

## **Illinois Municipal Retirement Fund**

### **Direct Lending, Opportunistic, and Distressed / Special Situations (“Private Credit”) Fund Manager Search**

#### **Questions & Answers:**

##### **Eligible Products - Timing**

1. Can we respond to the RFP with an SMA strategy if our commingled fund is having a final closing prior to the August 2023 RFP completion date?

Yes, if the fundraising period for the commingled fund is open anytime during the duration of the RFP (April 2023 through August 2023) and current marketing materials are available, IMRF will consider an SMA proposal that invests alongside a recently closed fund.

2. Can we submit a proposal for a fund that has not yet launched, but is expected to launch fundraising prior to August 2023?

Yes, if the fundraising period for the commingled fund is open anytime during the duration of the RFP (April 2023 through August 2023), then a firm is eligible to apply to the RFP. IMRF will not consider strategies that are anticipated to be launched post this period.

3. Since IMRF may consider commitments for the 2023 and 2024 allocations years, can we include a strategy that is not fundraising at the time of submission, but will be fundraising in 2024.

No, IMRF will only consider strategies that are fundraising anytime during the duration of the RFP (April 2023 through August 2023). IMRF will not consider strategies that are anticipated to be launched post this period.

4. If we are submitting a proposal for a product that has not yet launched and therefore the PPM and LPA are not available, how should we respond?

IMRF anticipates reviewing current fund PPM and LPA materials, among other pertinent materials as listed in the RFP as part of its due diligence process. To the extent documents are not available, please provide the most updated presentation and prior fund documents and provide a timeline of when the current documents are expected to be released. Please provide copies of the updated materials once complete.

5. Our fund anticipates having a final closing in September/ October 2023. Would this preclude us from applying to the RFP?

IMRF expects to complete the process on August 25, 2023, and can initiate a legal review process subsequent to the Board approval. Although it may take a few weeks to complete the legal review process, funds having a final closing in September/ October 2023 may apply to the RFP.

6. Will IMRF consider funds where the product's first close will not occur until Q4 2023?

Yes, if the fundraising period is open anytime during the duration of the RFP, April 2023-August 2023, IMRF will consider the Fund and/or SMA proposal. IMRF may close on finalists any time post the board approval date of August 25, 2023.

## Vehicle/ Legal

1. Does IMRF have a vehicle legal structure preference? Does IMRF require any tax specific structure for this investment?

IMRF does not have a stated vehicle preference. If selected as a finalist, IMRF will review the legal and tax structure with external legal counsel.

2. Will IMRF consider first time funds?

Yes, IMRF will consider first time funds.

3. If submitting a SMA, does IMRF prefer a SMA held at the custodian or a fund-of-one structure?

IMRF prefers a fund-of-one structure.

4. Does IMRF prefer an SMA structure investing alongside a fund, or an investment as an LP directly into a fund?

IMRF will consider both SMA and commingled fund structures. IMRF will evaluate the preferred structure on a case-by-case basis with finalists.

5. Will IMRF consider both drawdown vehicles and open-ended/evergreen structures? Will you please advise as to which is preferred.

IMRF will consider both open-end and closed-ended structures as part of the RFP.

6. Is IMRF willing to consider a rated note structure?

IMRF will not consider rated note structures.

## Strategy

1. Will IMRF consider an SMA that invests alongside a BDC or SBIC fund?

No, IMRF is not considering any BDC or SBIC strategies, including SMA's that invest alongside BDC or SBIC strategies.

2. Will CLO Equity be considered as part of the Opportunistic Credit bucket?

CLO equity is not part of the RFP scope so will NOT be considered. IMRF will consider vehicles that invest in a combination of liquid and illiquid assets as part of a distressed credit strategy.

3. Will IMRF consider junior debt focused funds?

IMRF is open to broad strategies of private credit, including junior debt.

4. Does IMRF have a minimum fund size they will consider? Are there any requirements that state IMRF will not be more than 20% of a vehicle.

IMRF does not have a minimum fund size, although will consider IMRF LP concentration risks when evaluating responses.

5. Will Private Debt secondaries be considered? Can respondents submit a proposal for a holistic SMA solution that would include a diverse mix of GPs as well as co-invests and secondaries?

IMRF is open to private credit SMAs but is not considering secondaries or co-investments as part of the overall solution.

7. Is residential mortgage credit also excluded from the current search?

Yes, residential mortgage credit-focused strategies would be considered real estate debt and will be excluded from the search.

8. Will IMRF consider multi-asset funds investing across multiple private credit strategies (e.g., direct lending, opportunistic, and special situations)?

IMRF will consider both single-strategy and multi-strategy proposals.

9. Are there any industry sector restrictions or parameters?

There are no restrictions related to industry or sector; however, strategies solely focused on real asset debt (e.g., real estate debt, infrastructure debt, oil & gas debt and energy transition debt) would fall out of the scope of the RFP.

10. Will IMRF consider real estate debt or infrastructure debt strategies?

Strategies solely focused on real asset debt (e.g., real estate debt, infrastructure debt, oil & gas debt and energy transition debt) would fall out of the scope of the RFP.

11. Will IMRF consider Specialty Finance strategies?

IMRF will consider Specialty Finance strategies.

12. Do you consider broadly syndicated loan (BSL) strategies “private debt”?

Strategies that are solely focused on the broadly syndicated loan market will not be considered.

13. Does IMRF have a strategy AUM minimum or track record requirements for potential managers?

IMRF does not have a minimum AUM or age of track record requirement. IMRF will evaluate collectively the factors described in Section 8.1 of the RFP when selecting finalists.

