

2019 Private Equity Venture Capital Fund of Fund RFP

Questions & Answers:

1. Of your four decision criteria, what is the estimated weight placed on each?

There is no preset weight, those four criteria and dozens of quantitative and qualitative factors are used.

2. What role does diversity and ESG play in your decision? How do those relate to your four noted criteria of people/price/performance/process?

Diversity, Inclusion and ESG factors are part of the fabric of CTPF. We will examine those factors at the General Partner, underlying fund and vendor levels.

3. Do you prefer a fund of funds or separate account?

We are very open to both. What we are looking for is the best combination of portfolio construction, character, cost and historical performance.

4. Are there certain General Partners you wish greater or less exposure to? If so, which ones?

We are looking for you to build a portfolio that will outperform public markets in the broad venture capital category. Our current interpretation of Illinois Pension Code and our procurement guidelines prevent us from instructing you on what managers to invest with as that is under the discretion of the Investment Manager chosen.

5. What sort of pricing guidance can you provide?

CTPF avoids paying fees for poor performance. CTPF is more focused on historical net returns rather than pricing and making sure that we are provided with the value that we are paying for.

6. Several of the questions in the ILPA DDQ template are more relevant to direct primary fund. How do you suggest we answer these (e.g. section 11 – 11.1, 11.2, 11.3, 11.5, Appendix E)?

4.9: Please substitute portfolio partnerships for companies.

11.1: Please answer for any funds you have invested in.

11.2: Please answer substituting portfolio company for underlying General Partners, unless you have a situation similar to this for a co-investment or direct investment.

11.3: Please answer if you have had any underlying funds deliver qualifying audits.

11.5: Please answer if you ever received stock distributions from a general partner, co-investments or direct investments.

Appendix E: Please fill out Appendix E if you have a co-investment or direct investment silo.

- 7. For Appendix A items, some of the agreements are confidential for a private company. Would you be okay if we shared these at a later diligence stage?**

Submit what you and your attorneys are comfortable submitting and what will give CTPF the best view of your firm. You may also submit a clearly marked public and confidential version of Appendix A.

- 8. As a fund-of-funds investor, we do not directly impact the performance of portfolio companies. For questions related to how we create value and monitor portfolio companies, should we expand on our fund due diligence and monitoring procedures or simply state the limitation that we are a fund-of-funds investor and do not directly impact portfolio companies (excluding co-investments)?**

Please answer as if “portfolio companies” is interchangeable with “underlying primary fund investments.”

- 9. Would CTPF consider allocating to both a commingled fund and a fund of one?**

We anticipate making one allocation, Commingled, Fund of One or Separate Account.

- 10. How does CTPF define late-stage venture? Does this include growth equity strategies?**

Over the last few years, the definition has been stretched and blurred. We are much more interested in your definition of the sectors.

- 11. Regarding the ILPA reporting template: Would CTPF be amenable to some managers' names being redacted on the reporting template to reflect confidentiality requirements in place with particular underlying managers?**

We are familiar with the General Partners in question and understand your downstream responsibilities. Redaction would be acceptable in your written submission. Please understand, we will ask at some point should you move forward.

12. Regarding Minimum Qualifications # 11, sub-bullet (1): “Acknowledgement in writing by the Investment Manager that it is a fiduciary with respect to the pension fund or retirement system.” Would the description below of our fiduciary responsibility meet CTPF’s fiduciary requirement?

“Our investment firm bears fiduciary obligations to the fund of fund vehicle as provided for under the applicable fund agreement. The agreement generally provides that our firm commit to manage the fund’s assets with due care, and to avoid gross negligence, willful misconduct or an intentional violation of applicable law. In addition, our firm is registered as an investment adviser with the U.S. Securities and Exchange Commission, and as such subject to various standards and regulations designed to protect investors, including the anti-fraud provisions of Section 206 of the Investment Advisers Act of 1940, as amended.”

Fiduciary obligation to the pension fund or retirement system is indeed a minimum qualification; however the attorneys are normally able to draft language that is both agreeable to CTPF and to the Investment Manager. This is usually a point of negotiation.

13. Could you please provide details/specifics around the “performance standards and criteria” that the Investment Manager shall abide by, as stated in item #5 in the Scope of Services?

Performance Standards and criteria include providing the targeted net returns and equity multiples quoted by the investment manager and in addition outperforming the public market equivalent for private equity.

14. With respect to Scope of Services requirement #1, does the plan have a preference to vehicle structure?

The Plan does not have a preference to vehicle structure.

