



———— CITY OF AUSTIN ————
EMPLOYEES' RETIREMENT SYSTEM

Request for Information Private Markets Investment Consultant

Responses must be submitted on or before
5:00 p.m. Central Standard Time
February 16, 2024

City of Austin Employees' Retirement System
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www.coaers.org/pmc-rfi

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REQUEST FOR INFORMATION PRIVATE MARKETS INVESTMENT CONSULTANT

INTRODUCTION

The City of Austin Employees' Retirement System (COAERS) is a defined benefit public employee retirement system originally established in 1941 by City ordinance and governed since 1991 by Texas State statute. COAERS is qualified under Section 401(a) of the Internal Revenue Code. As of September 30, 2023, COAERS had fund assets totaling \$3.0 billion in market value.

The purpose of COAERS is to provide retirement, disability, and death benefits for its members. Membership consists of more than 10,000 City of Austin employees and more than 7,500 retirees. Membership is mandatory for eligible employees, though firefighters and police officers employed by the City of Austin are not COAERS members. Members of COAERS currently contribute 9% of their base pay, calculated on a 40-hour work week, and the City of Austin contributes 20.5% of base pay. Contributions are made through payroll deduction each pay period. The Plan promises annuity-type benefits calculated based upon a formula that uses average salaries, service credit, and a multiplier as its primary inputs.

Detailed information about the plan, Board of Trustees, and Staff can be found at www.coaers.org.

Investments Overview

Essential to COAERS' mission is the responsibility to ensure that its long-term assets will be sufficient to meet its long-term liabilities. This ensures retirement and other benefits will be available for both current and future members. Investments are made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Funds of COAERS are invested solely in the interest of the membership and their beneficiaries, and for the exclusive purpose of providing benefits to the membership and their beneficiaries and defraying reasonable administrative expenses.

A key function of the Board of Trustees is overseeing the investment of the trust fund that pays benefits to the retirees and beneficiaries of the System. This is accomplished with assistance from Staff, consultants, external managers and outside advisors. At year-end 2023 the investment portfolio consisted of 38 mandates managed by 17 investment management firms. COAERS does not currently manage any investments internally. As outlined in the Investment Policy Statement, the Board has elected to assume median levels of risk in pursuing the investment program.

The Board's Investment Committee is charged with assisting the Board in fulfilling its fiduciary oversight responsibility for investing the assets of the System. The Committee is responsible for formulating the overall investment policies of the System, subject to approval by the Board, and establishing investment guidelines in furtherance of those policies. The Committee monitors management of the portfolio for compliance with the investment policies and guidelines and for meeting performance objectives over time.

Most of the available evidence suggests that approximately 90% of the variation in long term investment returns for a pension fund is determined by its asset allocation, with the remainder coming from manager selection and other sources. Therefore, the Board of Trustees believes that establishing and monitoring the asset allocation strategy for the plan is one of the most important decisions it makes with respect to investments.

The most recent asset liability and asset allocation studies were conducted in 2023. The resulting strategic portfolio allocation was adopted in late 2023 and an implementation plan for the new allocation is being drafted as of the writing of this RFI.

The target weights specified in the current and proposed strategic asset allocation are as follows:

Asset Class	Target Weight Current	Target Weight New	Weight as of September 30, 2023
Cash	1.0%	1.0%	7.9%
Fixed Income	21.0%	21.0%	16.8%
Global Equity	56.0%	53.0%	57.1%
Real Assets	15.0%	15.0%	14.2%
Private Credit	0.0%	10.0%	0.0%
Multi Asset	7.0%	0.0%	4.1%

Percentages may not sum to 100% due to rounding

For the one year ended September 30, 2023, the COAERS fund generated a return of 9.73% net of fees. Pages 145-146 of the attached Board Report (Attachment 1) provides the evolution of COAERS asset allocation targets since 1986.

The current investment rate of return assumption is 6.75%, composed of a net real return assumption of 4.25% (excluding administrative expenses) and an inflation assumption of 2.5%. The actuarial accrued liability and the actuarial value of assets of COAERS, as of December 31, 2022, amounted to \$5.3 billion and \$3.4 billion, respectively. The overall funded position of COAERS is 55.9% and the amortization period of the Plan's unfunded actuarial accrued liability is 34 years.

