuation-reports/>  
<https://www.in.gov/inprs/files/PMOCPresentation2021.pdf>

20. Can you share the latest asset-liability study that was conducted?

Answer: Please see the answer to question #19.

21. Could you provide a copy of your latest quarterly performance report?

Answer: A publicly available performance summary is in INPRS's Annual Comprehensive Financial Report, a copy of which is available in the link below.

[https://www.in.gov/inprs/files/INPRSAnnualReportBook\\_FY22.pdf](https://www.in.gov/inprs/files/INPRSAnnualReportBook_FY22.pdf)

22. Can you please elaborate on the data or information expected to be transferred as it relates in the quarterly batch download data transfer in item 3.2.6 #6?

Answer: The quarterly batch download includes quarterly information relating to INPRS's investment performance.

23. Related to 3.2.5 Risk Management Services – is this an existing risk management system owned by INPRS? If so, can you please provide the name of the system?

Answer: INPRS utilizes MSCI Barra for its risk management software.

**PART 3: INQUIRIES SPECIFIC TO THE ALTERNATIVE INVESTMENT CONSULTING RFP**

24. Regarding scope item 2 under the heading “Reporting and Monitoring”, would the consultant be expected to perform annual management fee, carried interest, and expense analysis (i.e., “fee reconciliation”) across the entire portfolio annually or on a proportion of the portfolio each year?

**Answer: The consultant would be expected to perform a reconciliation on a proportion of the portfolio each year.**

25. Scope item 1.h.ii. under the heading “Reporting and Monitoring” describes INPRS desire for meaningful peer-universe analysis. Is this for fund level or portfolio level benchmarking and performance?

**Answer: A meaningful peer-universe is in reference to fund-level performance (e.g., fund vintage year, sector, geography).**

26. Does INPRS expect the review of direct co-investments, co-investments made through side-car vehicles or secondary purchase or sales to be completed for private market investments under the scope of services?

**Answer: Yes. The review can be completed in an abbreviated memo form in the case of a pre-existing co-investment side-car vehicle.**

27. Can you describe how many, on average, direct co-investments you make in a year? How much as a percent is your private equity portfolio made up of co-investments?

**Answer: Please see the table below for estimated co-investments per year.**

<u>Asset Class</u>	<u>Estimated Co-investment Review/yr.</u>
Absolute Return	None
Private Credit	None
Private Equity	~3-4 co-investments, ~\$60-80mm total
Real Assets	~8 co-investments, ~\$120mm total

**Co-investments make up 7.7% of the private equity portfolio net asset value as of June 30, 2023.**

28. What is your projected pacing commitment amounts for the upcoming 5 vintages in each of the private markets asset classes? How many individual commitments do you expect to make annually?

**Answer: Please see the table below for estimated commitments per year for upcoming vintages.**

<u>Asset Class</u>	<u>Expected Annual Commitments</u>
Absolute Return	1/yr.
Private Credit	4-5/yr.
Private Equity	6-8/yr.
Real Assets	8-10/yr.

29. Do you anticipate any major structural or manager changes to your hedge fund portfolio in the next 12-18 months? Is there a typical manager turnover amount annually in the history of your hedge fund program?

Answer: No. INPRS does not anticipate any major structural or manager changes to the hedge fund portfolio in the next 12-18 months. Typical manager turnover has historically been about one per year.

30. How many manager searches have been conducted each year, over the last 3 years for each Portfolio?

Answer: Please see the table below for manager searches per year.

<u>Asset Class</u>	<u>YTD 2023</u>	<u>2022</u>	<u>2021</u>
Absolute Return	1	1	2
Private Credit	4	5	5
Private Equity	4	5	8
Real Assets	8	10	9

31. Are there any investment initiatives being planned for the next 12-18 months?

Answer: INPRS conducts an Asset-Liability study every five years, with the next study to be implemented during fiscal year 2026 (July 1, 2025, to June 30, 2026) and new initiatives may be considered at that time.

32. Was there a change in Mercer's scope in 2022 as compared to previous years?

Answer: Consistent with the growth of the real assets allocation, INPRS's portfolio has expanded to include infrastructure and other real assets strategies over time.

