Strategic Partner(s) - Private Corporate Debt
RFP #I-2017-4

Response to Inquiries

1. **We would like to complete the IPERS RFP #I-2017-4 but have a few questions that require clarification:**
   a. **Please define "private credit exposure".**

      For the purposes of this RFP, private credit exposure are investments that fall within the Product definition found earlier in Section I.B and will be evaluated as a % of the portfolio invested.

   b. **Would a multi-strategy credit portfolio comprised of non-investment grade corporate credit, not including direct origination but including RMBS and CMBS, fit this RFP?**

      As stated in Section B. Definition of Product, the product is to be comprised of "private credit investment strategies". Publicly traded corporate credit and structured products such as RMBS and CMBS do not fit this definition.

   c. **Exhibits I and J focus on RMBS/CMBS; do you expect these strategies to be part of this mandate?**

      Attachment I and J do not focus on RMBS / CMBS. They are relevant for the strategies listed and those included in Section B. Definition of the Product specified in the RFP.

   d. **Would a single strategy separate account focused exclusively on direct lending meet this mandate?**

      Section B. Definition of Product in the RFP specifies that the mandate is to invest across the spectrum of private credit strategies.

   e. **The co-portfolio managers have a 12 year track record at their previous employer that we can share verbally. Would this meet the tract record qualifications?**

      No. The firm must be able to demonstrate a VERIFIABLE, minimum 5-year track record. Verbal communication does not qualify.

   f. **How do you define secondaries?**

      For the purposes of this RFP, secondaries are defined as private corporate debt that were purchased /sold from one investor to another investor who did not participate in any part of the origination or syndication process at the time of the original issuance. Secondaries do not include publicly traded loans and bonds.

g. **Are term loans considered part of the core mandate or are they something opportunistic?**

   Any term loans that do not qualify as directly originated senior secured corporate credit are considered opportunistic.

2. **In Part I of the private corporate debt RFP, section B/definition of product: a 30% maximum allocation to secondaries is listed. Does the definition of secondaries include publicly-traded loans and bonds?**

   No. Publicly traded loans and bonds are not permissible investments per RFP section B, "Definition of Product". Secondaries cannot include publicly traded loans and bonds. Please see also the response to Question 1.f.

3. **For Exhibits I, J, & K – Does "vintage" refer to the year in which a particular fund had the final closing and or does it refer to the breakdown of investments made in each calendar year since strategy inception, irrespective of which particular fund made the investment (given that multiple funds have been investing over the course of a given year)? For example, if a fund had its final closing in 2010, would we list 2010 as the vintage and then include all investments made in that fund in that column or would we only list out any corporate direct lending investments made in the calendar year 2010?**

   Vintage year refers to the year in which the individual investments were made, irrespective of the particular fund that made the investment.

4. **For Exhibits K – We are unable to calculate returns on a net basis based on the categories listed, due to the way we utilize leverage and the fact that expenses are borne across the fund. We can provide a breakdown on a gross basis. Please advise how you would like us to complete the exhibit.**

   Please provide all of the requested information for Exhibit K. Clearly footnote any estimates utilized in providing net results.

   Proposals will be deemed incomplete and given no further consideration if all of the requested information is not provided.

5. **Part 4 – Legal Contracting: Is there any flexibility around items 1 and 8, as XXX will need to be indemnified and exculpated except in cases of fraud, gross negligence, or willful misconduct?**

   IPERS cannot legally indemnify another party. There may be some limited flexibility in regards to liability limits, but not much.

6. **Questions regarding the Product definition:**

a. **Does IPERS' definition of "senior secured" encompass first lien, second lien and unitranche (noting distinction between U.S. and European unitranche)?**

For senior secured corporate debt where the loans are secured by the cash flows of the company, senior secured debt is defined as those investments where there is no other debt holder who has priority claim to payments. Senior secured second lien and unitranche debt is included in this definition. For any asset-based loans, senior secured will mean first lien only.

b. **Does IPERS's definition of "private corporate debt" include broadly-syndicated loans?**

Private corporate debt does not include broadly syndicated loans or bank loans (the leveraged loan market).