STRUCTURE OF THE RFI

The RFI is composed of three primary sections.

- Section I contains general provisions.
- Section II describes the scope of the services for which COAERS seeks information.
- Section III contains information on how to create, organize, and submit a Response.

Following Section III is the Questionnaire & Document Request incorporated as Appendix A.

In addition to the RFI and its exhibits, respondents can find important additional information on our website at www.coaers.org/pmc-rfi. The information on this page includes the following attachments:

1. Quarterly Board Report from RVK – 3Q23
2. Quarterly Capital Markets Review from RVK – 3Q23
3. Monthly Performance Flash Report from RVK – November 2023
4. COAERS Asset/Liability Study – 2023
5. COAERS Investment Policy Statement dated March 30, 2023
6. COAERS Investment Implementation Policy dated March 30, 2023
7. COAERS Annual Comprehensive Financial Report (ACFR) – 2022
8. COAERS Ethics Policy adopted on September 21, 2023
9. Texas Law Concerning COAERS Investments

SECTION I: GENERAL PROVISIONS

1.1. PURPOSE

The City of Austin Employees' Retirement System (COAERS) seeks to learn of private market investment consultant services in accordance with the specifications contained in this Request for Information ("RFI"). We hope that through the combination of COAERS Staff and a private market investment consultant that complement one another well, the Board will be best equipped to make rigorous and thorough assessments of its investment options in seeking robust long-term returns at acceptable levels of risk.

1.2. DEFINITIONS

For purposes of this RFI, the following definitions apply:

- a) Board – means the Board of Trustees of the City of Austin Employees' Retirement System;
- b) COAERS – means the City of Austin Employees' Retirement System;
- c) Fund – the COAERS pension trust fund to which members and the plan sponsor make contributions and from which retirement benefits are paid.
- d) Respondent – person or entity offering a response to this RFI.

1.3. CANCELLATION

COAERS reserves the right to cancel this RFI at any time.

1.4. WAIVER OF NONMATERIAL ERRORS

COAERS reserves the right, in its sole judgment and discretion, to waive nonmaterial technicalities and errors.

1.5. NOTICES AND COMMUNICATIONS

All notices and communications from COAERS will be sent via email to the addresses listed in the COAERS records of registered respondents.

1.6. AMENDMENTS

COAERS can amend this RFI at any time at its discretion.

SECTION II: SCOPE OF SERVICES

The general scope of work for this mandate is to provide full-service non-discretionary professional investment consulting services for Private Markets. COAERS is in the nascent stages of building a Private Markets program, initially focused on Private Credit. Potential Private Credit strategies include direct lending, asset backed lending, distressed debt, mezzanine, specialty finance, and other areas of credit. COAERS anticipates that in time allocations will be made to private equity strategies including buyouts, growth capital, venture capital, and restructuring/turnaround investing. Other investment strategies that may be pursued on an opportunistic basis include co-investments, direct investments, secondary transactions, and other strategies that may fall under the Private Markets classification. Specifically, the successful firm must demonstrate superior experience and capability in the areas described below. The following are examples of the duties that COAERS is seeking:

A. Private Markets Portfolio Oversight Duties

1. Assist Staff with the review and implementation of asset class goals and objectives, asset allocation, cash flow forecasting, and investment pacing.
2. Assist Staff with preparing an annual strategic plan for the COAERS' Private Markets portfolio, including a discussion of target sub-strategies and markets and long-term objectives for COAERS' Private Markets portfolio, risk management policies and procedures, and investment and asset management procedures.
3. Provide on-going monitoring, reporting, and analysis of existing managers' portfolio attributes and characteristics, including monitoring changes in personnel, ownership, and the investment process.
4. Assist Staff with the creation, review and periodic updates to COAERS' Private Markets investment policies and procedures.
5. Prepare and conduct overview presentations or educational workshops on private markets sub-strategies that include a macro view of key managers, types of investments, trends, strategies, and key success factors.
6. Provide topical research and education on private market investment subjects that are relevant to COAERS.
7. Other tasks as requested by the Board or Staff consistent with the function served by the Private Markets Consultant(s).

