

## Private Real Assets Equity RFP #I-2023-1 Response to Inquiries

1. Are you able to provide a word document of the Private Real Assets Equity RFP?

Yes. A Word document version of the RFP is posted on IPERS' website:

<https://ipers.org/about/request-for-proposals>

2. Will IPERS consider non-US geographies as part of a proposed strategy? If so, is this limited to developed market jurisdictions (i.e. Australia, New Zealand) or does this also include emerging jurisdictions (i.e. Panama, Costa Rica)?

IPERS will only consider non-U.S. geographies for infrastructure submissions. All other submissions for this RFP must be U.S. based strategies, including real estate. Infrastructure non-U.S. opportunities will be limited to developed market jurisdictions.

3. We would like to respond to this RFP with an opportunistic real estate equity separately managed account in order to achieve the CPI + 5% return objectives. In order to achieve the return hurdle, we intend to focus on development activities across multiple property types (e.g., industrial, multifamily, etc.) and opportunistically allocate into Preferred Equity investments. Please advise if the approach is appropriate for IPERS and meets the objectives of this RFP.

IPERS will consider development strategies (build to core) on a selective basis. However, as part of the strategy, IPERS will not assume construction risk but may assume lease-up risk.

4. For the open RFP for Private Real Assets Equity, would IPERS consider additional non-core real assets strategies that include private debt investments?

No. IPERS captures exposure to private debt investments within our private credit portfolio.

5. We noted your upcoming RFP process and wanted to understand a few additional matters in light of the following document which covers your investment policy: [https://ipers.org/sites/default/files/2022-09/September%202022%20Private%20Markets%20Investment%20Policy\\_Final.pdf](https://ipers.org/sites/default/files/2022-09/September%202022%20Private%20Markets%20Investment%20Policy_Final.pdf)

- Your investment policy notes that you only look at opportunities in the United States; does this remain the case for the RFP process?
- The investment policy mentions leverage restrictions on the opportunities you would consider: *"Leverage on real estate investments is limited to 40 percent at the manager portfolio level, 50 percent at the property level for core investments and 60 percent at the property level for non-core investments."* – likewise, does the same restriction apply for the RFP process?
- Are there any other investment restrictions we should be aware of when considering funds to put forward for your RFP process?
- See Question 2.

- Yes. The leverage limits noted for real estate would apply to RFP submissions. Note that the Policy does provide separate leverage limits for infrastructure. Per the Policy, infrastructure investments may utilize up to 65 percent debt at the fund level and will be expected to use no more than 80 percent on any given asset.
  - Nothing outside of the Policy restrictions you have already referenced.
6. Our flagship Fund V will not be launched until 2023 and at this time, don't anticipate a first close until ~Q3. Would this timing work for the RFP/allocation? Will first time funds be disqualified?

The timing of your first close would not impact the evaluation of the submission. Although first time funds will not be disqualified, the respondent must demonstrate the firm's track record around the strategy and meet the relevant minimum qualifications.

7. Could you please confirm that debt strategies would be considered in this non-core RFP, especially given that the return profile is competitive to non-core equity strategies?

See Question 4.

8. Are Commodities within the scope of this search (non-core real asset equity strategy)?

No.

9. Will Euro denominated funds be considered? (Specifically as a strategy within the "other real assets" bucket)

See Question 2.

10. With regards to Farmland: if a strategy has a non-U.S. allocation and a higher than average allocation to permanent crops, would IPERS consider the strategy to be non-core?

IPERS will not consider non-U.S. farmland strategies for the purposes of this RFP.

11. We are currently in the market with our RE opportunity fund and meet all the minimum criteria. Our final closing will be March 2023. Can you confirm an approximate timeline to consider / approve mandates and subscribe to a fund given the February 10 submission date?

Given the timing, IPERS will not be able to consider your current fund offering. However, IPERS is willing to consider submissions for SMA's and/or subsequent funds. IPERS has a bench manager program. The program is intended to maximize the RFP process by identifying managers and strategies that are investable but are not being awarded mandates immediately due to capacity and/or timing issues.

12. Would a public energy infrastructure strategy qualify for the RFP?

No. Public market securities would not qualify for the RFP.

