



SFERS

San Francisco Employees' Retirement System

**Request for Proposals for
General Investment Consulting Services
for the City and County of San Francisco
Employees' Retirement System**

Date Issued: November 1, 2022

Deadline for Submission: December 15, 2022 at 5:00 PM Pacific Time

San Francisco Employees' Retirement System (SFERS)

Request for Proposals for Investment Consulting Services

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I. Introduction

The San Francisco City and County Employees' Retirement System ("SFERS" or the "Retirement System") administers a defined benefit pension fund (the "Fund") for City and County of San Francisco employees. The Fund had a total market value of approximately \$34 billion as of June 30, 2022.

The seven-member San Francisco Retirement Board ("Board") has plenary authority and fiduciary responsibility for the investment of monies and administration of the Retirement System. Generally, the Board meets once a month in a noticed public meeting to, among other things, set policy, review investment performance and consider new investment opportunities. The Board and Retirement System conduct all investment activities in accordance with applicable laws and investment policies and procedures adopted by the Board, and in the sole interest of members and their beneficiaries.

As described further in this Request for Proposals ("RFP"), SFERS is seeking consultants to serve as advisors to the Fund for the following responsibilities:

- *Total Fund Investment Policy and Asset Allocation* including plan investment governance, asset-liability studies (every 3 years), capital markets research (at least annually), risk management framework incorporating strategic and tactical asset allocation and liquidity planning; on-going investment policy development, implementation, and oversight.
- *Performance Reporting* - including quarterly performance reporting to the Board and benchmark evaluation, implementation, and analysis.
- *Training, Education, and Client Relationship* - including attending monthly Board meetings and providing special education and training to the Board.

By this RFP, SFERS is soliciting proposals from qualified professional investment consulting Firms to provide comprehensive investment consulting advice and services to the Board and SFERS. The selected Firm(s) will work closely with the Board and SFERS' CEO/CIO and Investment Staff ("Staff"). The selected Firm(s) must demonstrate extensive experience and superior capability for providing investment consulting services to institutional investor clients of comparable complexity to SFERS. In addition to the specific matters noted above, selected Firms will be expected to provide SFERS with market research and trustee education. The selected Firm(s) will serve in a fiduciary capacity and must acknowledge in writing the Firm's fiduciary status, without qualification. In all cases, the Firm and its employees must offer advice to SFERS solely in the interest of Retirement System members and their beneficiaries.

The contracts anticipated under this RFP will have an initial term of three (3) years. In addition, SFERS shall have two (2) options to extend the term of the agreements for a period of one (1) year which SFERS may exercise in its sole and absolute discretion.

II. Scope of Work

The general scope of work for this RFP is to provide non-discretionary professional investment consulting services. Specifically, the successful Firm must demonstrate superior experience and capability in one or more of the areas described below. The following are examples of the duties that SFERS is seeking:

A. Total Fund Policy and Asset Allocation Duties

1. Conduct periodic asset allocation and liability studies (generally on a three-year cycle).

2. Provide research, analysis, and recommendations for capital markets assumptions across all asset classes, sub-asset class structure, and investment strategies.
3. Provide access to analytical software and tools, including strategic and tactical asset allocation, liquidity forecasting including pacing schedules, economic scenario analysis and stress testing.
4. Assist Staff with risk management and portfolio construction including risk factor allocation and attribution analysis.
5. Assist Staff with the development and implementation of risk mitigating/diversifying strategies.
6. Assist Staff with the assessment and implementation of tactical asset allocation, total Fund overlay solutions, and use of leverage.
7. Assist Staff with the development and implementation of long-term investment policy, strategy, objectives. Provide guidance on developing robust Investment Policy Statement and processes to implement it.
8. Provide investment policy compliance monitoring and reporting.

B. Performance Reporting Duties

1. Present quarterly investment performance results to the Board
 - a. Total Fund relative to policy benchmark and peers
 - b. Each asset class relative to policy benchmarks and, as requested to peers
 - c. Performance attribution for total portfolio from each asset class and relevant risk drivers
 - d. The effect of leverage on total portfolio.
2. Respond to questions from the external auditor and actuary as necessary.
3. Provide benchmark evaluation, implementation, and analysis as requested.
4. Provide access to analytical software (or cloud-based equivalents) with details of performance attribution for the total fund.

C. Training, Education, and Client Relations Duties

1. Attend regular monthly Board meetings and other special meetings as requested by the Board or SFERS staff.
2. Provide strategic direction and evaluation of SFERS' investment decisions and their implementation.
3. Provide investment education and training on a periodic basis.
4. Provide assistance on special projects, as needed.
5. Participate in ad hoc workshops on specific issues designated by the Board or Staff.
6. Provide support for operational issues between Board meetings.
7. Provide recommendations concerning custodial arrangements and review services as may be requested from time to time.
8. Respond to inquiries between Board meetings in an appropriate and timely manner.
9. Share all Firm research, including white papers, manager research reports, recommended lists, and provide access to the Firm's research staff.
10. Report any significant changes in the Firm's organizational structure and staffing in a timely manner.
11. Make no changes in the assigned consultant team without SFERS' express approval.

III. Submission Requirements

A. Blackout Period

For the duration of the RFP process, the SFERS Investment Board and Assigned Staff (Alison Romano, Anna Langs, Kurt Braitberg, Andrew Collins, and Ba Do are designated as “Assigned Staff”) will enter into a “blackout” period during which communications and meetings between parties interested in or actually responding to the RFP (“Proposers”), Assigned Staff and Board members is prohibited. This blackout period is effective upon approval of this RFP by the Board, which occurred October 20, 2022, and continues until either the review and evaluation process is completed, and a contract executed with the selected Proposer(s), or the search process is otherwise ended by the Board.

This blackout period will enable the Board and Assigned Staff to treat all Proposers fairly during the RFP selection process and permit the review and evaluation of the responses to be fair and unbiased.

Blackout conditions are outlined below:

1. Proposers are to refrain from communications with the Board and Assigned Staff. Communications include meetings, telephone conversations, letters, and email.
2. The following communications are permitted during the blackout period: written inquiries submitted as provided in Section V(B)(3) of this RFP; interviews scheduled by SFERS as part of the RFP evaluation process; and presentations scheduled before the Board for interviewing one or more Proposers as part of the RFP evaluation and selection process.
3. Proposers may meet with Assigned Staff or a Board member only if (a) the meeting is limited to discussions that are unrelated to (i) this RFP, (ii) the Proposer’s services that are covered by this RFP, or (iii) the Proposer’s response to the RFP, and (b) both the employee/Board member and the Proposer provide advance written notice of the meeting and the subject of the meeting to SFERS CEO/CIO. The CEO/CIO will retain the written notices regarding any such meetings and may request written confirmation after the meeting regarding the subjects discussed.
4. Nothing in this blackout period shall limit a Proposer who is currently engaged by SFERS as a service provider from participating in meetings and communications with SFERS staff, including Assigned Staff, and SFERS Board members required to effectively conduct the business and services under the existing engagement.

If you have any questions regarding the blackout period, please submit your question in writing as provided by Section V(B)(3) of this RFP.

B. Time and Place for Submission of Proposals

The deadline for submission of responses is **December 15, 2022 at 5:00 p.m. Pacific Time**. Submissions must include three (3) completed paper (hard) copies of the response and one full and complete electronic copy of the response by the deadline date and time to:

Anna Langs
Managing Director, Asset Allocation, Risk Management, Innovative Solutions
San Francisco Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103-1561
Anna.Langs@sfgov.org

Late submissions will not be considered. Postmarks will not be considered in judging the timeliness of submissions. Proposals that are submitted by fax will not be considered.

C. Transmittal Letter

An individual who is authorized to bind the Proposer contractually must sign a transmittal letter, which is an integral part of the response. This transmittal letter must indicate the signer is so authorized. **A response with an unsigned cover letter will be rejected.** This transmittal letter must include the following:

1. The Proposer's name, address, telephone, and website address.
2. The Proposer's Federal Employer Identification Number and Corporate Identification Number, if applicable;
3. The name, title or position, and telephone number of the individual signing the transmittal letter;
4. The name, title or position, and telephone number of Proposer's primary contact for the RFP, if different from the individual signing the transmittal letter.
5. A statement expressing the Proposer's willingness to perform the services as described in this RFP, and an acknowledgement that Proposer agrees to be a fiduciary to the Board, SFERS, and the SFERS' members and their survivors and beneficiaries;
6. A statement expressing the Proposer's availability of staff and other required resources for performing all services and providing all deliverables;
7. A certification that all fees and conditions stated in the proposal are Firm for a period of 180 days from the deadline for submission of proposals and that the quoted prices are genuine and not the result of collusion or any other anti-competitive activity;
8. A statement that Proposer has reviewed the RFP schedule in Section V(A) of this RFP and will ensure that all of Proposer's key personnel are available for interviews, site visits, and Board meetings;
9. A certification that no officer, employee or agent of SFERS and no SFERS Retirement Board member has any known personal or pecuniary interest, direct or indirect, in this contract or the proceeds thereof;
10. A statement that identifies any personal, professional or financial relationships between Proposer and its officers and employees and any SFERS Retirement Board member or Staff;
11. A statement that Proposer acknowledges that materials submitted pursuant to this RFP are public records. See Section VI(J) of this RFP; and
12. A description of Proposer's professional relationships involving SFERS, **the State of California and any of its political subdivisions** for the past five (5) years from the date of the RFP response, together with a statement explaining why such relationships do not constitute a conflict of interest.

D. Format and Content of Proposals

Proposer's response to this RFP must be organized in the format listed below:

1. Transmittal Letter;
2. Statement demonstrating that the Proposer satisfies the minimum qualifications under Section IV(A) of this RFP and a brief description regarding whether Proposer possesses the desired qualifications under Section IV(B);
3. Response to RFP questions detailed in Appendix A; and
4. Additional information or attachments.

Completeness, brevity, and clarity are important. Proposers should submit all information requested in this RFP and do so in the specified format. Responses not meeting format requirements or that are incomplete may be rejected. Providing incomplete or misleading data may lead to disqualification of the response.

IV. Evaluation and Selection Criteria

A. Minimum Qualification

A Proposer must meet the following minimum qualification to SFERS' satisfaction:

1. At least one key professional member of the Firm proposed for the SFERS account must have a minimum of ten (10) years of experience working with institutional clients.

The determinations of whether a Proposer satisfies the minimum qualifications is solely and exclusively within the judgment of Assigned Staff and the Board. Any proposal that does not demonstrate that the Proposer meets these minimum requirements by the deadline for submittal of proposals will be considered non-responsive and will not be eligible for award of the contract.

B. Desired Qualifications

1. Total Fund Investment Policy and Asset Allocation
 - a. Sophisticated asset allocation and risk management practices including capital markets forecasting, risk factor framework, liquidity analysis with pacing scheduling for illiquid asset classes and the effect of leverage.
 - b. The investment professionals assigned to SFERS have an average of at least ten years of relevant experience.
 - c. Depth and breadth across multiple asset classes.
 - d. Demonstrated track record of successful market leading recommendations.
 - e. Requisite systems and technology needed to advise a client of SFERS' size and complexity.
 - f. The Firm must currently provide investment consulting services to at least three clients of similar size and complexity to SFERS.
2. Allocation, Asset Liability Modeling, and Risk Management:
 - a. Experience and success in multi-asset class solutions
 - b. Innovation and creativity in asset allocation solutions
 - c. Proven ability to be forward-looking
 - d. Ability to align investment policy and governance with risk/return targets and liquidity needs
 - e. Comprehensive risk management practices

C. Selection Criteria

A selection committee will evaluate the proposals generally in accordance with the criteria itemized below.

Total Fund Investment Policy and Asset Allocation – 60% of Total

1. Personnel and Organization:
 - Experience of the investment team
 - Depth of the investment team
 - Depth of the organization
 - Robust analytical platform
 - Business structure
 - Ownership structure
 - Conflict of interest issues40%

2. Investment Policy, Asset Allocation, Asset Liability Modeling, and Risk Management:
 - Experience in developing and implementing robust Investment Policy
 - Experience and success in multi-asset class solutions
 - Successful innovation in asset allocation solutions
 - Proven ability to be forward-looking
 - Thoughtful about defining risk, where to take risk and how much to take
 - Comprehensive risk management practices
 - Advanced quantitative techniques employed to model risk, return and liquidity60%

Performance Reporting – 20% of Total

1. Personnel and Organization:
 - Experience of organization
 - Depth of the organization
 - Business structure
 - Ownership structure
 - Conflict of interest issues40%

2. Performance Reporting Duties
 - Demonstrated success providing timely, accurate, and insightful performance analytics for portfolios of comparable size and complexity to SFERS.
 - Demonstrated history of industry leadership regarding best practices.60%

Training, Education and Client Relations Duties– 20% of Total

3. Fee Proposal
 - Cost on absolute basis
 - Service Coverage5%

4. Training, Education, and Client Relations
- Knowledge of best practices and innovative solutions displayed by leading peer institutions
 - Proven innovation; creative solutions that are subsequently adopted by others
 - Ability to provide benchmarking solutions for SFERS on the basis of performance and practices
 - Experience and skilled in Board presentations and working with Staff 15%
 - Education materials of value to the Board and Staff
 - Warranties
 - Capability to evaluate custodian arrangements and services
 - Insurance, legal and contracting issues
 - Client service
 - ESG practices

Following the evaluation of the written proposals, and approval of semi-finalist Proposers by the Board (which Proposers do not need to attend), SFERS may invite the most highly qualified Proposer(s) to an oral interview with Assigned Staff. The interview will consist of standard questions asked of each Proposer as well as specific questions regarding each individual proposal. Assigned Staff may conduct site visits at the semi-finalist Proposers' offices. Proposers should review the schedule in Section V(A) below and ensure that all of Proposer's key personnel will be available for interviews, site visits, and Board meetings. The Board will interview the Proposer recommended by Assigned Staff following the RFP selection process and must approve retention of that Firm. The recommended Proposer is expected to attend the public SFERS meeting when Assigned Staff present that Proposer as the recommended finalist for the RFP.