15. With respect to Scope of Services requirement #1, will the plan accept multiple vehicle offerings or prefer one?

We would prefer to allocate to one vehicle.

16. With respect to Scope of Services requirement #3, can you please clarify your specific reporting requirements? (i.e. quarterly and annual reports). Given that General

Partners, particularly in the Venture Capital space are highly sensitive to FOIA, would it be okay to redact sensitive information (i.e. manager or deal name) where necessary?

You will be required at a minimum to make quarterly and annual reports to us. We require a quarterly capital account statement, an audited Annual Financial Statement and regular (quarterly or semiannual) investment updates. You should also expect to complete an annual compliance packet. You will be required to make annual in-person due diligence reports to Investment Staff and CTPF's Board of Trustees. You will also be required to conduct quarterly calls with the CTPF's private equity team.

We prefer that you use the ILPA fee reporting template. We utilize Private-I as an internal reporting tool and performance presentation package. We actively verify cash flows, percentage of ownership and outstanding balances fees and expenses.

We understand your confidentiality responsibilities and we will work with the General Partner to respect those while abiding by the Illinois Pension Code.

17. With respect to Emerging and MWDBE investment advisors, is being one or both a requirement to be considered for this endeavor?

No, but we will evaluate your firm's philosophy, processes and actions around diversity and inclusion. We will also evaluate your firm's completed EEOC Tables as an attachment to this RFP.

18. With respect to Procurement Policy, C. Competitive Selection Procedures, point #3, can you please specify if search participants will need to maintain their proposed strategy on any specific consultant database to be considered for this mandate?

Callan Associates is the general consultant for CTPF, but does not act as the private equity consultant. If you would like an introduction, please request under a separate cover. There is no "database" requirement for this RFP.

19. As a FOIA limited partner, does CTPF have flexibility to receive limited information on the performance of the underlying partnerships in a commingled fund-of-funds structure, if required per the confidentiality provisions of the underlying venture partnerships?

We understand your confidentiality responsibilities and we will work with the General Partner to respect those while abiding by the Illinois Pension Code.

20. We note that it is a Minimum Qualification that investment managers must be willing to adopt the ILPA capital call, distribution notice, and quarterly reporting standards. Is CTPF willing to accept modifications to the ILPA templates or does CTPF envision that a manager will adopt these templates exactly as proposed by ILPA? Specifically, does CTPF envision being open to modifications to accommodate a manager's information systems, the applicability of certain elements of these templates to a manager's business, or confidentiality restrictions imposed by the underlying partnerships in a fund-of-funds structure?

Absolute blanket adoption is not the objective; we are willing to modify the format as necessary.

21. Regarding the ILPA Fund of Fund Template "Fees, Expenses & Incentive Allocation to Underlying Funds", will CTPF accept aggregate or blinded reporting if disclosure as contemplated by the template would cause a manager to violate confidentiality provisions of the underlying partnerships?

We understand your confidentiality responsibilities and we will work with the General Partner to respect those while abiding by the Illinois Pension Code.

22. ILPA DDQ Appendix A documents – please confirm that documents a manager labels as trade secret and proprietary information provided in response to Appendix A will not be released to the public domain, as indicated in the section "Disclosure of Proposal Content" on page 10 of the RFP document.

Submit what you and your attorneys are comfortable submitting and what will give CTPF the best view of your firm. You may also submit a clearly marked public and confidential version of Appendix A.

23. ILPA DDQ Appendix E – please advise expectations for the information a manager of a fund-of-funds to provide, as these requested data elements in Appendix E primarily relate to portfolio companies, not portfolio partnerships. If the expectation is that the manager will provide performance details of the portfolio partnerships, is CTPF willing to receive blinded information if providing the information to a prospective investor would violate the confidentiality agreements that a manager's prior funds have with the portfolio partnerships?

Appendix E: Please fill out Appendix E if you have a co-investment or direct investment silo.

24. We are hoping to get a sense of what your openness would be to a vehicle that invests across the Industry Ventures products, or a combination thereof? As a reminder, we have four unique strategies that span the venture capital market: Partnership Holdings (early stage hybrid fund of funds), Direct Fund (early to mid-stage co-investment fund), Secondary Fund, and our Tech buyout fund (venture buyout). The ratio between each of the funds would be open for discussion as well.

It is our hope that you will submit your best idea for accessing the venture capital space. We are very open to all strategies and structure.

25. Additionally, is there a specific allocation or commitment size for the vehicle?

For a single fund allocation, this is a \$25 million allocation. For the separate account, it could grow to \$15-20 million per year for a 4-5 year term.