13. "Our firm has been investing in private real estate for 12-years and established a dedicated real estate fund series 5-years ago. Does this track record qualify for IPERS' non-core real assets search?

If the firm can demonstrate that the pre-fund series track record is consistent with the proposed investment strategy, the track record would qualify.

14. If the manager has only been managing capital in the vehicle to which IPERS would commit for four years but has been managing other SMA and similar risk profile capital for well beyond seven years, is the manager still eligible to submit a response to this RFP?

See Question 13.

15. Question regarding E. PERFORMANCE, 4. Identify what percent of the Product's gross return came from income, appreciation and leverage.

We invest solely in opportunistic real estate and have not historically calculated this kind of return attribution for its funds. Further, the Product is weighted more heavily towards development and the current portfolio is largely early-stage development, which makes it difficult to quantify how the return will be generated. We want to be responsive to the question, but also want to ensure the information we provide is useful and accurate. We could provide a subset of recently realized transactions from predecessor funds and calculate return attributions specific to those assets. Or, please let us know if there is any other information or return data we can provide for the Product instead.

Please answer this question to the best of your ability. For unrealized track records that have not meaningfully appreciated, it is understood that calculating the return attribution will not be possible. In your example, identifying these attributions for realized returns would be acceptable.

16. Can we submit for more than one fund offering (two separate submissions) if we have two offerings that meet the qualifications of the RFP?

Yes.

17. What is the approximate timeline for the award of the mandate? We have one fund that is likely to have a final close on 6/30/23 and we want to make sure the timeline for the award of the mandate fits before submitting.

IPERS anticipates the mandates would be approved by the Investment Board at the June 2023 meeting. It is unlikely that we would be able to meet the final close for this fund. In addition, see the response to Question 11.

18. How many tickets will you be allocating to as part of the \$400m allocation to non-core real asset strategies?

Minimum mandate sizes are anticipated to be \$100m. The actual number of mandates awarded will be dependent on the quality of responses received and final portfolio construction decisions.

19. Is there a maximum return target or will you consider any strategies above CPI +5%?

IPERS will consider any strategies that assist in achieving the CPI + 5% objective.

20. Is there a particular geographic focus that you target?

See Question 2.

21. Are there any sectors that you have a particular focus on or would exclude?

No.

22. Are there any restrictions around the length of the Fund term? Would a 25-year fund term be acceptable?

No. IPERS may consider a 25-year fund term depending on the strategy and the economics.

23. Do you have any sustainability requirements?

No.

24. Are you interested in co-investment opportunities alongside a Fund/SMA commitment?

Yes.

25. Within the RFP, Appendix I, I noted that it is asking for performance information as of 12/31/2022. As our audited figures will not be ready by the 2/10/23 due date, would it be appropriate to submit using 9/30/22 performance data?

The RFP will be amended. Respondents should provide performance information through 9/30/22.

26. Relating to items A.2 and A.3 (track record and AUM), if December 31, 2022 figures are not yet available, can we provide this information as of September 30, 2022?

See Question 25.

27. Should the Appendices be included within the same file as the RFP submission, or should they each be attached as separate files?

Please include the appendices in the same file.

28. Are “market driven opportunities” classified in the IPS separate and distinct from this non-core RFP or would they be considered subset of non-core as defined in the IPS? Specifically, are specialty (alternative) real estate sectors allowable as part of this mandate?

Market driven opportunities as defined in the IPS will be considered. Yes, IPERS will consider specialty real estate sectors.

29. Will the non-core and/or market driven investments need to comply with the +/- 10% property/geography weighting for the NCREIF-ODCE Index that the core real estate portfolio adheres to?

No.

30. IPS stipulates that non-core investments shall not exceed 60% leverage. Will you accept funds that can go up to 70-75% leverage in offering documents?

Yes. IPERS will consider funds that have a legal leverage limit higher than 60% but have a demonstrated track record that has been consistently less than their maximum. Significant uses of leverage will be considered as part of the strategy scores.

31. IPS indicates that it is anticipated that non-core will generate at least 50% of total return from income over the underwriting period. Will you accept funds that will derive less than 50% of total return from income? If so, what is the minimum threshold?

Yes. There is no minimum threshold.

32. Is a hedged energy income focused strategy a potential fit for the Private Real Assets Equity RFP?

No.