Fees and any other charges or costs are an important factor in the evaluation of the proposals. However, the Board is not required to choose the lowest cost bidder. The Board will select the Proposer that, in the Board's sole discretion, best meets the requirements of this RFP and serves the total needs of SFERS Board, SFERS and its members and their beneficiaries.

V. Schedule

A. Schedule of Events (all dates subject to change)

Action	Responsibility	Date (subject to change)
RFP is issued and advertised	Staff	November 1
Deadlines for Proposers to submit written questions	Proposers	November 15, 2022
Post responses to any written questions on SFERS website	SFERS Staff	November 22, 2022
Deadline to submit RFP responses	Proposers	December 15, 2022

Review of RFP responses	Staff	December 2022 -January 2023
Due Diligence of Selected Proposers	Staff and Semi-finalists	January - February 2023
Semi-finalists Present to the Board	Semi-Finalists	February 16, 2023
Assigned Staff recommendation to the Board	Staff	March 16, 2023
Board approval of a successful Proposer	Board	March 16, 2023
Contract negotiations completed	Staff	April 2023
Consultant begins services to SFERS		April 2023

B. Explanation of Schedule of Events

1. The RFP will be posted on SFERS website at <https://mysfers.org/about-sfers/request-for-proposal/>
2. In addition, the RFP will be released to a list of potentially qualified Firms as determined by SFERS. All Firms meeting the minimum qualifications, as stated in Section IV(A) of this RFP, are welcome to participate.
3. Any requests for information, modification or clarification of the RFP must be in writing or emailed to Anna Langs Anna.Lang@sfgov.org by not later than 5:00 p.m. on November 15th, 2022. SFERS' responses to any inquiries will be available to all Proposers on SFERS' website by November 22, 2022.
4. SFERS may modify the RFP, prior to the proposal due date, by issuing addenda, which will be posted on SFERS' website. Each Proposer is responsible for ensuring that its proposal reflects all addenda issued by SFERS prior to the proposal due date regardless of when the proposal is submitted. Therefore, SFERS recommends that each Proposer consult the website frequently, including shortly before the proposal due date, to determine if the Proposer has downloaded all addenda.
5. In preparing their responses, Proposers should rely only on written material concerning this RFP issued by SFERS.
6. Deadline for submission of RFP responses is 5:00 PM, Pacific Time, December 15th, 2022.

No exceptions to this deadline will be granted.

7. Oral interviews, if necessary, of the semi-finalist Proposers as determined by SFERS will be scheduled at the SFERS office at 1145 Market Street, San Francisco, California. SFERS expects that Proposer's personnel who would be assigned to SFERS account will attend. SFERS reserves the right to change the date for these interviews at any time for any reason.
8. Submissions will be public documents, as described in Section VI(J) of this RFP. Any material that the Proposer considers "Business-Confidential" should be so marked.

C. Contract Award

After Board approval, Assigned Staff will commence contract negotiations with the selected Proposer. The selection of any proposal shall not imply acceptance by SFERS of all terms of the proposal, which may be subject to further negotiations and approvals before SFERS may be legally bound thereby. If a satisfactory contract cannot be negotiated in a reasonable time, SFERS, in its sole discretion, may terminate negotiations with the initially selected Proposer and begin contract negotiations with the next highest ranked Proposer.

VI. Terms and Conditions for Receipt of Proposals

A. Errors and Omissions in RFP

Proposers are responsible for reviewing all portions of this RFP. Proposers are to notify SFERS promptly, by email to Anna.Langs@sfgov.org if the Proposer discovers any ambiguity, discrepancy, omission, or other error in the RFP. Any such notification should be directed to SFERS promptly after discovery, but in no event later than five working days prior to the date for receipt of proposals. Modifications and clarifications will be made by addenda as provided below.

B. Inquiries Regarding RFP

Inquiries regarding the RFP and all requests for written modification or clarification of the RFP must be submitted via email or directed in writing to:

Anna Langs
Managing Director, Asset Allocation, Risk Management, Innovative Solutions
San Francisco Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103-1561
Anna.Langs@sfgov.org

C. Objections to RFP Terms

Should a Proposer object on any ground to any provision or legal requirement set forth in this RFP, the Proposer must, not more than ten calendar days after the RFP is issued, provide written notice to SFERS setting forth with specificity the grounds for the objection. The failure of a Proposer to object in the manner set forth in this paragraph shall constitute a complete and irrevocable waiver of any such objection.

D. Addenda to RFP

SFERS may modify the RFP, prior to the proposal due date, by issuing written addenda. Addenda will be posted on SFERS' website. Each Proposer is responsible for ensuring that its proposal reflects all addenda issued by SFERS prior to the proposal due date regardless of when the proposal is submitted. Therefore, SFERS recommends that a Proposer consult the website frequently, including shortly before the proposal due date, to determine if the Proposer has received all addenda.

E. Term of Proposal

Submission of a proposal signifies that the proposed services and prices are valid for 180 calendar days from the proposal due date and that the quoted prices are genuine and not the result of collusion or any other anti-competitive activity.

F. Revision of Proposal

A Proposer may revise a proposal on the Proposer's own initiative at any time before the deadline for submission of proposals. The Proposer must submit the revised proposal in the same manner as the original. A revised proposal must be received on or before the proposal due date.

In no case will a statement of intent to submit a revised proposal, or commencement of a revision process, extend the proposal due date for any Proposer.

At any time during the proposal evaluation process, SFERS may require a Proposer to provide oral or written clarification of its proposal. SFERS reserves the right to make an award without further clarifications of proposals received.

G. Errors and Omissions in Proposal

Failure by SFERS to object to an error, omission, or deviation in the proposal will in no way modify the RFP or excuse the vendor from full compliance with the specifications of the RFP or any contract awarded pursuant to the RFP.

H. Financial Responsibility

SFERS accepts no financial responsibility for any costs incurred by a Proposer in responding to this RFP. Submissions of the RFP and associated materials will become the property of SFERS and may be used by SFERS in any way deemed appropriate.

I. Proposer's Obligations Under the Campaign Reform Ordinance

Proposers are expected to review and comply with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code. For information on this Section, Proposers should contact the San Francisco Ethics Commission at (415) 252-3100.

J. Sunshine Ordinance

In accordance with San Francisco Administrative Code Section 67.24(e), contracts, contractors' bids, responses to requests for proposals, and all other records of communications between the City, including SFERS, and persons or Firms seeking contracts shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefits until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

K. Public Access to Meetings and Records

If a Proposer is a non-profit entity that receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, the Proposer must comply with the reporting requirements of that Chapter. The Proposer must include in its proposal (1) a statement

describing its efforts to comply with the Chapter 12L provisions regarding public access to Proposer's meetings and records, and (2) a summary of all complaints concerning the Proposer's compliance with Chapter 12L that were filed with the City in the last two years and deemed by the City to be substantiated. The summary shall also describe the disposition of each complaint. If no such complaints were filed, the Proposer shall include a statement to that effect. Failure to comply with the reporting requirements of Chapter 12L or material misrepresentation in Proposer's Chapter 12L submissions shall be grounds for rejection of the proposal and/or termination of any subsequent Agreement reached on the basis of the proposal.

L. Reservations of Rights by SFERS

The issuance of this RFP does not constitute an agreement by SFERS or the Board that any contract will actually be entered into by SFERS. SFERS expressly reserves the right at any time to:

1. Waive or correct any defect or informality in any response, proposal, or proposal procedure;
2. Reject any or all proposals;
3. Cancel the pending RFP at any point in the process;
4. Reissue a Request for Proposals;
5. Prior to submission deadline for proposals, modify all or any portion of the selection procedures, including deadlines for accepting responses, the specifications or requirements for any materials, equipment, or services to be provided under this RFP, or the requirements for contents or format of the proposals;
6. Procure any materials, equipment or services specified in this RFP by any other means; or
7. Determine that no project or consultant retention will be pursued.

M. No Waiver

No waiver by SFERS of any provision of this RFP shall be implied from any failure by SFERS to recognize or take action on account of any failure by a Proposer to observe any provision of this RFP.

N. Local Business Enterprise Participation

SFERS strongly encourages proposals from qualified Local Business Enterprises (each an "LBE") as defined in Chapter 14B of the San Francisco Administrative Code. If a Proposer desires to participate in the City's LBE Program, which helps certain financially disadvantaged businesses increase their ability to compete effectively for City contracts, go to the "How to Qualify to Do Business with the City" tab on the Office of Contract Administration website at www.sfgsa.org for details and required forms.

O. Chapters 12B and 12C: Nondiscrimination in Employment and Benefits

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated by reference as though fully set forth herein. Those provisions prohibit discrimination by City contractors in employment, the use of property, the provision of public

accommodations and in the provision of benefits to employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees.

Please refer to Appendix B regarding the requirements of San Francisco Administrative Code Chapters 12B and 12C.

VII. Contract Requirements

A. Standard Contract Provisions

The successful Proposer will be required to enter into a contract substantially in the form of the Consulting Agreement, attached hereto as Appendix C. Failure to timely execute the contract, or to furnish all certificates, bonds or other materials required in the contract, shall be deemed an abandonment of a contract offer. SFERS, in its sole discretion, may select another Proposer or take other action regarding the RFP and contract, and may proceed against the original selectee for damages. Full text of all referenced San Francisco municipal codes can be viewed on-line at www.sfgov.org at the *San Francisco Municipal Codes* link under the “Government” section of the San Francisco homepage.

B. Required Standard City Forms

Before the City can award any contract to the Proposer, the Proposer must become a “Registered Bidder” with the City and then complete certain forms online at the SF City Partner website to become an “Approved Supplier”:

1. Form P-25 (Business Registration Certificate and Tax Declaration);
2. HRC Form 12B-101 (San Francisco Administrative Code Chapter 12B and 12C Declaration: Nondiscrimination in Contracts and Benefits); and
3. IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

A description of these required forms is available at the “How to Qualify to Do Business with the City” tab on the Office of Contract Administration website at <https://sfgov.org/oca/qualify-do-business>

The Proposer must submit these required forms at the time the Proposer submits its proposal. If these forms are not submitted when the Proposer submits its proposal, the proposal may be determined to be non-responsive and rejected.

If a Proposer has previously completed and submitted the required forms to SFERS, the Proposer should not do so again unless the Proposer’s answers have changed. Please indicate this in your RFP response.

APPENDIX A

RFP QUESTIONS

Please provide your responses in Calibri 11.5 font and text in blue. Sample text below:

Firm XYZ was founded in ###...

A. Warranties

1. Does your Firm warrant that it maintains, or has applied for by the due date for RFP responses, an Errors and Omissions (“E&O”) insurance policy providing prudent coverage for negligent acts or omissions and will that coverage remain in place for the duration of your Firm’s services under the anticipated contract? E&O insurance is required throughout the duration of the assignment. Please specify the types and amounts of insurance coverage your Firm maintains.
2. Does your Firm warrant that all the information and statements provided in response to this RFP are complete and true? Any statement or claim found to be incomplete, misleading or false will be grounds for immediate disqualification or dismissal and may be subject to legal action.
3. Does your Firm warrant that it is compliant with the Global Investment Performance Standards (GIPS)? If not, please explain.
4. Does your Firm warrant that it is an SEC registered investment advisor or exempt from registration? If so, please provide copies of the Firm’s Form ADV. If exempt, please explain the nature of the exemption.
5. Does your Firm warrant that it will be directly responsible for the management of the account and services provided under the anticipated contract and that all personnel responsible for the account will be employees of the Firm?
6. Does your Firm warrant that it has reviewed the sample Consulting Agreement, attached as Appendix C, and that the Firm’s counsel has reviewed that agreement? Please identify any changes you would request to the sample Consulting Agreement, either by providing a marked revised copy of the Consulting Agreement with your requested changes or by identifying each section of the Agreement where you would request changes and specifying the changes requested. Please warrant that the marked-up copy of the sample Consulting Agreement or list with Agreement sections and the specific changes requested to those sections represents your full list of requested changes.

