



**STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 NORTH NIMITZ HIGHWAY, SUITE 200
HONOLULU, HAWAII 96817**

September 6, 2022

**REQUEST FOR PROPOSAL (RFP) No. BOT 2023-005
(INDEPENDENT BOARD INVESTMENT CONSULTANT
FOR THE OFFICE OF HAWAIIAN AFFAIRS'
NATIVE HAWAIIAN TRUST FUND)**

ADDENDUM 2 – Questions and Answers

Questions about current vendors and staffing

1. Can you share the amount that is being paid to the incumbent on an annual basis?

There is no incumbent consultant, this is a new position.

2. Can you disclose what you are currently paying the alternatives assets incumbent(s) on an annual basis?

There are no alternative(s) assets incumbent(s) per se. The Investment Consultant will be working with the fund managers to manage the portfolio.

3. What are you currently paying in consulting fees?

There is no incumbent consultant. We currently have a temporary Interim Investment Manager who used to work with Segal Marco and with the fund managers managing the financial assets.

4. Who is your custodian?

The Northern Trust Company.

5. The RFP references an outsourced CIO. Is that Segal Marco? If not, what is that entity?

There is no current CIO, either in-house or outsourced.

6. Over the last three years, how many private equity, private credit, private real assets, and hedge funds managers have you committed to annually?

Refer to the 6/30/2022 Flash Report, Appendix C. Over the past three years, there have been no changes in manager composition.

7. What is the size of your senior staff? Do you have any dedicated staff to private equity, private credit, private real assets and/or hedge funds?

There is only an Interim Investment Manager that currently reports to the CFO.

8. The RFP describes numerous staff and other vendor interactions for the BC. Is it possible to receive a description/list of the Staff/vendors/investment managers, etc. that the BC is expected to interact with on a regular (or ad hoc) basis? For example, would the BC be interacting with Segal Marco and/or the Trust Fund's custodian bank?

The OHA expects the Respondent (as the BC) to detail its assumptions and recommendations for, and identification of, staff, vendors, investment managers, etc. in its response.

9. RFP Appendix C: Can the OHA provide more clarity into the different financial services groups involved with the NHTF in the report? For example, can the roles and responsibilities for the following entities be described as: Discretionary or non-discretionary; advisor/consultant or Outsourced Chief Investment Officer (OCIO) or asset/fund manager; mandate of traditional assets or alternative asset or both? Are there any additional consultants or manager-of-managers beyond those listed below?

a. Asset Managers:

- i. JP Morgan Asset Management (traditional)
- ii. Common Fund (alternative)
- iii. State Street Global Advisors (traditional)
- iv. PIMCO (alternative)
- v. Goldman Sachs Asset Management (alternative)
- vi. Pantheon (alternative)

b. Advisor(s) / Consultant(s)

- i. Segal Marco

All entities listed in the RFP Appendix C are considered discretionary and there are no additional consultants or manager-of-managers beyond those listed.

Questions about current portfolio policy and goals

10. Is there a spending policy beyond the disclosed spending limit?

There is only one spending policy as provided in the RFP, Appendix B.

11. Can we see an audited spending report, to assess the main categories of spending? This may help us assess the flexibility of spending caps and sensitivity of spending related to inflation.

There is no separate audited spending report. Refer to the audited financial statements found on the OHA website for the latest financial statements:

<https://19of32x2yl33s8o4xza0gf14-wpengine.netdna-ssl.com/wp-content/uploads/202106-Office-of-Hawaiian-Affairs-Signed-Secure.pdf>

12. What do you expect to commit to private equity, private credit, private real assets, and hedge funds on an annual basis over the next three years? How many funds do you expect to commit to annually?

The OHA expects the BC to provide assessments and recommendations.

13. What are your primary goals & concerns for the portfolio?

The OHA expects the BC to provide assessments and recommendations.

14. The Trust's Spending Policy allows for "withdrawals up to 5% of the NHTF's 20-quarter rolling average market value". What has the actual withdrawal history been over the past several years?

Withdrawals from the NHTF have not exceeded the 5% spending policy limitation.