33. Section A and Appendix II: As we won't have finalized December 31, 2022, performance, will we be able to submit the RFI with September 30, 2022, performance? Would you like us to follow up once December 31 performance becomes available?

See Question 25.

34. Section C (10): Are you able to clarify what you mean by "workout teams"?

Workout teams can be considered part of the broader operational team and/or a dedicated team of resources in the event of a distressed situation.

35. Appendix IV: Due to confidentiality, we may not be able to provide all the requested information on departures (ie. Names, degrees, sponsoring body). Would title/role, year of hire, year of departure, and reason for departure be sufficient?

Yes.

36. As we were reviewing the minimum requirements and scope of services outlined in the RFP, we had one question. Item 1 under Scope of Services notes that a Manager will be required to “Invest allocated funds in conformity with the investment policy and guidelines of the System, and as defined in the contract or partnership agreements established between IPERS and the firm.” We were able to locate an “Investment Policy and Goal Statement” and “Private Markets Investment Policy” on your website, but were curious if there were any sort of additional guidelines that you may have publicly available for us to review so that we can ensure we are accurately responding to the RFP. Please let me know if there are any other publicly available documents.

There are no other documents to consider in your submission.

37. Does the non-core equity designation include higher-returning credit strategies comparable to a core-plus / value-add equity return profile (i.e. would IPERS review proposals for higher-returning credit strategies in this RFP process)?

No.

38. Section 2C on page 6 states, “If IPERS issues a notice of intent to award a contract at the conclusion of the selection process, the contents of all proposals, excluding confidential information, will be placed in the public domain and open to inspection by interested parties.” How is the “public domain” defined / where exactly would the contents of the proposal be posted? How much of the proposal can be marked “confidential” (i.e. can the entire “Terms” section be marked “confidential”)?

Proposals will not be posted in the “public domain.” However, proposals would be provided if an interested party were to make a request. As noted in the RFP, only trade secrets or proprietary information should be marked as “confidential.”

39. What is the envisaged timing of IPERS’ selection process (i.e. would IPERS consider a fund that anticipates a close in late summer / early fall 2022)?

See Question 17. Yes, IPERS would consider a fund that anticipates a close in late summer / early fall 2023.

40. Are funds that will launch after the submission deadline eligible for submission (i.e. would IPERS consider a fund that launches in Q2 2023)?

Yes, if the firm’s track record for the strategy can be demonstrated.

41. Regarding the mandate’s minimum requirement of \$500 million in strategy AUM, when calculating this figure will IPERS only count the net asset value of the currently invested AUM within the strategy or will IPERS recognize capital that has been realized/distributed from previous funds within the series toward the strategy’s total AUM?

IPERS will only consider the NAV currently invested across all mandates within the strategy.

42. After reviewing the minimum requirements for the IPERS Private Real Assets Equity RFP # I-2023-1 Non-Core Real Assets search, we are inquiring about the requirement and the timing of the proposed product having at least \$1 billion in net asset value as of December 31, 2022. The product we would propose has a fifteen-year track record with a net asset value of approximately \$935 million and a gross asset value of \$1.6 billion as of September 30, 2022, and as of today would exceed \$1 billion in net asset value as of December 31, 2022 assuming an IPERS investment pursuant to the search of at least \$65 million. We believe we are well-positioned to respond to your non-core real assets search. Please confirm the proposed product would satisfy the minimum requirement.

If the Product is an open-ended commingled fund offering, it would not meet the minimum requirement. Respondents should not consider a potential IPERS investment as part of any AUM calculation in meeting this minimum requirement.

43. Our inquiry is regarding the requested December 31, 2022, date for the data submitted. With regards to performance and AUM data, may we submit our proposal with data as of September 30, 2022? December 31, 2022, NAVs will not be finalized by the February 10, 2023, submission due date.

See Question 25.

44. Can you please provide clarity on how “excised copy” is defined by IPERS? For the below purposes, “excised copy” refers to a redacted version of the submitted proposal. If our response to a confidential question should be fully removed and marked “Confidential” instead of being redacted, please advise. Will any of the following items create grounds for our RFP response to be rejected upon submission for inadequate information?