B. Legal and Regulatory

1. Has your Firm or any officer or employee at your Firm (or ex-officer or employee while employed at your Firm) ever been involved in litigation where an allegation of a breach of fiduciary responsibility was made. If yes, for each litigation matter, please provide the following information:
 - a. Full name of the case;
 - b. Court where the case was filed;
 - c. Case number;
 - d. Date the case was filed;
 - e. Summary of the allegations, including the names of all officers or employees referenced in the allegations or involved in the alleged conduct; and
 - f. Procedural posture (if the case is pending) or outcome of the case (if the case is resolved).
2. Has your Firm or any officer or employee at your Firm (or ex-officer or employee while employed at your Firm) ever been involved in an administrative proceeding including but not limited to an arbitration where an allegation of a breach of fiduciary responsibility was made. If yes, for each administrative proceeding, please provide the following information:
 - a. Full name of person initiating the proceeding;
 - b. Administrative body hearing the matter;
 - c. Proceeding number;
 - d. Date the proceeding was filed;
 - e. Summary of the allegations, including the names of all officers or employees referenced in the allegations or involved in the alleged conduct; and
 - f. Procedural posture (if the proceeding is pending) or outcome of the proceeding (if the proceeding is resolved).
3. Identify any demands or claims asserted against your Firm or any officer or employee at your Firm (or ex-officer or employee while employed at your Firm) alleging a breach of fiduciary duty that did not proceed to litigation or an administrative proceeding. For each such demand or claim, please provide the following information:
 - a. The name of the person asserting the demand or claim;
 - b. The date the person asserted the demand or claim;
 - c. The person's relationship to the Firm, officer or employee;
 - d. A summary of the allegations, including the names of all officers or employees referenced in the allegations or involved in the alleged conduct; and
 - e. How the demand or claim was resolved.
4. Identify all lawsuits filed against your Firm or any officer or employee at your Firm (or ex-officer or employee while employed at your Firm) in the past five (5) years, and please provide the following information for each lawsuit:
 - a. Full name of the case;
 - b. Court where the case was filed;
 - c. Case number;

- d. Date the case was filed;
 - e. Summary of the allegations, including the names of all officers or employees referenced in the allegations or involved in the alleged conduct; and
 - f. Procedural posture (if the case is pending) or outcome of the case (if the case is resolved).
5. Identify all administrative proceedings initiated against your Firm or any officer or employee at your Firm (or ex-officer or employee while employed at your Firm) in the past five (5) years, and please provide the following information for each proceeding:
- a. Full name of person initiating the proceeding;
 - b. Administrative body hearing the matter;
 - c. Proceeding number;
 - d. Date the proceeding was filed;
 - e. Summary of the allegations, including the names of all officers or employees referenced in the allegations or involved in the alleged conduct; and
 - f. Procedural posture (if the proceeding is pending) or outcome of the proceeding (if the proceeding is resolved).
6. Has your Firm been involved in an investigation or enforcement action by a regulatory agency? If yes, please explain and provide the following information:
- a. The regulatory agency or agencies involved;
 - b. The dates of the investigation or enforcement action;
 - c. The nature of the investigation or enforcement; and
 - d. Procedural posture (if the investigation or enforcement is pending) or outcome of the proceeding (if the investigation or enforcement is resolved).
7. Have any officers or employees of your Firm, or ex-officers or employees while employed at your Firm, been involved in litigation, investigation, or enforcement action by a regulatory agency or other legal proceedings related to investment activities. If yes, please explain.
8. Does your Firm provide health and other employment benefits to domestic partners of employees? If yes, describe. If no, indicate whether your Firm would adopt such benefits if it were selected for this assignment.

C. Organization and Personnel

1. Please provide an overview of the Firm, including its history and any special expertise or experience that would be relevant to SFERS.
2. Please provide a description of the ownership structure of the Firm, including the parent company and any affiliated companies, joint ventures, and strategic alliances. If any near-term changes to the Firm's corporate or ownership structure are anticipated, please note them.

3. Please provide a list of Firm owners (from largest to smallest with respect to ownership) and their ownership percentages. Please include individuals and all other entities.
4. Please provide a description of the Firm's organization structure, including all operating divisions and functional areas, and the number of employees within each area. If any near-term changes to the Firm's organizational structure are anticipated, please note them.
5. Please list all office locations and the number of investment professionals and support staff working in each office. Please specify which office will primarily serve SFERS relationship.
6. Have there been any material organizational developments at your Firm – such as changes in ownership, personnel, business – over the past five years? Describe such developments and emphasize the impact the changes on the services requested.
7. Discuss any prospective changes in ownership, personnel, or the business scheduled or anticipated over the next 12 months.
8. Please describe the approach to talent recruitment and retention at your Firm, including the core attributes the Firm seeks its workforce?
9. Describe how the Firm quantitatively and qualitatively measures its effectiveness in attracting and retaining its ideal workforce. Please summarize the Firm's performance on these measures for each of the past three years.
10. If we spent a week at your Firm, what are three things we would notice about your Firm's culture? How do you assess and monitor employee engagement and Firm culture?
11. Describe the business objectives of your Firm with respect to future growth, including the services requested. Comment on any present or planned area of emphasis expected in the future.
12. Does your Firm or any affiliated entities offer any investment products (such as fund of funds)? If so, respond to the following questions:
 - a. Describe such strategies that are offered by your Firm and the current assets under management in each product.
 - b. Which investment professionals are involved in the management of such products?
 - c. What procedures and policies are in place to ensure any conflicts of interest between the products and needs of consulting clients are avoided? What conflicts cannot be avoided and how are these managed?
13. Please list the total number of clients and their total, average, and median account as follows:

- a. Public plans;
- b. Endowments and Foundations;
- c. Corporate clients;
- d. Individuals;
- e. Other clients (please describe what constitutes “other clients”);
- f. Total clients.

14. List the 20 largest clients (by \$AUM) as of June 30, 2022, the type of account, portfolio size, inception date of your relationship to the client, and the service provided to that client. Please indicate if you are unable to provide the name of the account and the portfolio size, while still providing the type of account and the portfolios approximate size.
15. Please list the total number of professionals employed by the Firm in each of the categories in the following tables. Please provide data as the end of each period. Each person should be assigned to only one category.

	2018	2019	2020	2021	2022 (1H)
Lead Consultants					
Consultants					
Asset Allocation					
Capital Market Research					
Economists					
Investment Analytics					
ESG Investing					
Other Investment Research					
Performance Reporting					
Custodian Evaluation					
Total Investment Staff (sum)					
Firm Management					
Legal					
Compliance					
Other Professional Staff					
Total Professional Staff (sum)					
Marketing					
Accounting					
Administration					
Total Staff					

16. Please summarize the Firm's qualifications and years of investment experience by category.
17. Please list the names of employees acting in the role of Lead Consultant, Consultant, or Analyst (or equivalent roles) that left the Firm in 2018 through the date of submission of the RFP.
18. If the Firm anticipates any type of near-term changes in its professional staffing, please indicate the nature of such changes.
19. Please provide a brief description of the Firm's compensation arrangements for professional staff, including any incentive bonuses, sharing of profits and/or equity ownership. Specific compensation amounts need not be presented. Please discuss the Firm's rationale and objectives for the current compensation structure.
20. When hiring staff, what are the qualifications, skills, and experiences that the Firm generally requires? Please also describe your recruitment practices.
21. What key strengths or competitive advantages does the Firm possess?
22. Discuss the tradeoffs of your Firm's attributes and how you minimize the downside and maximize the positives of an attribute. For example, if your Firm is very large, what disadvantages does that create, what are its strengths, and how are you able to minimize the potential downside of such an attribute.
23. List any accounts that have been lost from January 1, 2015 to the date of submission of the RFP. State the name or type of account, the size of the account at termination, and the reasons for the loss.

D. ESG Practices

1. Describe if and how ESG factors are considered in consulting related to strategic and tactical investment planning, sub-asset class structure, and/or on-going investment policy development, implementation and oversight.
2. Describe any dedicated or specialty ESG consulting services the Firm offers related to Total Plan Investment Policy and/or Asset Allocation, including but not limited to, those related to climate change risk and diversity, equity & inclusion.
3. Apart from anything mentioned above, please describe any announced or prospective plans for ESG-related consulting services.

E. Resources Dedicated to SFERS

1. Please identify the individual(s) who would perform the requested services for SFERS for both asset allocation and performance reporting separately. Please state the number of clients for which each individual is currently responsible. What percentage

of time do you expect each individual will provide to SFERS? For each person, please also provide a biography as well as the following information (in the specified format):

- a. Name:
 - b. Title:
 - c. Expected role:
 - d. Location
 - e. Total years of institutional investment experience:
 - f. Total years of institutional investment consulting experience:
 - g. Total years with the Firm:
 - h. Total current number of assigned accounts:
 - i. Name, plan type, length of relationship, and size of each assigned client account:
 - j. Role for each assigned account (ex. Lead Consultant, Support Consultant):
2. Please explain how the team dedicated to SFERS account would function, including lead consultant, back-up, and support services.
 3. Please describe the Firm's procedures in the event that key personnel assigned to this account leave the Firm, are unable to serve, or are able to serve in only a reduced capacity.
 4. Please describe the Firm's experience and capabilities for providing education to public pension plan trustees and staff. Provide examples of materials used in recent educational presentations.
 5. Please describe the Firm's experience and capabilities for responding to special research projects as periodically assigned by public pension plan trustees and staff. Provide recent examples of such projects.

F. Conflicts of Interests

1. Does the Firm or an affiliate of the Firm serve as an investment manager for clients? If yes, please explain the rationale for the relationship. Please also discuss how you avoid the potential appearance of a conflict of interest.
2. Does the Firm manage a fund of funds of any type? If yes, please explain the rationale for the fund. Please also discuss how you avoid the potential appearance of a conflict of interest.
3. Discretionary and Non-discretionary assets under management. Does the Firm provide both discretionary and non-discretionary investment management and/or consulting services to clients? If yes, please provide details:

Type of Client	Number of Clients	Assets Under Management / Advisement
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Discretionary		
Non-Discretionary		

4. Does the Firm or an affiliate of the Firm act as a securities broker-dealer? If yes, please provide the most recent “focus report” (X-17A5) the Firm or the affiliate filed with the Securities and Exchange Commission.
5. Does the Firm and/or any affiliates accept soft dollars as a method of payment for services provided? If so, please describe.
6. Please list the percentage of revenues the Firm’s ultimate parent company received in the 12-month period ended June 30, 2022, from the following sources: (Total must add to 100%.)
 - a. Revenues from investment manager clients:
 - b. Revenues from brokerage activity:
 - c. Revenues from plan sponsor consulting clients:
 - d. Revenues from other clients: (Please specify)
7. Please list the total revenue the Firm and that of each of its affiliates received directly or indirectly from investment managers for auditing, actuarial, benefits, or any other management consulting work for the 12-month period ended June 30, 2022.
8. Please list the dollar value of revenues, commissions or any other benefits the ultimate parent company received (or a brokerage affiliate received – please specify) because of any type of brokerage activity for the 12-month period ended June 30, 2022.
9. For the 12-month period ended June 30, 2022, please list the names of all investment management Firms from which the Firm, each of its affiliates, and the ultimate parent company of the Firm has received any compensation. Please state the dollar amounts received from each entity.
10. Would the Firm be willing to disclose, annually or upon client request, the dollar amount and nature of all material beneficial relationships that the Firm or any affiliate of the Firm engages in with investment manager clients? If not, please explain.
11. Please describe the Firm’s conflict of interest policy. If the Firm, its affiliates, or the ultimate parent company provides investment management services, brokerage services, or services to investment managers, please include an explanation of how this policy, and any other measures taken by the Firm, limit the likelihood that the client could receive investment advice that is not completely objective.
12. Please explain in detail any potential conflicts of interest that would be created by the Firm’s representation of SFERS. Please include any activities of affiliated or parent organizations as well as other client relationships that may affect services to SFERS.

G. Technology and Communication Resources

1. Please describe the Firm's technology capabilities and relate them to the Firm's consulting services or products. Do you provide any custom computer-based analytical tools to the Firm's clients? If so, please elaborate.
2. Please describe the Firm's communication technology capabilities. How does the Firm use technology to share and leverage information resources across the organization?

H. Investment Consulting

a. Asset Allocation and Modeling

1. Please describe the Firm's philosophy toward the following:
 - a. Asset allocation;
 - b. Are there common beliefs about the investment markets that underpin the Firm's investment advice to clients? If yes, please describe them.
 - c. Do you promote an equity orientation, downside protection, a balance of risks approach, risk parity, or some specific approach to asset allocation?
2. How do you prevent concentration at the portfolio level? Please provide details to support the rationale for your response.
3. How do you prevent over-diversification at the portfolio level? Please provide details to support the rationale for your response.
4. Please describe the Firm's experience and capabilities for performing asset allocation studies for defined benefit plans. How often would this occur? What type of follow-up or review would the Firm perform between studies? What factors would the Firm consider?
5. Discuss your approach to plan-level leverage as a strategic allocation within the asset allocation policy of an institutional investment portfolio. Discuss merits/considerations of the various approaches and potential instruments that could be employed. Provide examples summarizing the work your Firm has done with clients in the area of plan-level leverage.
6. What is your recommendation for the use of leverage?
7. Discuss the theory and methodology of the asset allocation models the Firm employs. How does the Firm develop input data for the models employed? How are the liability structure, funding level, and changes in the contribution level incorporated? Please discuss the Firm's capability for analyzing liabilities.