15. The Trust's asset allocation targets include a healthy allocation to Alternative Investments. Have the Trust's asset allocation targets been reviewed on an ongoing basis to ensure that these targets reflect the Trust's liquidity needs?

Refer to the Scope of Services including the identified studies. The OHA expects the Respondents to review the RFP and respond accordingly.

16. Is there any projected cash flow and spending plans (i.e., 5-year financial plan) for the Trust Fund? If so, can you please provide to bidders?

There are no projected cash flow, spending plans or financial plans at this time for the Trust Fund. You may also refer to our Annual Reports listed on our website which detail the annual operating budget for the OHA as well as sources of funding for the budget.

Questions about the RFP and Proposals

17. Section III.D.4. – there is placeholder for the number of years. How many years are needed for the references?

5 years

18. The RFP states a preference that, whenever possible, the Offeror agrees to subcontract with minority-owned business enterprises and/or women-owned business enterprises. Does this expectation include a minimum threshold for such enterprises in the investment portfolio construction process?

Whenever possible, the Offeror awarded the contract will use its best efforts to subcontract with minority owned business enterprises and/or women owned business enterprises. You may refer to RFP Section 2(V)(A)(10).

19. Our financial statements are that of a private entity. Are there additional notations or optional methods available to provide these statements to prevent their disclosure pursuant to the Uniform Information Practices Act, chapter 92F, HRS?

Refer to RFP Sections 1(VIII)(E) Confidential Information, and 1(XIV) Trade Secrets/Confidential Information).

E. Confidential Information. If an Offeror believes that any portion of a proposal contains information that should be withheld as confidential, the Offeror will request in writing nondisclosure of such information and provide justification to support the designation of confidentiality. Such information will accompany the proposal, be clearly marked, and will be readily separable from the proposal documents to facilitate the eventual public inspection of the non-confidential section of the proposal documents. Note the price and the provisions of the minimum required services are not considered confidential and will not be withheld.

Offerors who choose to identify portions of their proposal as confidential will be responsible to ensure that the minimum services are not included. The OHA will not make any determination of confidentiality for the Offeror.

If the proposal is marked confidential in its entirety, the OHA Procurement Services Program will not make a determination of confidentiality and will refer any request for information to the OHA General Counsel and/or the State's Office of Information Practices.

XIV. Trade Secrets/Confidential Information

If an Offeror believes that any portion of their proposal contains information that should be withheld as confidential, the Offeror will provide a written request for nondisclosure of such information to be kept confidential and provide justification to support confidentiality. Such information will accompany the proposal, will be clearly marked, and will be readily separable from the proposal packet to facilitate eventual public inspection of the non-confidential sections of the proposal packet. Note that price is not considered confidential and will not be withheld.

20. If we are unable to prevent the disclosure of our financial statements if submitted with the BC RFP response, is it acceptable to provide a summary of key financial measures and then provide the full financial statements if we advance to the next phase of the RFP process?

The OHA expects Respondents to provide the necessary financial statements and information, noting the provisions in the above section.

21. Can OHA provide a link to the relevant Section 103-55, HRS, and indicate if the most relevant public official wage rate that are equivalent to the Employees' Retirement System of the State of Hawaii, such as the Chief Investment Officer, Deputy Chief Investment Officer, or Investment Officers?

https://www.capitol.hawaii.gov/hrscurrent/vol02_ch0046-0115/hrs0103/HRS_0103-0055.htm

Refer to RFP Section I(VIII)(D) Wages and Labor Law Compliance, which provides a link to current wage information on the Department of Human Resources Development's (DHRD) website. The DHRD website also provides additional classification and compensation information, including salary schedules. The relevant DHRD salary schedule categorizes Investment Specialists under Professional and Scientific Employees. It is the sole responsibility of the Offeror to comply with section 103-55, HRS, as applicable.

22. RFP Section 1 IX, p. 10: Can Offerors request discussion with OHA to promote further understanding to the requirements?

The Pre-Proposal Conference was conducted as scheduled on Monday, August 29, 2022, to provide potential Offerors a better understanding of the OHA's requirements.

23. RFP Section 2 IV D 1, p. 21: Is the OHA looking for assistance from the Offeror to provide advice and guidance during custodial and other service providers (i.e., not investment consultants and fund managers, in this case specifically) or to play a more active role in organizing and conducting such searches on behalf of the Board and Administration, with proper involvement and oversight of the procurement officer?