B. Private Markets Investment Duties

1. Assist Staff in identifying and sourcing investment opportunities consistent with the Private Markets portfolio strategy and initiatives.
2. Evaluate investment opportunities, including meeting with investment managers and reviewing their qualifications and track records, key investment terms, and identifying any significant issues (including investment risks and concerns) and present Staff with a recommendation to commence due diligence.
3. Conduct full and independent operational due diligence for potential investments Staff designates as high priority opportunities likely to be presented to the Board. Due diligence should be performed in a timely manner and complete, written records of all due diligence items and procedures should be maintained and provided to COAERS immediately upon request.

4. Provide Staff access to a database of private markets managers that includes data on investment strategies, firm organization, investors and performance; manager information should be available for a wide range of private markets strategies and for both domestic and international firms.
5. When requested by Staff, conduct a full due diligence review of potential investments (including, but not limited to commingled funds, co-investments, direct investments, and separately managed accounts). This may include opportunities which either cannot be scaled or will not be available to other clients.
6. Customize each review to address the pertinent issues concerning the particular investment opportunity and how it would fit within COAERS' existing and prospective portfolio.
7. Conduct due diligence procedures to include but not be limited to: reviewing the investment manager's investment strategy and organizational resources for the successful execution of the strategy; evaluating the quality, depth, and stability of the investment manager's team, including conducting interviews with the key principals; assessing the investment manager's investment sourcing, due diligence, structuring, value-add, monitoring, and reporting capabilities; reviewing and evaluating the investment manager's compensation and incentive structure as well as economic commitment to the investment fund; visiting and touring the investment manager's key offices; reviewing relevant documents, including offering materials, the fund agreement, and financial statements; requesting and reviewing other information, supplied in writing, relevant to the investment review that might otherwise not be provided by the investment manager, such as data supporting portfolio valuations, investment performance, and relevant investment experience; analyzing and independently verifying investment performance and track record; conducting extensive third party due diligence, including reference checks on key principals and interviews with prior and present investors and former employees; interviewing senior executives of past portfolio companies to gauge their assessment of the investment manager's strengths and weaknesses; comparing the investment merits and concerns of the investment opportunity with relevant alternatives to determine whether COAERS is investing in the best available opportunity; reviewing and evaluating the proposed terms, conditions and structure of the investment opportunity, and identifying, if appropriate, any terms or provisions that can or should be improved; and maintaining complete, written records of all due diligence items and procedures.
8. When requested by Staff, prepare and furnish to Staff a written investment report that includes an investable/not investable designation and documents the results of the due diligence review, which shall contain a summary of the proposed investment and describe: the general partner's background, track record, and organization; the proposed investment strategy; the terms of the investment; the expected rate of return; the merits of the investment; any issues and concerns surrounding the investment and how they might be resolved; issues and provisions that should be subject to negotiation; and appropriateness of the investment for COAERS, potentially in a short time window.
9. When requested, assist COAERS Staff in developing and refining due diligence processes for analyzing prospective investment opportunities.
10. When requested, advise COAERS Staff on the key business terms of investment opportunities and assist with terms negotiations, both for initial investments as well as proposed amendments to partnership agreements.

11. When requested, assist in training of Staff in the process of screening, evaluating, performing investment and operational due diligence, analyzing and reporting on private markets investments.

C. Performance Measurement Duties:

1. Present investment performance results, including all relevant metrics, to Staff quarterly and when requested, to include:
 - a. Total private markets portfolio relative to policy benchmark and peers,
 - b. Each sub-asset class relative to appropriate benchmarks and peers, and
 - c. Each investment relative to appropriate benchmarks and peers.
2. Respond to questions from the external auditor and actuary, as necessary.
3. Provide benchmark evaluation, implementation, and analysis.
4. Conduct asset value, performance, and cash flow reconciliations with COAERS' reporting consultant, custodian, and Staff, as necessary.
5. Provide access to portfolio management software (or cloud-based equivalents).