8. How does your firm define risk at the total fund level? What analytical tools does your firm utilize to monitor and assess these risks? Are these tools developed in-house or do you partner with third-party systems?
9. Please provide a generic asset allocation model for a public plan such as SFERS. Please tell us what information you need to provide a final asset allocation recommendation.
10. Please describe your approach to incorporating plan's liabilities into asset allocation decisions. Please describe the models (stochastic/deterministic, scenario analysis, etc.) used in this analysis.
11. Please describe your approach to incorporating plan's liquidity considerations into asset allocation decisions. Please describe the models (stochastic/deterministic, scenario analysis, etc.) used in this analysis.

b. Capital Markets Outlook

12. Please describe the Firm's process and capabilities for monitoring and reporting on market trends.
13. Please provide several examples of research papers or other works of your own original analysis of the capital markets.
14. Discuss your thoughts on the capital markets over the past 20 years, including events such as the evolution of the emerging markets, the technology bubble, the credit bubble, and the Global Financial Crisis (GFC) and the COVID-19 pandemic.
15. What are your current views on the capital markets? In addition to any other comments you wish to convey, please state your thoughts on the risks and opportunities (and attendant strategies for avoiding and capturing) associated with the following market factors:
 - a. Equity valuations
 - b. Credit Spreads
 - c. Inflation (or deflation)
 - d. Interest rates and the shape of the yield curve
 - e. Real estate and commodities pricing
 - f. Political instability
 - g. Climate warming
 - h. Expected economic growth/slowdown
16. Please describe the modeling of capital markets assumptions. Please list primary research inputs and considerations including the specific analytical tools and/or software used by the Firm for the areas noted below. Also, briefly discuss your experience in each.
 - a. Capital Market & Economic Research
 - b. Asset/Liability Modeling
 - c. Asset Allocation

- d. Public Equity
- e. Fixed Income
- f. Private Credit
- g. Private Equity
- h. Real Estate
- i. Real Assets including Natural Resources and Infrastructure
- j. Hedge Funds
- k. Other Specialty Strategies
- l. Risk management including stress testing and scenario analysis
- m. Liquidity management and leverage considerations

14. Please summarize your current capital markets assumptions in a table below. Please include intermediate (5-10 year) and long-term (20-30 year) forecasts.

	Key Assumptions	Expected Return(s)	Volatility
Public Equities (Sub-asset classes)			
Fixed Income (Sub-asset classes)			
Private Equities (Sub-asset classes)			
Private Credit (Sub-asset classes)			
Real Estate (Sub-asset classes)			
Real Assets (Sub-asset classes)			
Infrastructure (Sub-asset classes)			
Hedge Funds (Sub-asset classes)			

- 15. Do you think your asset class and total fund returns and risks are materially higher or lower than your peers? Why do you think your expectations are notably different than consensus?
- 16. Do you provide capital markets assumptions for different economic scenarios?
- 17. Do you recommend a target total risk (standard deviation) for a plan? How do you assess plan's risk appetite?
- 18. Taking into consideration your historical capital market assumptions across all asset classes, please discuss the accuracy of your intermediate (5-10 year) and long-term (20-30 year) forecasts both at the asset class and total portfolio level. Please provide data supporting your skill over multiple market cycles.
- 26. There have been suggestions that plan sponsors should reduce the risk of their portfolios by increasing their allocation to fixed income and other lower risk strategies. On the other hand, many investors expect lower returns from fixed income than the asset class has

provided over the past 20 and 30 years, and some plan sponsors have required rates of return of over 7% to pay long-term benefits.

- a. What do you think of the suggestion that plan sponsors should reduce the risk of their portfolios?
 - b. If you agree that fixed income is going to earn low returns in the future, what changes in strategic asset allocation would you recommend?
 - c. What is your recommendation for allocating to illiquid asset classes? How do you tie liquidity management with asset allocation and pension payout needs?
19. Regarding SFERS' strategic asset allocation (See details in Appendix D):
- a. What are your thoughts on SFERS' existing strategic asset allocation?
 - b. What is your expected return and risk of SFERS' current asset allocation?
 - c. How can SFERS' asset allocation strategy be improved? Are there any specific changes you would recommend? Please discuss your ideas on our asset allocation and your potential recommendations in detail.

c. Consulting Approach and Investment Policy

20. What is the Firm's philosophy toward idea generation and a willingness to take a differentiated risk? Does the Firm's culture promote a willingness to take differentiated risks that are not widely practiced by others, or does the Firm prefer to adhere to a more mainstream approach and wait until an idea is accepted by many others? Please provide examples.
21. Provide examples of ideas that you recommended that proved to be a disappointment. Why were the ideas not successful? What did you learn from the experiences?
22. Please discuss your Firm's capabilities for monitoring compliance with investment policies and providing reporting with respect to portfolio asset allocation, characteristics, and risk.
23. What common mistakes do consultants, plan sponsors, staffs, and public pension plan, and Boards make? How do you ensure that your Firm avoids the mistakes consultants may frequently make? What suggestions do you have for public pension plan staff so that they avoid or minimize their mistakes? What recommendations do you have for risk management? What recommendations do you have for public pension plan Boards, so they minimize or avoid their own mistakes?
24. Please state how your Firm would expect to add value to SFERS over the next three to five years. For example, will it be through asset allocation, risk management, cost containment, education, etc. Please provide a range of expected improvement in each category and for SFERS.
25. Please suggest a methodology for measuring your Firm's performance as an investment consultant.

26. Please describe your approach to formulating an Investment Policy Statement. What are some key considerations?
27. Please describe the Firm's experience and capability for providing investment policy guideline development and review for public defined benefit plan. What specifically would the Firm do to develop or review the investment policies of SFERS? How often would you recommend this process occur?
28. Please discuss processes for implementing and reviewing the Investment Policy Statement.

I. Performance Analytics

1. Describe your capabilities in performance measurement and reporting services.
2. Describe the processes for ensuring accurate and timely performance calculations.
3. Describe your universe comparison capabilities.
4. Describe your benchmark capabilities. Are clients able to create custom benchmarks?
5. Provide an overview of your analytical capabilities for all asset categories. Please state your ability to generate consolidated reports for major asset classes.
6. Do clients have access to on-line reports? Please list the types of reports available to clients and provide samples.
7. Please indicate how soon after period end preliminary and final performance reports are available.
8. Can published reports be tailored to meet individualized client needs?
9. How does your system handle net of fee performance calculations? Does it support cash and/or accrual basis expenses?
10. Do you have any type of system that can be used to monitor investment compliance? For example, manager compliance with investment guidelines or Fund compliance with investment policies.
11. Do derivatives cause any unique performance measurement and reporting challenges?
12. How does your system handle leverage calculations? Please provide sample reports.
13. SFERS requests that performance history be provided on reports. Can you load the history and recalculate performance to maintain the history? If so, how long will it take you to load the history? What information would you need from SFERS?
14. Do you have system capabilities in place to support the calculation of lagged and non-lagged returns for private partnership investments? Is it possible to maintain both calculations in your performance system?
15. Can clients generate custom reports? If so, briefly describe.
16. Can clients access daily (albeit preliminary and estimated) performance figures?
17. Is your team able to provide a monthly report summarizing the following?

- a. Market values and returns reported by individual public markets managers compared with the market values and returns reported for those managers by SFERS' custodian (for the most recent month as well as for trailing periods).
 - b. Where there are material differences in reported returns between investment managers and custodian, a summary of the reasons for the variances and the steps taken to reconcile the differences.
18. Do you provide annual fee disclosures on Alternative Investment Vehicles or "AIVs" as related to Assembly Bill No. 2833 for any California public plans? If so, please provide a sample report.

J. Training, Education, and Client Relations Duties

1. Please provide examples of investment education and training materials.
2. Please provide examples of special projects and workshops for clients, preferably public pension clients.
3. Please include the list and recent samples of research and white papers.
4. Does the Firm have a team dedicated to the research, evaluation, and comparison of services offered by global custodians? Please note the size of this team and provide short professional summaries for the team's leadership.
5. Describe the services offered by the global custodian team and provide sample evaluative reports. Describe the team's process for keeping up to date with the ongoing product and service enhancements offered by global custodians.

K. Fee Proposal

Please provide a fee quote for the services requested in Section II of this RFP, Scope of Work. One fee for all services.

L. Requested Materials and Additional Information

In addition to any materials requested in the questions listed above, please send electronic versions of the following documents:

1. A corporate organization chart (showing the consulting Firm, parent and all affiliates and subsidiaries).
2. The biographies of the Firm's professional staff, including education, investment and consulting experience, and the year they joined the Firm.
3. A current company Annual Report.
4. A copy of the Firm's mission statement, statement of values, and code of ethics.
5. Current Firm policies related to conflicts-of-interest.
6. Most recently filed SEC Form ADV, Parts I and II.
7. A copy of the Firm's standard marketing brochure that describes the Firm's processes and services.

8. Any other information you feel would be necessary to gain a complete understanding of the Firm or the services it provides.

M. References

1. Provide the organization name, address, contact name and title, contact telephone number and email address for at least five existing clients. Indicate the length of your relationship, nature of the services provided, and asset size for each reference. Not including references will be considered non-responsive.
2. Provide the organization name, address, contact name and title, contact telephone number and email address at least five investment managers who can discuss your manager research. Indicate the length of your relationship and asset size for each reference. Not including references will be considered non-responsive.
3. Provide the organization name, address, contact name and title, contact telephone number and email address for three former clients. Indicate the length of your relationship, nature of the services provided, and asset size for each former client listed. Not including references will be considered non-responsive. If three accounts are not available, please explain why.

APPENDIX B

REQUIRED VENDOR FORMS

All required forms are available at www.sfgsa.org under the “How to Qualify to Do Business with The City” tab of the Office of Contract Administration Web site located at:

<http://sfgsa.org/index.aspx?page=4762>

All vendors must fill out the first three forms before the City can do business with them:

1. IRS Form W-9 (Request for Taxpayer Identification Number and Certification);
2. Form P-25 (Business Registration Certificate and Tax Declaration); and
3. HRC Form 12B-101 (San Francisco Administrative Code Chapters 12B and 12C Declaration: Nondiscrimination in Contracts and Benefits)

1. IRS Form W-9 (Request for Taxpayer Identification Number and Certification)

This form provides the City with the vendor’s taxpayer identification number, which is then used to assign the vendor a City 5-digit vendor number:

<http://www.irs.gov/pub/irs-pdf/fw9.pdf>

2. Form P-25 (Business Registration Certificate and Tax Declaration)

This form is used to determine if the vendor is physically “doing business in San Francisco” and therefore is required to pay business taxes:

<http://sfgsa.org/Modules/ShowDocument.aspx?documentid=7624>

3. HRC Form 12B-101 (San Francisco Administrative Code Chapters 12B and 12C Declaration: Nondiscrimination in Contracts and Benefits)

This module is used by the City’s Human Rights Commission to determine if the vendor has employees and offers benefits to these employees. Depending on the vendor’s particular situation, the vendor may have to complete other forms:

<https://sfgov.org/cmd/how-comply>

APPENDIX C

FORM OF CONSULTING AGREEMENT

**GENERAL INVESTMENT CONSULTING AGREEMENT
BETWEEN
SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
AND**

[_____]

THIS General Investment Consulting Agreement (this "Agreement") is made this ____ day of _____, 20[] in the City and County of San Francisco (the "City"), State of California, by and between: [_____] ("Consultant") and the San Francisco City and County Employees' Retirement System (the "Retirement System").

RECITALS

WHEREAS, the Retirement System is a duly established and existing public retirement system created under the Charter of the City;

WHEREAS, the board of the Retirement System (the "Retirement Board") has plenary authority and fiduciary responsibility for investment of monies and administration of the Retirement System;

WHEREAS, the Retirement Board, through the Retirement System, seeks to retain non-discretionary general investment consulting services for the Retirement System's investment portfolio (the "Proposed Services");

WHEREAS, the Retirement System issued a request for proposal with respect to the Proposed Services ("RFP"), and as a result of the competitive selection process in connection with that RFP (the "RFP Process"), the Retirement System recommended, and the Retirement Board approved, selection of Consultant to provide the Proposed Services based on Consultant's representations during the RFP Process; and

WHEREAS, Consultant represents and warrants that it is qualified to perform the services required by the Retirement System under this Agreement;

Now, THEREFORE, in consideration of the promises and mutual covenants herein contained, Consultant and the Retirement System do hereby agree as follows:

- 1. Term of the Agreement.** Subject to Section 8 of this Agreement, the term of this Agreement shall be from [_____, 20[] to _____, 20[]]; *provided, however*, that the Retirement System shall have two (2) options to extend the term of the Agreement for a period of one (1) year each option, which the Retirement System may exercise in its sole, absolute discretion.