14. Does IMRF have any ESG investment restrictions the fund manager should take into consideration?

IMRF does not have any ESG investment restrictions that a fund manager should take into consideration.

## **RFP Instructions**

1. Does IMRF have a preference on how the appendix items are submitted? How do we manage sending large files to ensure IMRF receives the full response?

Appendix items should be submitted as attachments. Due to the large size of the RFP, you may consider sending several emails labeled 1 of #, 2 of # record, etc. so we know when you have submitted all of your documents. You may want to also consider a zip file.

2. In Question B10 of Part 10 (RFP Questionnaire > 10.3 Firm Information), can you please provide clarification as to what is meant by, “Describe how the General Partner’s contribution for investments is allocated among the team.”??

The question is asking about GP commitment, including which individuals/organizations are committing, the amounts, and how it is financed.

3. Under Part 5 - Specifications for the assignment. IMRF specifies that, at point of contract, the successful firm should complete the required certifications including: Exhibit A, IMRF disclosure schedule certification; Exhibit B, High Risk Home Loan Act Certification; and Exhibit C, Illinois Government Ethics Act Certification. At this stage of the RFP process does IMRF require those managers submitting responses to complete these exhibits along with the RFP questionnaire?

Correct, if selected as a finalist, IMRF would require the certifications to be completed as part of the legal process.

4. In addition, if submitting information for a Euro denominated fund, will IMRF accept deal characteristics in base currency of the fund (EUR) as opposed to USD? (Appendix L).

Yes, IMRF will accept deal characteristics in base currency.

## **Legal**

1. Will IMRF be willing to sign an NDA for the RFP submission? Will the RFP be treated as confidential?

IMRF will not sign an NDA for an RFP Submission. IMRF is subject to Illinois FOIA laws, although is exempt from releasing any information that is deemed trades secret and commercial or financial per 5 ILCS 140/ Freedom of Information Act. In the event IMRF received a FOIA request for a response, IMRF would notify and work with the manager to provide a redacted version consistent with IMRF's interpretation of the requirement of the law.

2. Does the submitting firm have to be registered by the SEC if it is based in Europe and registered and regulated with European regulators or qualifies for an exemption?

If you are exempt from SEC registration, please provide the exemption. If your firm is registered/ regulated by a foreign entity, please specify the governing body.

3. Can we proceed with a submission if we cannot accept the proposed side letter as written, but we anticipate arriving at a negotiated resolution to the enumerated provisions?

If selected as a finalist, IMRF will work with external counsel on negotiating legal documents, including side letters.

4. Can we proceed with a submission if we do not agree to the “prudent person” standard for indemnification purposes or acknowledge fiduciary status under ERISA? Is there a legal requirement for IMRF to invest in private commingled funds where the manager be held to a prudent person standard, and if so, can IMRF please provide the relevant regulation?

IMRF will not consider submission that do not agree to the “prudent person” standard for indemnification purposes or acknowledge fiduciary status under ERISA. IMRF cites ERISA because the prudent man standard is the same in the federal law as it is in the Pension Code even though IMRF is not an ERISA fund. The relevant sections of the Illinois Pension Code are 40 ILCS 5/1-101.2 and 40 ILCS 5/1-109 and 5/1-109.1.

5. Our firm does not manage ERISA Plan Assets and therefore does not maintain ERISA/Pension Bond Insurance. What is the amount of coverage that would be required? Would standard E&O/D&O insurance be sufficient?

IMRF will consider standard E&O/D&O insurance with a minimum of \$5 million.



6. Given the directive to comply with Articles 1 and 7 of the Illinois Pension Code and the breadth of those articles, can IMRF provide more detail as to which sub-sections of those articles are applicable to a manager's performance and compliance?

The Articles of the Illinois Pension Code apply specifically to IMRF and we do not list the provisions because the statutes may change. The link to the Code which contains both articles is below:

<https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=638&ChapterID=9>

## Other

1. What is the expected commitment range for each manager?

IMRF has at least \$300 million to deploy as part of the RFP. Multiple managers will be considered for the mandate. Allocation sizes may vary based on the strategy and number of managers selected as a finalist.

2. Does IMRF expect to split the mandate amongst multiple managers? If so, amongst how many managers? Is there a minimum size for the individual mandates if split?

Yes, IMRF will consider multiple managers. There is no minimum size for individual mandates. Allocation sizes may vary based on the strategy and number of managers selected as finalists.

3. Will individual managers be chosen for each sleeve (DL, Opportunistic, Distressed/Special Situations)? Or will the team select an individual GP across the asset mix?

IMRF is open to multiple mandates offered by the same manager across direct lending, opportunistic, and distressed/special sits strategies or selecting different managers in each sleeve.

4. What are the target return expectations?

IMRF's aggregate private credit allocation is benchmarked to the S&P LTSA Leveraged Loan 100 Index plus 200 bps. IMRF will evaluate each individual strategy based on a risk-adjusted return basis.

5. If a firm does not apply, will it be precluded from IMRF investing over the next 2-3 years?

No, firms that do not apply to this RFP will not be precluded from responding to a future RFP.

6. Will you require the selected firm to endorse the ILPA Private Equity Principles and/or comply with the ILPA Reporting Best Practices and Standardized Capital Call and Distribution Templates?

Endorsement of the ILPA Private Equity Principles and/or compliance with the ILPA Reporting Best Practices and Standardized Capital Call and Distribution Templates is not required.