c. **With respect to the stated exclusion of "distressed debt", does this only relate to distress-for-control strategies? Or, would "stressed" or "special situations" debt be permissible so long as the issuer has not defaulted nor is in bankruptcy? Or some other parameter?**

Stressed or special situations debt is permissible so long as the issuer has not defaulted nor is in bankruptcy. Distressed for control strategies are excluded.

d. **Can you further elaborate on IPERS's definition of "opportunistic investments" and additionally how such differs from distressed? Do you have any specific quantifiable parameters, i.e. yield, price, bid-ask spread, etc. to help clarify?**

Please see bidder response to Question #6c. In addition, subordinated and mezzanine corporate debt is acceptable. We have no specific quantifiable parameters.

e. **Regarding the stated target return of S&P/LSTA Leverage Loan Index plus 100bps net, does this apply to a levered or unlevered portfolio? Over what time period is the performance measured?**

Unlevered. Performance will be measured quarterly; formally evaluated annually.

7. **Term of Contract: Can you please elaborate on the 30-day notice termination provision: Would the account need to be liquidated/repatriated in 30 days, 30 days to cease all trading and investment, 30 days to begin a wind-down over an agreed to time-line, etc.?**

30 days to begin wind-down over an agreed time-line

8. **I would like to clarify "Leverage up to 1.25x the original commitment may be allowed in the strategic partnership." I assume that means we can employ 125 cents of debt for every 100 cents of equity, but would like to confirm.**

   Yes.

9. **With regards to Part I, Section C. Minimum Requirements #2, we currently do not have $500 million in assets under management in a separately managed account or a fund of one in the proposed Product. How strict is this requirement?**

   This is a firm-level requirement and can be inclusive of multiple accounts to achieve the minimum $500,000,000 requirement. It is a strict requirement. Proposals that do not meet all of the minimum requirements will not be evaluated.

10. **In order to reach the $500M invested Minimum Criteria #3, can this include credit funds that we have invested in that have significant exposure to 1st lien debt securities?**

    Yes, but only if your firm serves as the investment manager of the credit fund, and then only the 1st lien debt portion of the credit fund can be included in the $500mm amount.

11. **Due to IT security restrictions, we do not have the ability to send or receive Zip files. Is it permitted to send our final response in a standard attachment format within an email, as long as we abide by the limited 10MB file size?**

    Yes.

12. **Definition of Product: Will bank loans be allowable investment in the Product?**

    No. Please see response to Question #6b.

13. **Our track record in lending to corporate borrowers is longer than five years in the broadly syndicated markets. Our shareable track record in lending to middle market companies is 2 years long and we can show a 3 year track record in opportunistic credit. Would we meet minimum requirement #4?**

    No.

14. **Exhibit J & I - does "% deployed capital" refer to portfolio exposure at year-end for the noted time periods or is it referencing annual originations?**

    It is referring to portfolio exposure at year-end.

15. **Exhibits F & D - can the manager provide investment professionals at the VP level and above? For time commitment question, is this in reference to the IPERS specific proposed investment or for partnerships overall?**

For Exhibit F & D, include any key investment professionals involved in the Product as defined in the RFP. Time commitment is in reference to managing the relevant Product for the firm overall, not IPERS specifically.

16. **Exhibit J - which specific states comprise the noted regions? For capital by industry, can the manager submit a break out by Moody's definition? The Moody's break out varies slightly from the suggested categories.**

Northeast	CT, MA, ME, NH, RI, VT
Mid-Atlantic	DE, MD, NJ, NY, PA, VA, Washington D.C., WV
Southeast	AL, AR, FL, GA, KY, LA, MS, NC, SC, TN
Midwest	IA, IL, IN, KS, MI, MN, MO, NE, ND, OH, SD, WI
Northwest	ID, MT, OR, WA, WY
Southwest	AZ, CO, NM, NV, OK, TX, UT
Pacific	AK, CA, HI

Yes, the Moody's definition of regions is acceptable.

17. **Exhibit G - How is the All Firm Investment Management Products section differ from the "Product" section?**

The "Product" section should only include information on products offered by the firm that are consistent with the Definition of the Product specified in the RFP.