2. **Engagement.** The Retirement System hereby engages Consultant, and Consultant hereby accepts such engagement, to provide non-discretionary investment consulting services to the Retirement System for its investment portfolio in accordance with the terms and conditions of this Agreement, the Investment Policy, Objectives and Guidelines for the Retirement System attached hereto as Exhibit A (the "Investment Policy Statement"), and applicable federal, state and local laws.
3. **Services.** Consultant agrees to perform the non-discretionary investment consulting services for the Retirement System's investment portfolio as described in the Schedule of Services attached hereto as Exhibit B and incorporated by reference as though fully set forth herein (the "Described Services"). Additional services will be provided only upon and in accordance with a written request by the Executive Director of the Retirement System (the "Executive Director") or designee acting on behalf of the Retirement System (the "Additional Services," together with the Described Services, the "Services").
4. **Compensation.**
 - (a) **Fees.** For the full performance and the completion of the Services, Consultant shall be compensated as set forth in the Fee Schedule attached hereto as Exhibit C and incorporated by reference as though fully set forth herein (the "Fees"). The Fees include the compensation for professional services as well as travel and other out-of-pocket expenses, printing, delivery, secretarial and clerical support services and any other costs incurred as may be necessary to perform the Services in a professional manner. No charges shall be incurred under this Agreement nor shall any payments become due to Consultant until reports, services, or both, required under this Agreement are received from Consultant and approved by the Retirement System as being in accordance with this Agreement. The Retirement System may withhold payment to Consultant in any instance in which Consultant has failed or refused to satisfy any material obligation provided for under this Agreement. In no event shall the Retirement System be liable for interest or late charges for any late payments.
 - (b) **Fee Ceiling.** In no event shall the annual compensation amount under this Agreement exceed _____ Dollars [\$______].
 - (c) **Payment Does Not Imply Acceptance of Services.** The granting of any payment by the Retirement System, or the receipt thereof by Consultant, shall in no way lessen the liability of Consultant to replace unsatisfactory Services, although the unsatisfactory character of such Services may not have been apparent or detected at the time such payment was made. Services that do not conform to the requirements of this Agreement may be rejected by the Retirement System and in such case must be replaced by Consultant without delay.
5. **Fiduciary Responsibility.** Consultant represents and warrants that it is duly registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and will be registered as an investment adviser under the Advisers Act at all times

while the Retirement System receives the Services. Consultant represents and warrants that it has delivered to the Retirement System, at least five (5) business days prior to the date of this Agreement, Parts 1A and 2 of Consultant's Form ADV (the "Disclosure Statement"). Consultant further represents and warrants that it will deliver to the Retirement System: (a) a copy of the Disclosure Statement it files with the Securities and Exchange Commission annually, within thirty (30) days of filing and (b) copies of any amendments to the Disclosure Statement it files with the Securities and Exchange Commission, within thirty (30) days of filing. Consultant acknowledges that this Agreement places it in a fiduciary relationship with the Retirement System. As a fiduciary, Consultant shall discharge each of its duties and exercise each of its powers (as those duties and powers are defined herein) with the competence, care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the course of any enterprise of like character and with like aims, in conformance with the California Constitution, Article XVI, Section 17, California Government Code Sections 31594 and 31595, San Francisco Charter Section 12.100 and with the customary standard of care of a professional investment consultant providing services to a United States employee pension trust (the "Standard of Care"). Consultant shall cause any and all of its employees, agents and representatives providing services in connection with this Agreement to exercise the same Standard of Care.

Consultant acknowledges that, to comply with the above-described fiduciary duties, it must maintain independence from all interests other than the interests of the Retirement System members and beneficiaries, as those interests are expressed by the Retirement Board. Consultant further acknowledges that the Retirement System staff acts as the agent for the Retirement Board in its relationship with the Consultant but is subordinate to the Retirement Board and cannot direct Consultant to consider interests contrary to those expressed by the Retirement Board. Consultant warrants that it will not delegate its fiduciary responsibilities under this Agreement.

Within the context of providing the Services, Consultant's analysis may address tax, legal or other considerations related to various investment strategies or investments; *provided, however,* that Consultant shall not provide or otherwise be responsible for the provision of tax advice or legal counsel. Consultant shall act in an investment advisor capacity only.

6. Disclosures.

- (a) **RFP.** Consultant represents and warrants that its statements, dated [_____], in its response to the RFP, are true and correct.
- (b) **Disclosure of Interest.** Consultant shall fully and promptly disclose to the Retirement System: (i) its direct or indirect financial interests in any investment opportunity that it may recommend to the Retirement System in providing the Services; (ii) with respect to any investment opportunity that Consultant recommends to the Retirement System, including any potentially oversubscribed opportunity, whether Consultant is also recommending such investment opportunity to other clients of Consultant (and the amounts thereof) or otherwise assisting other clients of Consultant in such investment opportunity, regardless of

whether such other clients proceed with the investment opportunity; and (iii) any other fact or relationship which would compromise or materially affect its ability to faithfully perform its duties under this Agreement.

- (c) **Intellectual Property.** The Services and deliverables that Consultant provides under this Agreement shall not infringe upon any patent rights, copyright, trade secret or any other proprietary right or trademark, or any other intellectual property rights of any other third party.

7. Personnel.

- (a) **Qualified Personnel.** Work under this Agreement shall be performed only by competent personnel under the supervision of and in the employment of Consultant. Consultant will comply with the Retirement System's reasonable requests regarding assignment of personnel, but all personnel, including those assigned at the Retirement System's request, must be supervised by Consultant. Consultant shall commit adequate resources to complete the services within the schedule specified in this Agreement.
- (b) **Key Personnel.** The Retirement System may designate in writing, from time to time, that certain personnel of Consultant are "key personnel." Consultant shall immediately notify the Retirement System in writing of any changes in key personnel within its organization.
- (c) **Disclosures.** Consultant acknowledges and agrees that certain key personnel of Consultant, as designated solely by the Retirement System, shall file certain disclosures concerning economic interests at the determination of the Retirement System under Section 3.1-108 of the San Francisco Campaign and Governmental Conduct Code.

- 8. **Budget Authorization.** This Agreement is subject to the budget and fiscal provisions of the City's Charter. Charges will accrue only after prior written authorization certified by the City Controller, and any amount of the Retirement System's obligation hereunder shall not at any time exceed the amount certified for the purpose and period stated in such advance authorization. This Agreement will terminate without penalty, liability or expense of any kind to the Retirement System at the end of any fiscal year if funds are not appropriated for the next succeeding fiscal year. If funds are appropriated for a portion of the fiscal year, this Agreement will terminate, without penalty, liability or expense of any kind at the end of the term for which funds are appropriated. The Retirement System has no obligation to make appropriations for this Agreement in lieu of appropriations for new or other agreements. City budget decisions are subject to the discretion of the City Mayor and the City Board of Supervisors. Consultant's assumption of risk of possible non-appropriation is part of the consideration for this Agreement.

This Section 8 controls against any and all other provisions of this Agreement.

9. **Invoices.** Consultant shall submit invoices for the Services in a form acceptable to the Retirement System, along with an itemized statement of Services, at the end of each quarter. Consultant shall send invoices to:

Ba Da
Investment Operations Director
San Francisco Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103-1561
Ba.Do@sfgov.org

Consultant shall also send electronic copies of such invoices to: Ba.Do@sfgov.org

From time to time, the Retirement System may specify another recipient or address for invoices by written notice to Consultant in accordance with Section 21 of this Agreement

10. **False Claims.** The full text of San Francisco Administrative Code Chapter 21, Section 21.35 (the "[False Claims Ordinance](#)"), including the enforcement and penalty provisions, is incorporated into this Agreement. Consultant acknowledges that Consultant is subject to the False Claims Ordinance, which provides that any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in the False Claims Ordinance. Under the False Claims Ordinance, a contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the Retirement System a false claim or request for payment or approval; (b) knowingly makes or uses or causes to be made or used a false record or statement to get a false claim paid or approved by the Retirement System; (c) conspires to defraud the Retirement System by getting a false claim allowed or paid by the Retirement System; (d) knowingly makes, uses or causes to be made or used a false record or statement to conceal, avoid or decrease an obligation to pay or transmit money or property to the Retirement System; or (e) is a beneficiary of an inadvertent submission of a false claim to the Retirement System, subsequently discovers the falsity of the claim and fails to disclose the false claim to the Retirement System within a reasonable time after discovery of the false claim.
11. **Taxes.** Consultant shall have the sole obligation to pay any taxes, including without limitation payroll taxes and California sales and use taxes, levied upon or as a result of this Agreement, or the services delivered pursuant under this Agreement.
12. **Independent Contractor.**
- (a) **Independent Contractor Status.** In performing the Services, Consultant or any agent or employee of Consultant shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work under this Agreement. Consultant or any agent or employee of Consultant shall not have employee status with the Retirement System, nor be entitled to participate in any plans, arrangements, or distributions by the Retirement

System pertaining to or in connection with any retirement, health or other benefits that the Retirement System may offer its employees. Consultant or any agent or employee of Consultant is liable for the acts and omissions of itself, its employees and its agents. Consultant shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to Consultant's performing services and work, or any agent or employee of Consultant providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between the Retirement System and Consultant or any agent or employee of Consultant.

- (b) **Payment of Taxes.** If any governmental authority should, nevertheless, determine that Consultant is an employee for purposes of collection of any employment taxes, then the Retirement System's payment obligations hereunder shall be reduced so that the aggregate number of payments directly to the Consultant and to the applicable governmental authority does not exceed the maximum amount specified in Section 4 of this Agreement. Consultant shall refund any amounts necessary to affect that reduction.
- (c) **Assignment.** The Services to be performed by Consultant are personal in character. Neither this Agreement, nor any duties or obligations hereunder, may be directly or indirectly assigned, novated, hypothecated, transferred, or delegated by Consultant (collectively, an "Assignment") without prior written consent of the Retirement System. A change of ownership or control of Consultant or a sale or transfer of substantially all of the assets of Consultant shall be deemed an Assignment for purposes of this Agreement. Consultant shall immediately notify the Retirement System about any Assignment. Any purported Assignment made in violation of this Section 12 shall be null and void.

13. Insurance.

- (a) Without in any way limiting Consultant's liability pursuant to Section 14 of this Agreement, Consultant must maintain in force, during the full term of the Agreement, insurance in the following amounts and coverages:
 - (1) worker's compensation, in statutory amounts, with employers' liability limits not less than \$[] each accident;
 - (2) commercial general liability insurance with limits not less than \$[] each occurrence, including without limitation combined single limit for bodily injury and property damage, including contractual liability, personal injury, products, completed operations and hired and non-owned automobiles;
 - (3) professional or fiduciary indemnity (errors and omissions) insurance

in the aggregate minimum of \$[_____]; and

- (4) technology errors and omissions liability with limits of not less than \$[_____] each claim with respect to failure against programming errors, software performance, failure to perform work as agreed, and errors and omissions in connection with the products and services provided.
- (b) Commercial general liability insurance policy must be endorsed to: (i) name as additional insured the Retirement System and its officers, agents, and employees; and (ii) provide that such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Agreement, and that insurance applies separately to each insured against whom claim is made or suit is brought.
- (c) All policies shall be endorsed to provide thirty (30) days' advance written notice to the Retirement System of cancellation for any reason, intended non-renewal, or reduction in coverages. Notices shall be sent to the Retirement System in accordance with Section 21 hereof.
- (d) Should any of the required insurance be provided under a claims-made form, Consultant shall maintain such coverage continuously throughout the term of this Agreement and, without lapse, for a period of five (5) years beyond the expiration or earlier termination of this Agreement, to the effect that, should occurrences during the contract term give rise to claims made after expiration or earlier termination of the Agreement, such claims shall be covered by such claims-made policies.
- (e) 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 this section.
- (f) Should any required insurance lapse during the term of this Agreement, requests for payments originating after such lapse shall not be processed until the Retirement System receives satisfactory evidence of reinstated coverage as required by this Agreement, effective as of the lapse date. If insurance is not reinstated, the Retirement System may, at its sole option, terminate this Agreement effective on the date of such lapse of insurance.
- (g) Before commencing any services under this Agreement, Consultant shall furnish to the Retirement System certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to the Retirement System, in form evidencing all coverages set forth herein. Consultant

shall also furnish to the Retirement System such certificates and endorsements on an annual basis.

- (h) If Consultant will use any subcontractor(s) to provide services under this Agreement, Consultant shall require the subcontractor(s) to provide all necessary insurance and to name the Retirement System, its officers, agents and employees and the Consultant as additional insureds.
- (i) Approval of the insurance by the Retirement System shall not relieve or decrease the liability of Consultant hereunder.

14. Indemnification. Consultant shall indemnify and save harmless the Retirement System and its officers, agents and employees from, and, if requested, shall defend them against any and all demands, loss, cost, damage, injury, liability, and claims thereof (a) arising directly or indirectly from any breach of any representation or warranty made by Consultant in this Agreement, (b) arising directly or indirectly from any breach of any covenant, agreement or obligation of Consultant contained in this Agreement, including without limitation breach of fiduciary duty, breach of the Standard of Care, breach of trust or breach of confidentiality, (c) arising directly or indirectly from any (i) bad faith, (ii) negligence, (iii) willful misconduct or (iv) improper or unethical practice in violation of law by Consultant or its agents or (d) for injury to or death of a person, including employees of Consultant or loss of or damage to property, arising directly or indirectly from Consultant's performance of this Agreement, including, but not limited to, Consultant's use of facilities or equipment provided by the Retirement System or others, regardless of the negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on the Retirement System, except, in the case of each of subsection (c) and subsection (d) of this Section 14, to the extent that such indemnity is void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this Agreement, and except, in the case of subsection (d) of this Section 14, where such loss, damage, injury, liability or claim is the result of the active negligence or willful misconduct of the Retirement System and is not contributed to by any act of, or by any omission to perform some duty imposed by law or agreement on Consultant, its subcontractors or either's agent or employee. The foregoing indemnities shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and the Retirement System's costs of investigating any claims against the Retirement System. In addition to Consultant's obligation to indemnify the Retirement System, Consultant specifically acknowledges and agrees that it has an immediate and independent obligation to defend the Retirement System from any claim which actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent, which obligation arises at the time such claim is tendered to Consultant by the Retirement System and continues at all times thereafter. Consultant shall indemnify and hold the Retirement System harmless from all loss and liability, including attorneys' fees, court costs and all other litigation expenses for any infringement of the patent rights, copyright, trade secret or any other proprietary right or trademark, and all other intellectual property claims of any person or persons in consequence of the use by the Retirement System, or any of its officers or agents, of articles or services to be supplied in the performance of this Agreement.