- Pitchbook – we deem our pitchbook to be highly confidential and would not plan to submit an “excised copy,” only a version marked as confidential and not for public disclosure.
- Our Performance Track Record (Exhibit A) – we deem this to be highly confidential and would not plan to submit an “excised copy,” only a version marked as confidential.
- Appendix II – we would prefer to keep our invested capital summary confidential and would not plan to submit an “excised copy,” only a version marked as confidential.
- Ownership Structure & Organizational Relationship Chart – this is highly confidential, and we would not plan to submit an “excised copy,” only a version marked as confidential.
- Any business litigation related to investment activities – should this apply and require a response, we plan to only submit a confidential version and redact the response completely in the “excised copy.”
- Incentive Fee Distributions – this is highly confidential and would be fully redacted in the “excised copy.”
- Turnover Table (Exhibit G) – this is highly confidential and will be redacted in the “excised copy.”
- Summary of performance of products – this is confidential and will be redacted in the “excised copy.”
- Two worst performing product investments – this is confidential and will be redacted in the “excised copy.”
- Appendix III (Product Personnel Information) – to what degree can this be fully redacted in the “excised copy?” This will be noted as confidential.

Confidential information that is perceived to be a trade secret or proprietary information can be completely removed from the “excised copy” submitted.

45. We note that Appendix I and Appendix II request track record and invested capital information as of 12/31/22. Unfortunately, we will not publish our final 12/31/22 performance and invested capital figures until early Q2 2023. In our response, can we provide this information as of 9/30/22? We would subsequently provide the 12/31/22 data as soon as it's available.

See Question 25.

46. In the RFP, Question A-2 instructs:

*Please designate whether the proposed Product is an open-end fund, closed-end fund or separately managed account. What is the inception date of the proposed Product? If the Product is closed-end, does your firm have at least seven years' experience managing the proposed Product's fund series as of December 31, 2022? Provide as **Exhibit A** (formatted as shown in Appendix I) a performance track record for the proposed Product and any other private real assets equity funds or SMAs the firm manages that are similar to the Product's mandate and/or demonstrate the firm's ability to successfully manage their proposed offering.*

However, Appendix I itself instructs:

*Provide a summary of all discretionary private real assets equity funds and SMAs managed by the firm since its inception.*

The wording in the question is considerably narrower than the wording in the Appendix itself. Which approach would Iowa PERS prefer?

The completion of Exhibit A should be responsive to the question and only include Product's that are similar to the proposed Product. Please include all products and strategies that are similar in scope to the proposed Product.

47. Column Headings - At the top of the table, the word "Proceeds" seems to apply to the four columns from "Equity Invested" to "Total." Does that mean they would be "Realized Proceeds," "Unrealized Proceeds," and "Total Proceeds"? Similarly, "Performance" seems to apply to the four columns from "Cash Yield" to "Gross Investment Multiple," but not to "New Investment Multiple" (this one may be off by a column?). Are those headings correct? We want to be sure we are providing the exact information Iowa PERS needs.

**Proceed columns would apply to "Equity Invested" through "Total Proceeds." Performance columns would apply to "Cash Yield" through "Net Investment Multiple."**

48. Realized Profits - How would Iowa PERS define "Realized Profits" in the case of open-ended funds / accounts?

"Realized Profits" should only include investments that have actually been sold and realized.

49. Could you please let us know if it would be OK to submit financial data as of Q3 2022 rather than Q4 2022 (as requested in the RFP)? Our firm requires 90 days following year-end to complete its financial statements, so Q4 2022 data will not be available until March 31, 2023.

See Question 25.

50. Would IPERS consider a listed equity REIT strategy that invests only in non-core property types?

No.

51. Do you define "secondary markets" as "secondary fund acquisitions" or "secondary direct investments"?

The reference to "secondary markets" is geographic in the definition of Product.

52. Would you consider strategies that have muted risk exposure, assuming their historical and target returns are well above the stated benchmark?

Potentially. The response would have to be evaluated to determine the nature of the Product.

53. The current language in the Private Markets Investment Policy states that the plan may invest in transport, energy, and utility assets. Will IPERS consider diversified infrastructure investments, inclusive of the telecommunications sector?

Yes.