D. Ad Hoc Duties:

1. Attend Investment Committee (8 per year in Austin, Texas) and Board meetings (4 per year in Austin, Texas) to review performance, assess investment program and make recommendations. In addition, attendance is typically required for the Board Workshop (1 per year in Austin, Texas).
2. Meet with COAERS Staff, as needed, to provide information and investment insights/strategies and ensure completion of tasks. Most of this function is performed virtually.
3. Assist Staff and the Investment Committee with education on various investment issues.
4. Provide strategic direction and evaluation of COAERS' investment decisions and their implementation.
5. Undertake a strategic portfolio review at least annually.
6. Assist on special projects, as needed.
7. Participate in ad hoc workshops on specific issues designated by Staff.
8. Respond to inquiries from Staff in an appropriate and timely manner.
9. Report any significant changes in the firm's organizational structure and staffing in a timely manner.
10. Make no changes in the assigned consultant team without COAERS' approval.
11. Perform any and all other services which may be required by COAERS to ensure a successful private markets program.

SECTION III: RFI DEADLINES, MEETINGS, FORMAT, & INFORMATION

3.1. SCHEDULE OF EVENTS

The solicitation process for this RFI will proceed according to the following schedule:

RFI Approval	December 19, 2023
Issuance	January 9, 2024
Deadline for Submission of Questions	January 19, 2024
Deadline to register as a Respondent	February 9, 2024
Deadline for Submission of Responses	February 16, 2024

3.2. REVISIONS TO SCHEDULE

COAERS reserves the right to change the dates in the schedule of events without notice.

3.3. RESPONDENT REGISTRATION

Respondents can register with COAERS as potential respondents to the RFI on the web page www.coaers.org/pmc-rfi on or before February 9, 2024, a step that allows your organization to receive additional notices and receive a link to upload your final RFI response. ***Failure to register as a respondent by the deadline will prohibit your firm from participating in the RFI.*** Registration does not legally bind your organization or COAERS nor does it create any enforceable promises. It simply allows COAERS to notify your organization of information about the RFI and the RFI process, and receive a link to upload your RFI response. ***The deadline for registration is February 9, 2024.***

3.4. QUESTIONS REGARDING RFI

Questions about the RFI shall be submitted via email to rfi@coaers.org no later than 5:00 p.m. Central Standard Time, January 19, 2024. Some questions received by the deadline may be answered in writing to those respondents who have registered with COAERS in accordance with Section 3.3 of this document if the Chief Investment Officer believes such documentation would be in the best interests of all parties. Answers to the questions issued in writing amend this RFI accordingly and shall be posted on the web page www.coaers.org/pmc-rfi.

3.5. RESPONSE SUBMISSION

- (a) Proposals attempted to be delivered in paper format or via facsimile shall not be accepted.
- (b) Respondents shall submit two electronic originals of the Response. Response pages should be numbered and contain an organized, paginated table of contents corresponding to the section and pages of the Response.
- (c) The first electronic original shall be provided as a single file in PDF format. This file shall be named “[firm name] – COAERS PMC RFI – yyyy-mm-dd” where the firm name and date fields are replaced with the firm’s specific information and date submitted. ***Respondents who have registered will receive an email containing an electronic link to upload all documents. All documents must be received no later than the deadline specified elsewhere in this document.***

(d) Respondents shall submit a second electronic original of the Response which redacts all confidential information. These redacted submissions shall be used in response to any Public Records Request received related to this RFI. The electronic original shall be provided as a single file in PDF format. The file shall be named “[firm name] – COAERS PMC RFI REDACTED – yyyy-mm-dd” where the firm name and date fields are replaced with the firm’s specific information and date submitted. ***Respondents who have registered will receive an email containing an electronic link to upload all documents. All documents must be received no later than the deadline specified elsewhere in this document.***

(e) Respondents to this RFI are responsible for all costs of this Response including preparation, submission, and onsite visits.