15. Limitation on Liability of the Retirement System. The Retirement System's payment obligations under this Agreement shall be limited to the payment of the compensation provided for in Section 4 of this Agreement. Notwithstanding any other provision of this Agreement, in no event shall the Retirement System be liable, regardless of whether any claim is based on contract or tort, for any special, consequential, indirect or incidental damages, including but not limited to, lost profits, arising out of or in connection with this Agreement or the services performed in connection with this Agreement.

16. Default; Remedies.

(a) Each of the following shall constitute an event of default ("Event of Default") under this Agreement:

(1) Consultant fails or refuses to perform or observe any term, covenant or condition contained in any of the following sections of this Agreement:

- (A) Section 10 (False Claims);
- (B) Section 11 (Taxes);
- (C) Section 13 (Insurance);
- (D) Section 20 (Proprietary or Confidential Information);
- (E) Section 25 (No Assignment or Subcontracting);
- (F) Section 31 (Alcohol and Drug-Free Workplace); and
- (G) Section 44 (Compliance with Laws).

(2) Consultant fails or refuses to perform or observe any other term, covenant or condition contained in this Agreement, and such default continues for a period of ten (10) days after written notice thereof from the Retirement System to the Consultant;

(3) Consultant (A) is generally not paying its debts as they become due, (B) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction, (C) makes an assignment for the benefit of its creditors, (D) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers of Consultant or of any substantial part of Consultant's property or (E) takes action for the purpose of any of the foregoing; or

(4) a court or government authority enters an order (A) appointing a custodian, receiver, trustee or other officer with similar powers with respect to Consultant or with respect to any substantial part of Consultant's property, (B) constituting an order for relief or approving a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other

creditors' relief law of any jurisdiction or (C) ordering the dissolution, winding-up or liquidation of Consultant.

- (b) On and after any Event of Default, the Retirement System shall have the right to exercise its legal and equitable remedies, including, without limitation, the right to terminate this Agreement or to seek specific performance of all or any part of this Agreement. In addition, the Retirement System shall have the right (but no obligation) to cure (or cause to be cured) on behalf of Consultant any Event of Default; Consultant shall pay to the Retirement System on demand all costs and expenses incurred by the Retirement System in effecting such cure, with interest thereon from the date of incurrence at the maximum rate then permitted by law. The Retirement System shall have the right to offset from any amounts due to Consultant under this Agreement or any other agreement between the Retirement System and Consultant all damages, losses, costs or expenses incurred by the Retirement System as a result of such Event of Default and any liquidated damages due from Consultant pursuant to the terms of this Agreement or any other agreement.
- (c) All remedies provided for in this Agreement may be exercised individually or in combination with any other remedy available hereunder or under applicable laws, rules and regulations. The exercise of any remedy shall not preclude or in any way be deemed to waive any other remedy.

- 17. Termination for Convenience.** The Retirement System shall have the option, in its sole discretion, to terminate this Agreement, at any time during the term hereof, for convenience and without cause. The Retirement System shall exercise this option by giving Consultant written notice of termination (the "Termination Notice"). The Termination Notice shall specify the date on which termination shall become effective.

Upon receipt of the Termination Notice, Consultant shall commence and perform, with diligence, all actions necessary on the part of Consultant to affect the termination of this Agreement on the date specified by the Retirement System and to minimize the liability of Consultant and the Retirement System to third parties as a result of termination. All such actions shall be subject to the prior approval of the Retirement System. Such actions shall include, without limitation, the cessation of performance of all services under this Agreement on the date(s) and in the manner specified by the Retirement System, the completion of performance of any service that the Retirement System designates to be completed prior to the date of termination specified by the Retirement System or such other actions as directed by the Retirement System. Consultant agrees to cooperate with the Retirement System to ensure an orderly termination process.

Within thirty (30) days following the termination date specified by the Retirement System, Consultant shall submit to the Retirement System an invoice, which shall provide details of all activities and services rendered through the date of termination.

- 18. Rights and Duties upon Termination.** This Section 18 and the following sections of this Agreement shall survive termination of this Agreement:

- (a) Section 4(c) (Payment Does Not Imply Acceptance of Services);
- (b) Section 10 (False Claims);
- (c) Section 11 (Taxes);
- (d) Section 12 (Independent Contractor);
- (e) Section 13 (Insurance);
- (f) Section 14 (Indemnification);
- (g) Section 15 (Limitation on Liability of the Retirement System);
- (h) Section 20 (Proprietary or Confidential Information);
- (i) Section 22 (Ownership of Results);
- (j) Section 23 (Works for Hire);
- (k) Section 24 (Audit and Inspection of Records);
- (l) Section 39 (Modifications);
- (m) Section 40 (Administrative Remedy);
- (n) Section 41 (California Law; Venue);
- (o) Section 42 (Construction);
- (p) Section 43 (Entire Agreement); and
- (q) Section 46 (Severability).

Subject to the immediately preceding sentence, upon termination of this Agreement, this Agreement shall terminate and be of no further force or effect. Consultant shall transfer title to the Retirement System, and deliver in the manner, at the times, and to the extent, if any, directed by the Retirement System, any work in progress, completed work and other materials produced as a part of, or acquired in connection with the performance of this Agreement, and any completed or partially completed work which, if this Agreement had been completed, would have been required to be furnished to the Retirement System.

19. Prohibited Activities.

- (a) Consultant represents and warrants that it does not and shall not knowingly employ, retain or compensate in any capacity: any employee, fiduciary, agent, consultant or other service provider of the Retirement System, or any member of the Retirement Board, who either could influence the award of this Agreement or any competing agreement, or who does or will have any direct or indirect financial interest in this Agreement ("Interested Person"), and any spouse or economic dependent of any Interested Person.
- (b) By executing this Agreement, Consultant certifies that it does not know of any fact which constitutes a violation of: (i) Section 15.103 of the Charter, (ii) Article III, Chapter 2 of the San Francisco Campaign and Governmental Conduct Code, as amended, (iii) Section 87100 et seq. of the Government Code or (iv) Section 1090 et seq. of the Government Code, and further agrees promptly to notify the Retirement System if it becomes aware of any such fact during the term of this Agreement. Consultant further acknowledges that individuals who will provide services under this Agreement may be deemed consultants under state and local conflict of interest laws. Consultant agrees to use its best efforts to require that such individuals submit a Statement of Economic Interests, California Fair Political Practices Commission

Form 700, to the Retirement System within ten (10) calendar days of the Retirement System's written request.

- (c) Consultant further acknowledges that it is familiar with Section 3.216 of the San Francisco Campaign and Governmental Conduct Code, as amended (the "Gifts Ordinance"), which prohibits an officer or employee of the Retirement System from soliciting or accepting any gift from a person who the officer or employee knows or has reason to know is a restricted source. The Gifts Ordinance defines "restricted source" to mean: (i) a person doing business with or seeking to do business with the department of the officer or employee; or (ii) any person who during the prior twelve (12) months knowingly attempted to influence the officer or employee in any legislative or administrative action. Consultant certifies that it does not know of any facts that constitute a violation of those provisions and agrees that it will immediately notify the Retirement System if it becomes aware of any such fact during the term of this Agreement.

- (d) Consultant shall comply with San Francisco Administrative Code Chapter 12K. Consultant is prohibited from considering current or past salary of an applicant in determining whether to hire the applicant or what salary to offer the applicant to the extent that such applicant is applying for employment to be performed on this Agreement or in furtherance of this Agreement, and whose application, in whole or part, will be solicited, received, processed or considered, whether or not through an interview, in the City or on City property. The ordinance also prohibits employers from (a) asking such applicants about their current or past salary or (b) disclosing a current or former employee's salary history without that employee's authorization unless the salary history is publicly available. Consultant is subject to the enforcement and penalty provisions in Chapter 12K. Consultant is required to comply with all of the applicable provisions of Chapter 12K, irrespective of the listing of obligations in this Section 19.

20. Proprietary or Confidential Information. Consultant understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Consultant may have access to private or confidential information which may be owned or controlled by the Retirement System and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the Retirement System. Consultant agrees that all information disclosed by the Retirement System to Consultant shall be held in confidence and used only in performance of the Agreement. Consultant shall exercise the same standard of care to protect such information as a reasonably prudent consultant would use to protect its own proprietary data.

21. Notices. Unless otherwise indicated elsewhere in this Agreement, all written communications sent by the parties may be by U.S. mail, e-mail (with confirmation of receipt) or by fax (with confirmation of receipt), and shall be addressed as follows (or to such other recipient or address as either party from time to time may specify in writing to the other party in accordance with this notice provision):

To the Retirement System:

Anna Langs
Managing Director, Asset Allocation, Risk Management, Innovative Solutions
San Francisco Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103-1561
Anna.Langs@sfgov.org

To Consultant: [_____]

- 22. Ownership of Results.** Any interest of Consultant or its subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by Consultant or its subcontractors in connection with services to be performed under this Agreement, shall become the property of and will be transmitted to the Retirement System in a useable format (including electronic format) upon demand by the Retirement System; *provided, however*, Consultant may retain and use copies for reference and as documentation of its experience and capabilities. The Retirement System shall have the unrestricted authority to publish, disclose, distribute or otherwise use in whole or in part any reports, data or other materials prepared under this Agreement, crediting Consultant as the source.
- 23. Works for Hire.** If, in connection with services performed under this Agreement, Consultant or its subcontractors create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems design, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the Retirement System. If it is ever determined that any works created by Consultant or its subcontractors under this Agreement are not works for hire under U.S. law, Consultant hereby assigns all copyrights to such works to the Retirement System and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the prior written approval of the Retirement System, Consultant may retain and use copies of such works for reference and as documentation of its experience and capabilities.
- 24. Audit and Inspection of Records.** Consultant agrees to maintain and make available to the Retirement System, during regular business hours, accurate books and accounting records relating to its work under this Agreement, including copies of all invoices. Consultant will permit the Retirement System to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement. Consultant shall maintain such data and records in an accessible location and condition for a period of not less than five (5) years after final payment under this Agreement or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the

subject matter of this Agreement shall have the same rights conferred upon the Retirement System by this Section 24.

- 25. No Assignment or Subcontracting.** The services to be performed by Consultant under this Agreement are personal in character and Consultant shall perform the work contemplated with resources available within its own organization. Neither this Agreement nor any duties or obligations hereunder may be assigned, subcontracted or delegated by Consultant without prior written consent of the Retirement System.
- 26. Non-Waiver of Rights.** The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.
- 27. Local Business Enterprise Utilization.** Consultant shall comply with all applicable provisions of San Francisco Administrative Code Chapter 14B. Consultant is subject to the enforcement and penalty provisions in San Francisco Administrative Code Chapter 14B.
- 28. Nondiscrimination; Penalties.**

 - (a) **Non Discrimination in Contracts.** Consultant shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code, as amended, which are incorporated herein by reference. Consultant shall incorporate by reference in all subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all subcontractors to comply with such provisions. Consultant is subject to the enforcement and penalty provisions in such chapters.
 - (b) **Nondiscrimination in the Provision of Employee Benefits.** Consultant shall comply with the provisions of San Francisco Administrative Code Section 12B.2. Consultant does not as of the date of this Agreement, and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the Retirement System elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2.
 - (c) **Condition to Agreement.** As a condition to this Agreement, Consultant shall execute and submit the "S.F. Administrative Code Chapters 12B and 12C Declaration: Nondiscrimination in Contracts and Benefits" form (form CMD-12B-101) with supporting documentation to the Retirement System.
- 29. MacBride Principles – Northern Ireland.** The provisions of San Francisco Administrative Code Section 12F, as amended, are incorporated herein by this reference and made part of this Agreement. By executing this Agreement, Consultant confirms that Consultant has read

and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

- 30. Tropical Hardwood and Virgin Redwood Ban.** Pursuant to San Francisco Environment Code Section 804(b), as amended, the City urges Consultant not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood or virgin redwood wood product.
- 31. Alcohol and Drug-Free Workplace.** The Retirement System reserves the right to deny access to, or require Consultant to remove from, the Retirement System's or the City's facilities agents of Consultant who the Retirement System has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs the Retirement System's ability to maintain safe work facilities or to protect the health and well-being of the Retirement System's employees and the general public. The Retirement System shall have the right of final approval for the entry or re-entry of any such person previously denied access to, or removed from, the Retirement System's or the City's facilities. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual lacks a valid prescription.
- 32. Compliance with Americans with Disabilities Act.** Consultant shall provide the services under this Agreement in a manner that complies with the Americans with Disabilities Act of 1990, as amended, including but not limited to Title II's program access requirements, and all other applicable federal, state and local disability rights legislation.
- 33. Sunshine Ordinance.** Consultant acknowledges that under Section 67.24(e) of San Francisco Administrative Code, contracts, contractors' bids, responses to requests for proposals and all other records of communications between the Retirement System and persons or Firms seeking contracts, shall be open to public inspection immediately after a contract has been awarded. All information provided by Consultant that is covered by that ordinance (as it may be amended) will be made available to the public upon request.
- 34. Limitations on Contributions.** By executing this Agreement, Consultant acknowledges its obligations under Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with, or is seeking a contract with, any department of the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, for a grant, loan or loan guarantee, or for a development agreement, from making any campaign contribution to (i) a City elected official if the contract must be approved by that official, a board on which that official serves, or the board of a state agency on which an appointee of that official serves, (ii) a candidate for that City elective office, or (iii) a committee controlled by such elected official or a candidate for that office, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date the City approves the contract. The prohibition on contributions applies to each prospective party to the contract; each member of

Consultant's board of directors; Consultant's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 10% in Consultant; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Consultant. Consultant certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 of the San Francisco Campaign and Governmental Conduct Code by the time it submitted a proposal for the contract, and has provided the names of the persons required to be informed to the Retirement System.