54. Can IPERS summarize the special reporting covenants that apply throughout the life of the investment?

Outside of standard quarterly reporting and financials, IPERS will require the ILPA Reporting Template. Information around the template can be found here, <https://ilpa.org/reporting-template/>

55. Does IPERS have a plan or target for how capital may be allocated across non-core real asset equity strategies, which include real estate, farmland, timber and infrastructure?

TBD.

56. Is there a minimum amount that IPERS will invest with a manager as part of this search?

Minimum mandate sizes will be \$100 million.

57. As part of the targeted return of CPI+500 net, is there also a target for cash yield?

No.

58. Will IPERS consider strategies denominated in non-USD currencies?

Only infrastructure strategies denominated in non-USD currencies will be considered.

59. How much co-investment does IPERS require per investment with each potential manager for this mandate? Does the \$400m potential allocated capital include co-investment capital, or would any co-investment be in addition to the \$400 million being allocated.

Co-investment capital would be additional.

60. Once the RFP process concludes, what is the expected timeframe for the investment decision and commitment to be made?

[See Question 17.](#)

61. Would a fund with the following characteristics be considered for this search?

- Euro denominated
- Luxembourg domiciled (with US investor entry points)
- Closed-ended
- Pan-European real estate fund

[No.](#)

62. If the fund series for the Product being considered has less than seven years of track record, but the firm has a track record of managing products that are similar to the proposed Product that is greater than seven years, will the Product be considered for this search?

[Yes.](#)

63. My question is in regards to the \$1 Billion minimum NAV for an open-ended commingled fund submission. The firm manages a global farmland strategy with direct investments in 8 different platforms. We estimate the NAV of our open-ended fund will be at \$960mm on 12/31/22, but due to the complexity of valuing the assets, we won't have a final 13/31/22 AUM until after Feb. 10<sup>th</sup> deadline. My question is if we ended up being less than 5% short of the minimum NAV or around \$960mm on 12/31/22, would our proposal be rejected?

[Yes. See Question 42.](#)

64. Would IPERS consider a custom, fund-of-one proposal that consolidates multiple Non-Core Real Assets solutions that are overseen by the same broader investment platform or do they prefer separate submissions? If the first option is acceptable, do all of the individual underlying components need to satisfy the minimum requirements (i.e. do all of the solutions need to have a 7+ year track record)?

[The minimum requirement of a 7+ year track record must be met at either the individual Product level or the combined Product level. To the extent these strategies would be managed by different teams, IPERS would also prefer separate submissions for each Product that meet the minimum qualifications.](#)

65. Does IPERS have a projected timeline for funding the winning mandate? More specifically, would IPERS consider a proposed strategy in a closed-end fund structure with a final close date of 3/31/2023?

[See Question 17.](#)

66. What is IPERS preferred proposal submission file format? PDF or Word?

[PDF](#)

67. Per the RFP instructions, we are identifying any confidential content within our proposal. May you please clarify, however, whether the disclosure of confidential contact needs to encompass any (or all) supporting materials associated with the proposal submission (i.e., attachments including the offering book)? Or, do we only need to identify and disclose any confidential content contained in the primary proposal document?

Confidential content should be identified for all supporting material as well as the primary proposal document. Attachments deemed as confidential should be marked as such.

68. We understand that the submitted proposal is binding for 180 days from the date of the proposal. If we submit our proposal in advance of the due date, however, do we need to make any special mention or accommodation to reflect that the proposal remains binding for the required period?

Yes.

69. In the “Minimum Requirements” section in Part 3 of the questionnaire (page 11 of the pdf), question #3 asks for (and references in the corresponding Appendices I & II) performance information for the Fund series as of 12/31/2022. While we will make best efforts to provide the data as of that date, we cannot guarantee that requested information will be ready before the RFP submission date (2/10/2023). In the case that, at the time of submission, would it be acceptable for us to instead provide either the previous quarter’s performance (as of 9/30) or estimates of 12/31 data, until the 12/31/22 information is fully finalized? We do expect to have the final 12/31/22 data around the submission date but do want to be cognizant that it may not be available until shortly after.

See Question 25.

70. Will US and non-US strategies be considered?

See Question 2.

71. Is there a leverage limit on a per deal basis or is there a hard leverage target at the overall fund level?

Refer to IPERS’ Private Markets Investment Policy for the relevant leverage limits around real estate and infrastructure investments.