Refer to the Scope of Services for a broad range of services and the OHA expects Respondents to address each scope of service point.

24. RFP Section 2 V A 8 a, p. 24: Can the OHA clarify that it would want to have its elected and appointed officials, employees, and volunteers added to the Offeror's insurance contracts with respect to occurrences during or in connection with the performance of this contract?

Correct. Per Section 2(V)(A)(8)(a), OHA's Insurance Requirements "The State of Hawai'i, the OHA, its elected and appointed officials, employees, and volunteers shall be named added as additional insured with respect to occurrences during or in connection

with the performance of this contract. OHA with certificate(s) of insurance necessary to satisfy the OHA that the insurance provision of this contract have been complied with and to keep such certificate(s) on deposit with the OHA during the entire term of this contract.”

25. RFP Section 2 V A 8 a, p. 24: If the answer to the above question is affirmative, can the OHA provide a tentative list of all elected and appointed officials, employees, and volunteers that would be anticipated to be added were the mandate awarded as of today (8/31/22)? And can you provide sample language to include in the rider?

“The State of Hawai’i, the Office of Hawaiian Affairs, its elected and appointed officials, employees, and volunteers, are included as additional insured as required by written contract. This insurance is primary and non-contributory over any existing insurance.”

26. RFP Section 2 B, p. 32 and RFP Section 3 D 4, p. 39: Can the OHA clarify if the difference in “professional references” requested for the Offeror firm and the Offeror’s individual team members, and if it is acceptable should there be overlap in those requested “professional references”?

Professional references can be listed for both the Offeror firm and/or the individual team members.

27. RFP Section 3 III I, p. 42: Does the OHA have a travel policy document that can be shared, and does that policy or a different document that can be shared explain cost reimbursement procedures and rules for airfare, lodging, and transportation expenses incurred during or in connection with the performance of this contract for the Offeror?

If approved, the OHA will provide the contractor with the related travel parameters; and any interviews will be conducted virtually.

28. RFP Section 4 I and III, pp. 44 and 45: Is it correct to interpret that the Price Proposal Evaluation Category and the Financial/Price Proposal Review points calculation indicates that pricing of the Offeror’s services will factor in to be 30% of the evaluation criteria weighting, and how is the weighing evaluated with the statement in RFP Section I, p. 4 that “the OHA is unable to secure these services through a low bid process”; does this mean that an Offeror that does not submit the lowest bid proposal can have a lower (less desirable) score in the Evaluation Score system be selected over other Offerors that have higher points (more desirable) and/or lower price proposal?

Correct, however we are looking at the value provided by the Price Proposal and not just the cost.

29. Regarding the OHA investment holding through direct ownership of commercial property and businesses, will the Board Advisor be expected to provide advice and recommend policies, procedures, and processes along with helping to identify appropriate service providers to assist the Board with the management of these assets individually and holistically with all of the NHTF portfolio?

Neither commercial property advisement nor management is within the scope of the RFP.

Questions from the Pre-Proposal Conference on August 29, 2022

30. Will the presentation in October be virtual or in person?

The presentation is expected to be virtual.

31. If successful, what kind of planning time for presentation should we be prepared for?

Offerors should be prepared to spend 60 to 90 minutes with the OHA's evaluation committee. Additional details will be provided.

32. What if we have follow-up questions (after the Q&A deadline), is there a point of contact?

Questions can continue to be submitted to the RFP Coordinator (contact information in the RFP) and the OHA will try to batch and publish the responses to all in a timely manner.

33. Is there a separate advisor for alternative investments?

No, there is not a separate advisor for alternative investments.

34. Is the RFP trying to fill any gap in current services?

No gap in services, the RFP simply seeks what is stated in the scope section.

35. The RFP indicates "non-discretionary" services, would the OHA consider "discretionary" services at a future point in time?

The RFP requests "non-discretionary" services as it is the Board's fiduciary responsibility to make decisions regarding the Native Hawaiian Trust Fund. If the Board would like to activate "discretionary" services, they can at a future point in time.