



SFERS' Responses to RFP Questions

Posted June 15, 2017

Eligible Strategies

Question 1: Are strategies not currently rated by SFERS' General Consultant, New England Pension Consultants ("NEPC") eligible?

Answer: Candidate firms' strategies do not have to be currently rated by NEPC to be eligible.

Question 2: What strategies will be considered?

Answer: Fundamental, quantitative, or factor-based strategies for Global, ACWI-ex US, EAFE, Emerging Markets, Frontier Markets, and regional specialists will be considered. Strategies can use Global Depository Receipts and American Depository Receipts.

Question 3: What investment structures will be eligible?

Answer: SFERS will consider separately managed accounts and commingled funds, which can include limited partnerships or limited liability companies.

Question 4: Can a candidate firm propose more than one strategy?

Answer: Candidate firms may propose more than one strategy. Each strategy must meet all the Minimum Qualifications (the "MQs") to be considered. Please complete a separate response to the RFP for each strategy proposal.

Question 5: Will strategies with limited capacity be considered?

Answer: SFERS will evaluate strategies that are currently closed or have limited capacity as long as the candidate firm expects additional capacity to be available to SFERS in the next one to two years. If the capacity is limited, please provide an estimate of when you expect additional capacity will be available and the amount that will be available.

Minimum Qualifications

Question 1: Will SFERS accept an RFP that does not meet all the MQs?

Answer: Candidate firms should only provide proposals for strategies that meet all MQs as outlined in the RFP dated May 19, 2017. All data must be as of March 31, 2017. Strategies that do not meet all the MQs will not be evaluated.

Question 2: In reference to criteria 5, will SFERS consider a strategy where it may represent more than 20% of the assets under management (“AUM”)?

Answer: The candidate firm must have an asset base sufficient to accommodate SFERS' portfolio, with at least \$250 million of discretionary institutional AUM. SFERS' investment (expected to be between \$150 million and \$500 million) should make up no more than 20% of the candidate firm's total asset base. SFERS will consider a strategy where SFERS' investment may represent more than 20% of the AUM dedicated to that specific strategy.

Question 3: In reference to criteria 5a), will strategies with tracking error below 6.0% be eligible?

Answer: The tracking error minimum is 6.0% for the trailing three years through March 31, 2017. Strategies that do not meet this MQ will not be considered.

Question 4: In reference to criteria 5a), what data frequency should be used to calculate tracking error?

Answer: Please use monthly data to calculate tracking error.

Question 5: In reference to criteria 5a), can candidate firms use a broader benchmark to calculate tracking error?

Answer: Please use the benchmark that is most commonly used when evaluating performance of the proposed strategy. If the proposed strategy does not have a benchmark, please use the most pertinent benchmark, which is typically the highest correlation benchmark for the strategy. Do not use a broader benchmark even though it may result in a higher tracking error.

Question 6: In reference to criteria 5b), will SFERS evaluate strategies that have more than 100 stocks?

Answer: For this current RFP, SFERS will only evaluate strategies with fewer than 100 stocks.

Question 7: In reference to criteria 5c), will SFERS accept batting average based on monthly data?

Answer: Please use quarterly data to calculate batting average, as detailed in the RFP.

Preferred Qualifications

Question 1: Do candidate firms need to meet all the Preferred Qualifications (“PQs”)?

Answer: Candidate firms do not need to meet all the PQs, but should meet the majority of them to be considered.

Question 2: In reference to criteria 8, what does SFERS consider as “a significant personal investment”?

Answer: Each member of the senior investment team should have a significant personal investment in the candidate strategy, ideally the vast majority of such member’s liquid net worth. Candidate firms may provide ranges for each senior team member’s investment in a strategy. Please provide a range that is in \$10 million increments.

RFP Materials and Required Forms

Question 1: Will all RFP materials, including supporting materials, be subject to public disclosure?

Answer: All materials submitted in response to the RFP will be subject to public disclosure. Please refer to the California Public Records Act (California Government Code Sections 6250 et seq.) and the San Francisco Sunshine Ordinance (San Francisco Administrative Code Chapter 67, particularly Section 67.24(e)).

Question 2: Will requested forms be required at the time of the RFP submission?

Answer: All completed forms will be required at the time of the RFP response submission. These include:

- Equal Employment Opportunity Employer Information Form as detailed in question 11 of the RFP.
<https://www.eeoc.gov/employers/eeo1survey/upload/eeo1-2-2.pdf>
- Required Vendor Forms as detailed in Appendix C. Relevant links are below.
<http://sfgov.org/oca/qualify-do-business>

<http://sfgsa.org/index.aspx?page=4762>
<http://sfgsa.org/Modules/ShowDocument.aspx?documentid=7624>
<http://www.irs.gov/pub/irs-pdf/fw9.pdf>
<http://www.sf-hrc.org/Modules/ShowDocument.aspx?documentid=872>

Appendix A

Question 1: In reference to question 122, what does “average” refer to?

Answer: “Average” refers to the proposed strategy’s historical average.

Question 2: In reference to question 127, will SFERS consider managers who do not employ a system of directing trades or commissions? What percentage of transactions would a manager be expected to direct?

Answer: Please refer to the section on “Commission Recapture” on page 6 of SFERS’ Investment Policy Statement for details. SFERS will consider strategies that do not direct commissions. SFERS does not have a stated target for the amount of transactions a manager would be expected to direct.

Question 3: In reference to question 19, 22, 23, 28, 29, 36, 37, 42, and 45 that request data back to 2000, can candidates focus on the last 5-10 years?

Answer: Please provide historical data back to 2000 as requested.

Appendix B

Question 1: Should the data be as of March 31, 2017?

Answer: Yes, all data provided should be as March 31, 2017. An updated spreadsheet has been posted to <http://mysfers.org/about-sfers/request-for-proposal>.

Question 2: Should cell 13A refer to question 14 in Appendix A?

Answer: Cell 13A correctly refers to question 25 in Appendix A.

Appendix D

Question 1: When will SFERS' Investment Management Agreement be posted?

Answer: SFERS' form of Investment Management Agreement ("IMA") has been posted to <http://mysfers.org/about-sfers/request-for-proposal/>.

Question 2: Can candidates ask questions on the IMA?

Answer: Please review the form of IMA and provide any comments on it with your RFP response submission by June 30, 2017.

Appendix F

Question 1: In reference to part 1, should candidate firms use their proposed or standard fee for the purposes of net returns?

Answer: Please provide returns net of the strategy's standard fee structure or the highest fee structure for an institutional share class. If your proposed fee structure for SFERS is different, please also provide returns net of the fee structure you are proposing for SFERS.

Question 2: In reference to part 2, what does "SFERS" refer to in the top holdings and sector weights spreadsheets?

Answer: "SFERS" refers to the strategy that a candidate firm is proposing for SFERS.

Question 3: In reference to part 2, what time period is SFERS requesting?

Answer: For "Top Holdings" spreadsheet, please provide "Top Ten Holdings," "Top Ten Overweights," and "Top Ten Underweights" as of March 31, 2017. Please provide performance attribution for trailing 1, 3, 5, and 10-year periods. An updated file has been posted to <http://mysfers.org/about-sfers/request-for-proposal/>.

Question 4: In reference to part 6, what is a PPM?

Answer: PPM refers to a Private Placement Memorandum. Please provide one if available.

Appendix G

Please refer to the updated file, which has been posted to <http://mysfers.org/about-sfers/request-for-proposal/>.