72. There is some language in your IPS that describes special purpose facilities. Can you provide more color on what is considered special purpose and what is industrial?

As stated in the IPS, special purpose facilities include such properties as casinos and factories, which generally carry unacceptable business risks. IPERS does not consider such properties as “industrial”.

73. We are planning to submit two separate proposals (both Funds are value-add strategies and currently fundraising). Are firms allowed to submit multiple proposals on behalf of more than one strategy?

Yes.

74. Our December 31, 2022 financials are audited by a third-party auditing firm and will therefore not be finalized before the February 10<sup>th</sup> deadline. Would you accept a proposal that presented 9/30/22 performance numbers instead?

See Question 25.

75. Part 3 – Section A Question #3 – Our firm invests in non-core real assets as well as private credit, private equity and absolute return strategies. Would you prefer us to present Appendix II with only our non-core real assets strategies? Or total assets under management across all strategies?

Provide all firm assets for the top portion of the requested table.

76. Part 3 – Section C Question #4 – Can you provide some clarification on your definition of “stage”?

Relevant “Stage” categories around non-core real assets equity mandates would include development, lease-up, stabilized, etc.

77. Part 3 – Section C Question #10 – What are your definitions of “operational” and “workout” teams? Are you asking about Back Office departments that support the fund (Accounting, Risk Management, etc.) or a specific responsibility of the investment team?

By operational teams, IPERS is referencing dedicated teams that have significant operating experience at the underlying property or asset level. Examples of operating teams would include property management teams, operating partners and/or an advisor network. Please see Question 34 for more information on the workout teams.

78. We intend on sharing some documents needed in connection with the RFP that we deem sensitive within the confines of a data room. Would that be permissible to the IPERS team?

No. All material should be provided directly to IPERS.

79. The RFP states that should a manager receives IPERS’ intent to award the contract, the entirety of the RFP (excluding confidential information) will be placed in the public domain. Does this mean that the RFP responses will be publicly posted (i.e. to meeting minutes that can be googled) or that they are subject to the freedom of information act and if someone requested to see the RFP responses, they would be shared?

See Question 38.

80. For Appendix II, Invested Capital Summary Table, how will you be evaluating “total invested capital?”

Appendix II data, including “Total invested capital,” will be evaluated to confirm minimum qualifications, diversity of assets under management and the growth of assets.

81. For AUM / NAV / GAV / performance, it requests as of 12/31/23 data throughout. We will not have Q4 data available at the firm/Fund level by the RFP deadline as we don't report quarter-end data until 45 days following quarter-end. Is it okay to use as of 9/30/2022 data?

See Question 25.

82. Section E, question 2, what CPI data should we be referencing specifically? How do you define "relevant market averages"?

CPI data should be the Consumer Price Index for all urban consumers, not seasonally adjusted, CPI-U (NSA). If applicable to the Product, there are multiple services that provide summary metrics ("relevant market averages") comparing fund IRR's and Multiples. Examples include Prequin, Pitchbook, Burgiss, etc.

83. Appendix I, are we to fill out the provided chart, or also provide a summary of equity funds and SMA's managed by the firm. We would like to double-check if these are separate questions.

Respondents only need to fill out the chart. A separate summary is not required.

84. If the strategy is selected, when do you plan to make the commitment in 2023?

See Question 17.

85. The RFP requires data as of December 31, 2022. If December 31, 2022 data is not available by the February 10, 2023 deadline, can our team submit September 30, 2022 figures?

See Question 25.

86. Page 14 – Section F Terms – #4 – “What are the organizational expenses for the Product?” Can you clarify what is intended for these expenses? How is this distinguished from the following question #5? Are these the initial set-up expenses to establish the Product?

Yes. Question 4 should include all initial set-up expenses to establish the Product. Question 5 should include all operational expenses for the continued operation of the Product. See response to Question 87 for further clarification.

87. Page 14 – Section F Terms – #5 – “What are the on-going operational expenses for the Product?” Can you clarify what is intended for these expenses? Would it be appropriate to answer this with the anticipated total fund-level expenses p.a. in bps?

On-going operational expenses would include items such as accounting, audit, bank fees, custody fees etc. Anticipated total fund-level expenses p.a. in bps would be an appropriate response.