



Date: December 17, 2018

Subject: Responses to Questions on the Request for Proposals for Proxy Voting Services for the San Francisco City and County Employees' Retirement System

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1. **Question:** Is SFERS willing to waive that the provider must be a duly registered investment advisor (RIA) under the Investment Advisers Act of 1940? If not, this would preclude us from responding.

**Response:** The Request for Proposals (RFP) does not require that the successful Proposer be a duly registered investment advisor (RIA).

Question 16 asks that any respondent that is not a registered investment advisor (RIA) explain why the firm is exempt from registration.

2. **Question:** Under 13. Insurance (a) (3), is the E & O insurance in the aggregate minimum of \$10,000,000 negotiable? If not, this would preclude us from responding.

**Response:** The Consulting Agreement provided as Appendix C serves as the form of the contract into which the successful Proposer will be required to enter. While the aggregate minimum is negotiable, it is SFERS' expectation that the final executed contract would be in substantially the same form as provided.

3. **Question:** Under 13. Insurance (e), please clarify. Is the requirement that the provider must carry \$20,000,000 in E&O insurance? If so, is this negotiable? If not, this would preclude us from responding.

**Response:** Section 13 of the Consulting Agreement provided as Appendix C states that should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limits specified in such section.

The Consulting Agreement provided as Appendix C serves as the form of the contract into which the successful Proposer will be required to enter. While the aggregate minimum is negotiable, it is SFERS' expectation that the final executed contract would be in substantially the same form as provided.

4. **Question:** Would SFERS consider extending the RFP due date one week from January 4th to January 11th? The answers to questions above may preclude us from responding to the RFP. Since answers to these questions will be not be available until December 17th we believe a one-week extension would be reasonable.

**Response:** In order to keep with the Schedule of Events outlined in Section V of the RFP, SFERS is unable to accommodate an extension.

5. **Question:** What are the notable changes during the past 3-5 year in SFERS' views toward corporate governance, responsible investing, and/or ESG integration?

**Response:** An overview of SFERS' ESG Strategic Plan can be accessed in the June 20, 2018 SFERS Investment Committee agenda materials: <https://mysfers.org/wp-content/uploads/06202018-Investment-Committee-06.pdf>.

6. **Question:** Are there any proxy voting services or features in particular SFERS is looking to add or improve upon?

**Response:** Questions posed in the RFP identify the scope of proxy voting services SFERS is seeking.

7. **Question:** What particular areas of concern around conflicts does SFERS have in working with a proxy advisor? Have the myriad inquiries by the legislators and regulators in the U.S. and around the world heightened your focus on any particular areas, such as providing consulting or engagement services to corporate issuers, shareholder proponents, or institutional investors? If so, how large of a factor will that be in your scoring system?

**Response:** SFERS has no particular concerns around conflicts and regulatory inquiries into the proxy process. The tone and content of the Securities and Exchange Commissions' November 15, 2018 Roundtable on the Proxy Process served to reduce concerns in this area.

8. **Question:** Under II. Proxy Voting Services, Question E.5. references "see question 67". There appears to be no question 67. What question should it reference?

**Response:** This reference was made in error after renumbering the RFP. Question E.5. should instead refer to Question E.4., immediately prior.

9. **Question:** What is the size of the team and the roles of the individuals at SFERS who will be supported on a day-to-day basis by the proxy advisor? Are you anticipating any changes to the size of the team in the near-term?

**Response:** The proxy advisor will support the work of the SFERS Public Markets team consisting of a Managing Director of Public Markets, a Senior Portfolio Manager of Public Equities, and two Security Analysts. On a day-to-day basis, the proxy advisor will support the work of a Director of ESG Investing and two Security Analysts (one of whom will be hired in Q1 2019).

10. **Question:** It is our understanding from the RFP document that SFERS is seeking flat-fee pricing, regardless of changes that may be made to investment mix or strategy. Would SFERS be willing to allow fees to be revisited in advance of any significant future changes to investment mix, such as a material expansion of equity holdings or addition of substantially more investment mandates?

**Response:** Section III Fee Proposal outlines SFERS' voting expectations. The RFP requests submission of a fee proposal that includes any overage rates, which arise from, for example, a material expansion of equity holdings or the addition of substantially more investment mandates.

11. **Question:** Question II E 5 references "question 67" however there is no question 57 noted within the RFP. Please advise.

**Response:** This reference was made in error after renumbering the RFP. Question E.5. should instead refer to Question E.4., immediately prior.

**12. Question:** Question II D 3 references “Small Stocks. State your resources for analyzing proxies on less followed small and mid cap companies. State, by percent value, the level of coverage of research your firm provides for U.S. companies versus all publicly traded U.S. companies.”. Please provide clarification on the highlighted portion of the question.

**Response:** This reflects an error in the RFP. The highlighted portion should read “U.S. small and mid cap companies versus all publicly traded U.S. companies”.

**13. Question:** Question I A 1i references “Equal Employment Opportunity Employer Information Report Form EEO-1 on Workforce Composition (Section D)”. Form D does not appear to be attached to this RFP. Please confirm that the Form D noted can be found on the U.S. Equal Employment Opportunity Commission website.

**Response:** Form D refers to Section D – Employment Data of the EEO-1 Report. SFERS confirms that this document, including Section D, can be found on the U.S. EEOC website.