35. **Minimum Compensation Ordinance.** If applicable, Consultant shall pay covered employees no less than the minimum compensation required by San Francisco Administrative Code Chapter 12P. Consultant is subject to the enforcement and penalty provisions in San Francisco Administrative Code Chapter 12P. By signing and executing this Agreement, Consultant certifies that it is in compliance with San Francisco Administrative Code Chapter 12P.
36. **Health Care Accountability Ordinance.** If applicable, Consultant shall comply with San Francisco Administrative Code Chapter 12Q. Consultant shall choose and perform one of the Health Care Accountability options set forth in San Francisco Administrative Code Chapter 12Q.3. Consultant is subject to the enforcement and penalty provisions in Chapter 12Q.
37. **Prohibition on Use of Public Funds for Political Activity.** In performing the services under this Agreement, Consultant shall comply with San Francisco Administrative Code Chapter 12G, as amended, which prohibits funds appropriated for this Agreement from being expended to participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure. Consultant is subject to the enforcement and penalty provisions in such chapter.
38. **First Source Hiring Program.** Consultant must comply with all of the provisions of the First Source Hiring Program, Chapter 83 of the San Francisco Administrative Code, that apply to this Agreement, and Consultant is subject to the enforcement and penalty provisions in Chapter 83 of the San Francisco Administrative Code.
39. **Modifications.** This Agreement may not be modified, nor may compliance with any of its terms be waived, except by written instrument executed and approved in the same manner as this Agreement.
40. **Administrative Remedy.** All disputes, controversies or claims arising under or relating to this Agreement shall be settled by the Executive Director. The Executive Director's decision shall be deemed an exhaustion of all administrative remedies. However, the Executive Director's decision shall not preclude resorting to judicial remedy.
41. **California Law; Venue.** The formation, interpretation and performance of this Agreement shall be governed by the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Agreement shall be in San Francisco.

- 42. Construction.** All section headings in this Agreement are for reference only and shall not be considered in construing this Agreement. Terms such as “hereunder” or “herein” refer to this Agreement as a whole. Terms such as “include” or “including” shall be deemed followed by the words “without limitation.” References to consents, approvals, determinations or other decisions of the Retirement System shall refer to the sole judgment of the Retirement System.
- 43. Entire Agreement.** This Agreement contains the entire agreement between the parties, and supersedes all other oral or written provisions. The attached Exhibits A, B and C are a part of this Agreement.
- 44. Compliance with Laws.** Consultant shall keep itself fully informed of the City’s Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Agreement, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.
- 45. Services Provided by Attorneys.** Any services to be provided by a law Firm or attorney on behalf of the Retirement System must be reviewed and approved in writing in advance by the Office of the City Attorney of the City (the “City Attorney”). No invoices for services provided by law Firms or attorneys, including without limitation, as subcontractors of Consultant, will be paid unless the provider received advance written approval from the City Attorney.
- 46. Severability.** Should the application of any provision of this Agreement to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Agreement shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the intent of the parties and shall be reformed without further action by the parties to the extent necessary to make such provision valid and enforceable.
- 47. Cooperative Drafting.** This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement.
- 48. Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which counterparts shall together constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first referenced above.

**SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

[_____]

By: _____
Alison Romano
CEO & CIO

By: _____
Name: _____
Title: _____

Approved as to Form:

David Chiu
City Attorney

By: _____
Cecilia Mangoba
Deputy City Attorney

APPENDIX D

SFERS' INVESTMENT POLICY STATEMENT

**Investment Policy Statement for the
San Francisco City and County
Employees' Retirement System**

Mission Statement

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension Trust assets, administering mandated benefit programs, and providing promised benefits.



SFERS

San Francisco Employees' Retirement System

July 1, 2022

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INTRODUCTION

This document provides the framework for the management of the assets of the San Francisco City and County Employees' Retirement System ("SFERS" or the "System"). The purpose of the Investment Policy Statement ("IPS") is to assist the Retirement Board (the "Board") to effectively supervise and monitor the assets of SFERS (the "Plan"). Specifically, the IPS will address the following issues:

- The goals of the investment program;
- The investment beliefs for managing plan assets;
- The policies and procedures for the management of the investments;
- Strategic asset allocations, rebalancing procedures and asset class definitions;
- Duties of responsible parties.

The Board establishes this investment policy in accordance with applicable Local, State, and Federal laws. The Board members exercise authority and control over the management of the Plan by setting policy that the Investment Staff executes with discretionary authority subject to policies established by SFERS. The Board oversees and guides the Plan and its policies subject to the following basic fiduciary principles:

- To act solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing contributions thereto, and defraying reasonable expenses of administering the Plan. The Board's duty to its participants and their beneficiaries shall take precedence over any other duty.
- To act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims.
- To diversify the investments of the Plan so as to effectively trade off the risk of loss and appropriate rates of return. Diversification is applicable to the deployment of the assets as a whole and does not preclude the use of concentrated investment styles.

The IPS is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur and to establish reasonable parameters to ensure prudence and care in the execution of the investment program.

INVESTMENT GOALS

SFERS' investment goals are:

1. To provide SFERS participants with retirement benefits as required by City and County Charter and applicable laws. This will be accomplished through a carefully planned and executed long-term investment program.
2. On an annualized net-of-fee basis, over a full market cycle, the total portfolio will be expected to:
 - a. Exceed the assumed actuarial rate of return (currently 7.4%).
 - b. Exceed the benchmark return based on SFERS' asset allocation policy and respective asset class component benchmark returns over rolling five-year periods.
3. To undertake all transactions for the sole benefit of SFERS members and beneficiaries, and for the exclusive purpose of providing benefits to them, minimizing contributions to the Plan and defraying reasonable administrative expenses associated with the Plan.
4. To set asset allocation policy in a manner that encompasses a strategic, long-term perspective of the capital markets, the nature and structure of SFERS' liabilities, as well as the impact on employee and employer contributions. SFERS recognizes that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Plan's investment performance.
5. To make decisions and follow investment policies which comply with "prudent expert" standards.

INVESTMENT BELIEFS

1. Investment plan design should reflect a long-term horizon.
2. The power of compound returns and capital preservation is substantial and should be recognized.
3. Volatility in the short term can be substantial but diminishes over long periods of time.
4. Reducing the potential for investment loss that leads to increased employer and employee contributions is a priority.
5. Asset allocation is the primary determinant of risk and return.
6. Investment decisions should be made in a total portfolio context.
7. Superior returns are achieved through asset allocation, asset rebalancing, and manager and security selection.
8. Material environmental, social, and governance (ESG) factors can affect the risk and return characteristics of investments.

9. To achieve its mission, SFERS seeks to partner with exceptional managers with identifiable investment skill and ability to recognize and exploit less efficient market segments.
10. Specialist managers tend to outperform generalists.

INVESTMENT POLICIES AND PROCEDURES

SFERS' assets will be managed on a total return basis. While SFERS recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

The policies and procedures of SFERS' investment program are designed to maximize the probability that the investment goals will be achieved.

1. Asset Allocation Policy

SFERS adopts and implements an asset allocation policy that is predicated on a number of factors, including:

- Actuarial projections of assets, liabilities, benefit payments, and the cost of contributions;
- Historical and expected long-term capital market risk and return behavior;
- An assessment of future economic conditions, including inflation and interest rate levels; and,
- The current and projected funding status of the Plan.

This policy provides for diversification of assets in an effort to maximize the investment return of the Plan consistent with market conditions and risk tolerance. Asset allocation modeling identifies asset classes the Plan will utilize and the percentage that each asset class will represent of the total Plan. The current long-term asset allocation targets and ranges for the investments of the Plan's assets are shown in the Appendix.

Due to the fluctuation of market values, actual weights within a specified range are acceptable and constitute compliance with the policy. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy, and that periodic revisions will occur. SFERS' Investment Staff ("Staff") and external consultants will monitor and assess the actual asset allocation versus policy and will evaluate any variation deemed significant.

2. Environmental, Social, and Governance Policy

SFERS incorporates ESG factors into its management of the Plan in a manner that is consistent with the Retirement Board and Staff's fiduciary responsibilities to act in the best interests of the members, retirees, and beneficiaries of the Retirement System and consistent with SFERS' role as a prudent, long-term investor.

SFERS' specific practices related to ESG factors are described fully in the separate, "SFERS Environmental, Social, and Governance (ESG) Procedures".

3. Investment Manager Policy

The selection of investment managers will be accomplished in accordance with all applicable Local, State and Federal laws and regulations. Each investment manager must function under a formal contract that delineates responsibilities, establishes guidelines, and articulates performance expectations.

SFERS shall follow the guidelines for evaluating and retaining managers in accordance with the guidelines for respective asset classes.

The managers responsible for a separately managed accounts (SMA's) on SFERS' behalf will be expected to acknowledge in writing that they are Plan fiduciaries and will have discretion and authority to determine investment strategy, security selection and timing within their assigned mandate, and subject to IPS guidelines and any other guidelines specific to their portfolio.

SMA investment managers, as prudent experts, will be expected to know SFERS' policies (as outlined in this and other appropriate documents) and any specific guidelines for their portfolios, and to comply with those policies and guidelines. It is each manager's responsibility to identify policies and guidelines that may have an adverse impact on performance, and to initiate discussion with Staff toward possible improvement of said policies or guidelines through Board action.

The Staff will also review each SMA investment manager's adherence to investment guidelines, and any material changes in the manager's organization (e.g., personnel changes, new business developments, etc.). The investment managers retained by SFERS will be responsible for informing SFERS Staff of all such material changes on a timely basis. Performance of each portfolio will be monitored and evaluated on a regular basis relative to a suitable benchmark and, where appropriate, relative to a peer group of managers with similar investment styles.

4. Selection Criteria for Investment Managers

Criteria will be established for each manager search undertaken by SFERS and will be tailored to SFERS' needs in each search.

In general, eligible managers will possess attributes including, but not limited to, the following:

- The firm must be SEC-registered or exempt from registration. Firms claiming exemption from registration requirements must provide appropriate documentation and disclosures indicating reasons for exemption.
- The firm or its senior investment professionals must be experienced in managing money for institutional clients in the asset class/product category/investment style specified by SFERS.
- The firm must display a record of stability in attracting and retaining qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients.
- The firm must have an asset base sufficient to accommodate SFERS' portfolio. In general, firms should have at least \$250 million of discretionary institutional assets under management, and SFERS' portfolio would generally make up no more than 20% of the firm's total asset base after

funding. Exceptions may be made on a case-by-case basis.

- The firm must demonstrate adherence to the investment style sought by SFERS, and adherence to the firm's stated investment discipline.
- The firm's fees should be competitive with industry standards for the product category.
- The firm must comply with the "Duties of the Investment Managers" outlined herein and conform to CFA Institute/Global Investment Performance Standards for performance reporting.

When making a recommendation to retain a manager, any exceptions to these attributes for a recommended manager shall be noted to the Board in writing by Staff and the appropriate asset class consultant.

5. Criteria for Investment Manager Termination

SFERS reserves the right to terminate an investment manager at any time for any reason.

Grounds for investment manager termination may include, but are not limited to, the following:

- Failure to comply with the guidelines agreed upon for management of SFERS' portfolio, including holding any restricted issues.
- Failure to achieve performance objectives specified in the manager's guidelines.
- Significant deviation from the manager's stated investment philosophy and/or process.
- Loss of key personnel or changes in ownership structure.
- Evidence of illegal or unethical behavior by the investment management firm or its principals.
- Lack of willingness to cooperate with reasonable requests by SFERS for information, meetings or other material related to its portfolios.
- Loss of confidence by the Board or Staff in the investment manager.
- A change in the Plan's investment strategy or asset allocation, which necessitates a shift of assets to another sub-asset class, sector or strategy.

The presence of any one of these factors will be carefully reviewed by SFERS' Staff but will not necessarily result in an automatic termination.

6. Investment Manager and Consultant Authority

The investment managers shall have full discretion to direct and manage the investment and reinvestment of assets allocated to them for management on SFERS' behalf in accordance with this document, applicable Local, State and Federal statutes and regulations, individual investment management agreements, approved investment guidelines, and executed contracts.

Consultants shall have no discretionary authority (unless such authority is delegated contractually by the Board and the Consultant) and shall be co-fiduciaries to the Plan. Consultants shall be responsible for making timely and appropriate recommendations on investment policy issues, for monitoring managers, and for reporting on manager and total fund performance (or asset class composite level performance for specialty consultants) on a quarterly basis. The Board and Staff will consider the comments and recommendations of Consultants in conjunction with other available information in making informed, prudent decisions.

7. Fiduciary Responsibilities

All investments implemented through separately managed accounts (SMAs) must be managed by a qualified investment manager acting in a fiduciary capacity to SFERS. Once retained, an investment manager must acknowledge in writing the manager's fiduciary responsibility to SFERS and acknowledge the objectives and policies contained in this Policy. It is expected that, at all times, the manager(s) will conduct themselves as fiduciaries in conformance with the California Constitution, Article XVI, Section 17 and Charter Section 12.100, unless a lesser standard of fiduciary duty is necessary because of generally prevailing industry standards for an investment of that type and nature. Any such generally prevailing industry standard shall be established upon the written advice of the investment consultant responsible for that asset class.