(f) COAERS will not consider any Response that bears a copyright. Responses shall be subject to the Texas Public Information Act, Tex. Government Code, Chapter 552, and may be disclosed to the public upon request. Subject to the Act, Respondents may protect trade and confidential information from public release. It is the responsibility of the Respondent to ensure trade secrets or other confidential information, submitted as part of a Response, are properly redacted as described above. Respondents should complete Exhibit 1: Trade Secret Acknowledgement to declare whether or not trade secrets or confidential information are included in the Response.

3.6 Inquiries

(a) The Authorized Contact Persons for this RFP are David Kushner, Chief Investment Officer, and Christopher Hanson, Executive Director.

(b) Questions about the RFI shall be submitted in writing by e-mail to rfi@coaers.org no later than 5:00 p.m. Central Standard Time, January 19, 2024.

(c) COAERS may respond to some questions received by the deadline in writing to those respondents who have registered with COAERS in accordance with Section 3.3 of this document if the Chief Investment Officer believes such documentation would be in the best interests of all parties. Answers to the questions issued in writing shall be posted on the web page www.coaers.org/pmc-rfi.

(d) Except as otherwise provided in this Section, COAERS employees will not answer questions or otherwise discuss the contents of the RFI.

(e) COAERS Board Approved Code of Ethics prohibits certain communications with Trustees and Staff during this solicitation. Refer to section V.F. of Attachment 8 for information on these restrictions.

(f) Failure to observe the restrictions in paragraphs (d) and/or (e) of this section may result in the disqualification of the Response.

Appendix A

COAERS is in the nascent stages of building a Private Markets program, with the expectation that in time allocations will be made to Private Credit, Private Equity, Venture Capital and other Private Markets strategies. Please provide answers to the following questions:

1. Please provide an overview of your firm's history and experience in private markets.
2. Please describe the ownership structure of your organization.
3. Please describe the business structure of your organization, outlining parent company and all subsidiaries, including where the consulting business with which COAERS might engage falls in this structure.
4. Please confirm your organization will serve in a fiduciary capacity to COAERS.
5. Describe your organization's experience in assisting funds of COAERS size in building a program from the start.
6. Please describe a typical consulting engagement for a fund similar to COAERS.
7. Review the Scope of Services in Section II and provide a narrative demonstrating your firm's ability to provide the services requested and, where applicable, disclose where your firm would not be able to provide the services in Section II. Feel free to list other services your organization provides.
8. Please provide a comprehensive fee schedule, identifying all services included. If your organization offers an "a la carte" pricing menu for services, please include.
9. Will your organization consider scaling fees as the program develops?
10. Does this fee schedule include in-person attendance at Investment Committee and Board Meetings and associated travel costs? Please identify any additional costs COAERS may incur if your organization is chosen.
11. Please identify the team that will be assigned to COAERS account, including:
 - A. Years with your organization
 - B. Years of experience in Private Markets
 - C. Years of experience in institutional investing
 - D. Years of experience consulting to Institutional Investors in Private Markets
12. Does your organization maintain its own database of private markets managers and funds?
 - A. If not, what database(s) are used?
 - B. Do clients have access to the database(s) used by the organization? Is there an additional charge for this access?
 - C. Does your organization have access to, and permit client access to, a comprehensive database of past, current, and expected future opportunities across different sectors of private markets?
 - D. Do these databases have access to extensive performance information to evaluate funds under consideration relative to similar types of managers?
 - E. Please describe the information maintained in these databases (i.e., breadth, time series, performance, information maintained on managers, etc.)
 - F. How is manager information entered into the database?
13. Please complete the table in Schedule A.
14. What additional resources will be dedicated or available to COAERS?