33. For private markets, what level of performance reporting do you desire?

Answer: For private markets, quarterly performance reporting at the fund-level is expected. A detailed reporting description is in section 3.2.4 Reporting and Monitoring in the Alternative Investment Consulting Services RFP.

34. How many Alternative Investment commitments are made per year (number of commitments and total dollars of commitments)? Please provide this detail separately for private equity, private credit, real assets, and absolute return funds. Has this pacing changed in recent years and do you expect the pacing to change in the next several years?

Answer: Please see the table below for estimated Alternative Investment fund commitments per year.

<u>Asset Class</u>	<u>Expected Annual Commitments</u>	<u>Expected Allocation (\$mm)</u>
Absolute Return	1/yr.	(existing manager turnover)
Private Credit	4-5/yr.	~\$650-\$750
Private Equity	6-8/yr.	~\$600-\$800
Real Assets	8-10/yr.	~\$800

INPRS expects the allocation pacing to marginally increase year-over-year, consistent with the growth of the overall INPRS portfolio.

35. What is the typical commitment size? Please provide this detail separately for private equity, private credit, real assets, and absolute return funds?

Answer: Please see the table below.

<u>Asset Class</u>	<u>Typical Commitment Size (\$mm)</u>
Absolute Return	\$100-250
Private Credit	\$75-150
Private Equity	\$75-150
Real Assets	\$75-150

36. How many co-investments are made per year (number and dollars)? Please provide this detail separately for private equity, private credit, real assets, and absolute return funds?

Answer: Please see the table below.

<u>Asset Class</u>	<u>Average Co-investment Review/yr.</u>
Absolute Return	None
Private Credit	None
Private Equity	~3-4, \$60-80mm total
Real Assets	~8, \$120mm total

37. Are fund of funds still used for investment?

Answer: Yes. INPRS will still consider fund-of-funds for investment in certain circumstances.

38. What is the unfunded breakout between private equity & private credit?

Answer: The unfunded commitment is \$2.4 billion for private equity and \$1.3 billion for private credit as of June 30, 2023.

39. Can you please provide a detailed list of Alternative Investment active holdings, showing vintage year, commitment, invested, realized value, unrealized value, and total value for each fund commitment?

Answer: a listing of INPRS's Alternative Investment managers can be found in INPRS's Annual Comprehensive Financial Report, a copy of which is available in the link below.

<https://www.in.gov/inprs/publications/annual-reports/>

40. For section 3.2.5 #3, can you provide an example of special projects requested in the past?

Answer: Examples of special projects have included a manager universe review on a particular subsector (e.g., Growth Managers), and interim performance estimates after quarter-end prior to the completion of the quarterly performance report.

41. Can you provide more color on the private markets allocation of 13.8% global / Asia vs. 3.7% to Europe? Is that intentional to have Europe potentially underweighted? Are there geographic targets, and if so, can you please provide those targets?

Answer: The private markets allocation in the INPRS Annual Report reflects the relatively high amount of unallocated global exposure, which is consistent with INPRS's long-term targets. Europe has been underweighted and may be a near-term tactical target for investment. Please see the table below for the long-term targets for the portfolio as of the 2023 Private Portfolio Commitment Pacing Plan.

<u>Region</u>	<u>Long-term Target (%)</u>
Europe	15-25%
Asia/Rest-of-World	10-15%

42. Are secondary purchases or sales part of the active strategy?

Answer: Secondaries have been considered from time-to-time but have not been a significant part of INPRS's strategy.

43. The secondary allocation seems low at 0.4%, is that intentional?

Answer: As mentioned previously, secondaries have been considered from time-to-time but have not been a significant part of INPRS's strategy.

44. Any issues with exposure to venture capital?

Answer: No issues. Venture capital has been a smaller portion of INPRS's private equity portfolio and represents 7.4% of net asset value and unfunded capital as of June 30, 2023.

45. Do they use Risk Metrics or another system to aggregate and report on the positions across their hedge fund portfolio?

Answer: Yes. Systems are used to report on an aggregated fund level but not at the individual position level.