15. Does your organization provide OCIO, Fund of Funds, or similar services?
 - A. If yes, please detail what services are available.
 - B. Please address conflicts of interest between your non-discretionary consulting services and your other businesses.
 - C. How does your firm allocate limited capacity deals across its various platforms and clients?
16. Does your firm sponsor investment vehicles aimed at helping smaller clients aggregate their investments? If so, please list these and state the assets under management as well as the number of clients invested.
17. To what extent are performance fees used in your OCIO business, Fund of Funds, or similar services? In your opinion does this create an incentive to favor performance-based clients over those who do not have such arrangements, and if so, how is this conflict managed by your firm?
18. Please identify your organization's capabilities in the following areas:
 - A. Private Credit
 - B. Private Equity
 - C. Venture Capital
 - D. Real Estate
 - E. Infrastructure
 - F. Fund of Funds
 - G. Secondaries
19. Please list the number of clients with portfolio-wide AUM over \$1 billion for these specific specialized consulting mandates:

Type of Relationship	Number of Clients
Real Estate	
Infrastructure	
Private Equity	
Private Credit	
Venture Capital	
Secondaries	
Hedge Funds	
Other Alternatives	

20. Please identify your organization's experience and capabilities in performing Operational Due Diligence on private markets managers.
21. Is your organization willing to assist in training and supporting COAERS staff in building internal capabilities for private markets (both front and back office)? Please describe your experience and approach in doing so, and samples of associated educational materials.
22. Please provide samples of Investment Committee and Board reports.
23. Please identify if and how your organization can assist COAERS in the following areas:

- A. Educating Board and Staff on Private Markets
 - B. Development of policy decisions
 - C. Development of an appropriate governance structure, including development of decision-making framework and delegation(s) of authority
 - D. Constructing an appropriate internal due diligence process
 - E. Record keeping and administration of private market investments
 - F. Performance measurement
 - G. Development of strategic plans for the asset class(es)
 - H. Development of investment policy for the asset class(es)
 - I. Pacing analysis
 - J. Sourcing, performing due diligence, recommending, and executing investment opportunities
24. Does your organization share legal and other administrative expenses across clients? How are these allocated?
25. Does your organization provide market information and insights in different sectors of private markets? Please provide a sample report.
26. Are you able to educate the Board and assist in development of public disclosure policies and reporting?
27. Is your organization willing to evaluate and perform due diligence on opportunities that cannot be scaled across other clients? Provide examples.
28. Please provide three client references, including at least one from each of the following categories:
- A. A client for whom your organization assisted in building a private markets program
 - B. A client of similar size to COAERS
 - C. A client for whom your organization assisted in setting up a Private Markets program
29. Please provide a sample contract for a private markets consulting engagement.

Schedule A

	Private Credit	Private Equity	Venture Capital	Fund of Funds	Real Estate	Infrastructure	Secondaries
# of employees dedicated to each							
# of managers in database							
# of funds in database							
Earliest vintage year in database							
Most recent vintage year in database							
# of SMAs monitored on behalf of clients							
For the three-year period ended 12/31/2023:							
# of funds recommended							
# of onsite manager meetings							
# of manager due diligence reports							
# of operational due diligence reports							
# of direct investments reviewed on behalf of clients							
# of co-investments reviewed on behalf of clients							
# of direct investments executed on behalf of clients							
# of co-investments executed on behalf of clients							
# of first or second funds recommended to clients							
# of unique opportunities where only one or a few clients had access							

EXHIBIT 1: TRADE SECRET ACKNOWLEDGEMENT

I understand that COAERS has no responsibility for protecting information submitted as a trade secret unless it is clearly and plainly redacted on each page it appears in the requested electronic submission. Protecting such information shall consist of COAERS notifying the Respondent of any requests for Respondent’s Proposal and the submission of a letter to the Texas Attorney General’s Office asserting exceptions for trade secret and financial information. COAERS will not be responsible for making legal arguments or providing factual information in support of the exceptions. Respondent shall be responsible for doing so.

Check the one box which applies to your response.

- My organization **has** submitted information considered "Trade Secret" or "Confidential" and has redacted such information on each page it appears in the electronic file marked. "[firm name] – COAERS PMC RFI REDACTED – yyyy-mm-dd" where the firm name and date fields are replaced with the firm’s specific information and date submitted.
- My organization **has not** submitted information marked "Trade Secret" or "Confidential."

ACKNOWLEDGED BY:

AUTHORIZED SIGNATURE (INK): _____

NAME (TYPED/PRINTED): _____

TITLE: _____ DATE: _____