8. Emerging Business Enterprises

SFERS Staff, its investment managers, and its consultants shall make a good faith effort to retain and utilize the services and/or products of qualified Emerging Business Enterprises on a sub-contracting and/or joint venture basis when those services/products are provided consistent with the fiduciary responsibilities of the Board.

SFERS will also, to the extent possible, use and encourage the use by its managers of brokerage services offered by emerging brokerage firms, particularly certified San Francisco-based firms.

SFERS has also adopted a policy regarding emerging investment managers.

9. Custody of Assets

With the exception of assets invested in commingled funds or assets invested in an investment program approved to use one or more Prime Brokers, the assets of the Plan shall be held in a custody/record-keeping account in a master custody bank located in a national money center and in the international sub-custodian banks under contract with the custodian bank.

Staff shall be responsible for reviewing the cost-effectiveness and performance of the custodian on a regular basis (at least every five years), with input from SFERS' consultants as needed.

10. Derivatives

Derivatives may be employed by SFERS' investment managers if permitted in the manager's written guidelines. The purpose of derivatives shall be to control portfolio risk, aid in liquidity management, augment return, and/or execute portfolio strategies in a timely and cost-effective manner. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices or instruments including, but not limited to futures, forwards, options, options on futures and private swaps. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, executing a passive management style, maintaining exposure to a desired asset class while effecting asset allocation changes, - adjusting portfolio duration of fixed income portfolios, and to create total Plan leverage as described in section 11.

Unless permitted to do so in their written guidelines, SFERS' investment managers are not allowed to utilize derivatives for speculative purposes. SFERS' managers typically shall not borrow funds to purchase

derivatives; any exceptions shall be specified in the investment manager's written guidelines. No derivatives positions can be established that create portfolio characteristics outside of portfolio guidelines. Managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

11. Short Sales and Leverage

Short sales occur when a manager borrows a security and sells it on the open market, typically planning to buy it back later for less money. Leverage is an exposure to an asset class that is not fully collateralized by cash assets or exposure to an asset acquired that has not been fully funded. Managers may invest in short sales of securities -or use leverage - only if permitted in the investment manager's written guidelines and/or governing documents, and shall typically be subject to expressed limits. Short sales and leverage, used appropriately, can improve investment portfolio efficiency in terms of return for risk versus more traditional unlevered long-only approaches.

To the extent allowed by SFERS' strategic asset allocation, total Plan leverage can be used to help build and manage the desired risk profile for the portfolio. Total Plan level leverage will be targeted at 3% and may vary between 0 and 5%. It can be used to meet portfolio asset allocation targets and change the asset allocation within the ranges set in the Appendix. Leverage can be used to improve portfolio returns and diversification, reduce portfolio concentration, and improve plan liquidity.

Monitoring and Restrictions of Total Plan Leverage:

- Total Plan leverage will be monitored daily by the Plan's overlay manager and reported on monthly in the CIO report and quarterly by the Plan's investment consultant.
- Asset classes using leverage will be monitored continuously to ensure the appropriate targets and leverage ratios are being maintained.
- Notional exposure at the portfolio level may range from 100% to 105%
- Collateral requirements shall be monitored regularly by the overlay manager and supported by adequate liquidity.
- The program shall not be used to gain exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by the investment guidelines if the program were not in place.

12. Credit Facilities

Credit Facilities for the Trust are allowed with the following conditions:

- a) The facility is reviewed and approved by the Board and General Investment Consultant.
- b) The total amount of all outstanding loans at any given time is less than \$600 million.

c) The initiation of any loan through a credit facility is approved by both the Chief Investment Officer and the Executive Director, after careful consideration of other potential sources of liquidity.

d) Detailed reporting through monthly CIO reports and annual review to the Board is provided in line with SFERS' Processes and Procedures.

ASSET ALLOCATION INVESTMENT GUIDELINES AND REBALANCING PROCEDURES

SFERS' long-term Strategic Asset Allocation is specified in the Appendix. The composite benchmarks are used:

- To assess the risk/return characteristics for each asset class,
- To estimate expected returns for each asset class,
- For public markets, to outline the investable universe.

Asset Class Definitions

SFERS will utilize the following portfolio components to fulfill the asset allocation targets and total fund performance goals established elsewhere in this document.

I. Growth – The Growth/Capital Appreciation portfolio will serve as the long-term growth engine of the portfolio. This portfolio will be the primary source of return as well as risk (volatility) for the portfolio. The Plan's Growth portfolio may be comprised of different market segments and approaches, including:

- **Public Market Equity** – SFERS anticipates that long-term total returns for equities will be higher than total returns for fixed income securities and may be subject to greater volatility. SFERS' equity holdings will be well diversified with respect to region, capitalization ranges and investment styles. The public market equity components in the Plan's asset allocation mix are:
 - **US Equity** – This segment of the portfolio will provide broadly diversified exposure to the US equity market, in both large and small cap market segments, as well as diversified exposure to different style segments (e.g., growth and value). Passive, enhanced passive and, active management strategies may be used in US equity holdings.
 - **Developed (ex-US) Equity** – This portfolio provides access to equity markets outside the US and consequently plays a significant role in diversifying SFERS' domestic equity portfolio. A core international segment will concentrate on larger companies in developed non-US equity markets while a small capitalization segment will ensure exposure to the smaller companies that are primarily located in developed markets. Both passive and active management may be used in the core international equity portfolio, although active strategies will be emphasized.
 - **Emerging Markets Equity** - An emerging markets equity portfolio further diversifies the developed market segments by investing in developing markets that have lower correlations with developed economies.
 - **Global Equity** – A global equity portfolio will invest in both US and non-US companies, including emerging markets. Managers will have the discretion to allocate between US and non-US companies depending on their view of opportunities, valuations, and growth prospects.
 - **Opportunistic and Specialty strategies** may also be included in the Public Market Equity segment for the purpose of enhancing return, managing risk, and/or taking advantage of management approaches or hybrid securities that embody equity as well as other characteristics.

As specified in their investment guidelines, active managers may be given discretion to hedge currency exposure in their portfolios.

- **Private Equity** – The Private Equity portfolio seeks to deliver long-term, risk-adjusted returns superior to those of comparable public markets. Investments in the asset class are achieved primarily through commingled fund and SMA partnerships managed by investors who focus on specific segments of the market. Private Equity investment strategies include buyout, venture capital, growth capital, and special situations. Other investment strategies that may be pursued on an opportunistic basis include direct / co-investments, secondary transactions, and other credit-based strategies such as mezzanine financing. Given the increased risk, illiquidity and management expense inherent in private investments, the Private Equity portfolio is expected to provide higher returns over the long term than publicly traded equity securities.

The primary objective of the Private Equity portfolio is to provide a substantial return premium (300 basis points or more) over public equity markets over rolling 10-year periods.

2. **Income** – The Income/Capital Preservation portfolio is intended to provide income and “downside protection” to the portfolio in periods of financial market duress or disinflation by providing a stable return. Income allocation also aids in the diversification of the Plan’s assets. The Income/Capital Preservation portfolio may be comprised of different market segments and approaches, including:

- **Private Credit** – The Private Credit portfolio will invest in a variety of strategies including, but not limited to, senior debt/direct lending, mezzanine loans, specialty finance, real estate debt, distressed debt, and special situations. The primary objective of Private Credit is to provide a return premium (150 basis points or more) over Liquid Credit. The Private Credit portfolio invests in commingled funds, co-investments and SMA’s.
- **Public Market Fixed Income/ Liquid Credit** – The primary role of the Liquid Credit portfolio is to generate added yield compared to Treasuries over a full market cycle and provide diversification for the Plan. SFERS’ Liquid Credit portfolio will be well diversified, and may include, but is not limited to, investment grade and non-investment grade corporate debt, emerging market debt, and asset-backed securities.
- **Public Market Fixed Income/ U.S. Treasuries** - The primary role of the U.S. Treasuries portfolio is to provide capital preservation, liquidity, and to increase the diversification of the Plan as a whole. Active, enhanced passive, and passive management strategies may be employed. SFERS’ Treasuries portfolio will be well diversified. Subject to appropriate risk constraints and in keeping with the stated objectives for the Treasuries portfolio, out of benchmark issuers, positions, and holdings may be permitted if authorized in a Manager’s Investment Guidelines.
- **Cash** - Cash will be segmented into three categories:
 - **Cash needed for Payment of Benefits and Expenses** – This is cash that will be set aside for the specific purpose of paying benefits and expenses. This cash should generally not be used to meet capital calls or other investment funding requirements. The amount of cash “set aside” for this purpose should not be less than one or more than four months funding requirement, with a target of three months.
 - **Cash Available for Investment** – This is cash which is available for investment following

SFERS' Investment Guidelines contained herein. As a matter of principle, SFERS will strive to maintain a "zero cash" policy, i.e., all funds available for investment should be kept invested in accordance with this Investment Policy. Cash Available for Investment should not exceed 5% of Plan assets, with a target of 0%.

- **Cash Overlay** - It is common for institutions such as SFERS to set an Asset Allocation target for cash at 0.0%, since cash is expected to underperform other asset classes over the long term. In order to make benefit payments and meet capital calls, however, it is necessary to hold a minimal amount of cash. Over time, cash causes a drag on performance. The process of rebalancing physically held securities to target causes additional performance drag due to transaction costs and market exposure gaps. These costs can be minimized, and liquidity and efficiency can be increased, by a cash overlay program that uses liquid index futures to maintain portfolio exposures and reduce the number of physical security transactions.

3. Diversifying – The Diversifying portfolio consists of assets that provide investors with a better hedge against loss of purchasing power than traditional asset classes including equities and bonds. Moreover, these strategies maintain lower correlation to traditional asset classes, providing diversification benefits. The Plan's Diversifying portfolio may be comprised of different market segments and approaches, including:

- **Real Assets** – The Real Assets portfolio seeks to provide portfolio diversification, current income, and protection against unanticipated inflation. SFERS' Real Assets team will generally focus on alpha generating, higher returning private investment strategies in real estate, natural resources, and opportunistically in other real assets strategies rather than publicly traded securities such as TIPS, REITs, commodities indices, and natural resource equities. SFERS' Real Assets portfolio invests in commingled fund, SMAs, direct and co-investments.

Private real estate is a global asset class that can provide portfolio diversification as well as attractive levels of current income and capital appreciation. Even when the core segment of the asset class is fairly or over valued in prime locations around the world, there are compelling investment opportunities in non-core and opportunistic real estate segments, particularly in less efficient niche property sectors or markets that can provide investors with more attractive risk-adjusted returns. SFERS' Real Assets team will seek to partner with exceptional managers who specialize in specific property types or geographic regions, favoring those who have the operating capabilities to improve assets and drive net operating income.

Private investment in natural resources – energy, metals and mining, timberland, and agriculture – can provide attractive return prospects and significant portfolio diversification. Natural resources have historically had low correlation with traditional public market asset classes. Despite the long-term attractiveness of the global natural resources industry, market cyclicality and short-term price volatility can still exist. SFERS' Real Assets team will seek to partner with experienced investment managers who can take advantage of short-term price dislocations – which often react to factors unrelated to long-term industry fundamentals – to capture value and deliver superior returns. Other diversifying strategies such as infrastructure that complement real estate and natural resources may be opportunistically considered as well. Similar to real estate and natural resources, the Real Assets team will seek to partner with high

quality managers that have the ability to create alpha and drive returns.

- **Absolute Return** – SFERS’ Absolute Return portfolio invests in commingled funds, co-investments and SMAs. The objectives of the total portfolio are to generate an attractive absolute and risk-adjusted rate of return with low performance volatility and low correlation to global equity and fixed income markets, over a full market cycle; preserve capital during prolonged equity market drawdowns; and enhance total Fund alpha through exposure to sources of return and risk that differ meaningfully from traditional equity, fixed income and private market investments. The portfolio investment strategies trade in a wide range of securities and other instruments (including, but not limited to, equities and fixed income securities, currencies, commodities, futures contracts, options and other derivative instruments). Hence, absolute return has characteristics of both diversifying assets and capital preservation. The investment approach is to achieve broad diversification across global capital markets and strategies, which include Equity, Credit, Macro, Emerging Markets, Quantitative, Multi-Strategy, Special Situations/Other, and Commodities.

Rebalancing

A rebalancing process, implemented on a regular basis when asset allocation ranges are breached, or when cash flows occur (e.g., for benefit payments or funding new investments), or for other reasons judged to be in the best interests of the Plan and its beneficiaries, will be used to maintain or to move asset allocations within their appropriate allowable ranges as delineated in the Appendix of this Investment Policy Statement.

The Chief Investment Officer (“CIO”), supported by the Managing Directors, shall be responsible for undertaking rebalancing at the broad asset class level. The Senior Portfolio Managers (“SPMs”) and Directors shall be responsible for making rebalancing recommendations to the appropriate Managing Director for their respective asset class(es) and for implementing those recommendations subject to approval from the CIO. Rebalancing decisions will take into consideration a combination of various factors including but not limited to: cash needed for benefit payments and expenses, cash needed for investments, asset allocation shifts and weights relative to targets and permissible ranges, capital markets conditions, and the performance, organizational and investment attributes of individual managers.

When broad asset class ranges are breached, the System will rebalance assets such that asset allocation is brought to within the ranges specified in the Appendix. Subject to approval by the appropriate Managing Director and the CIO, Staff will also have discretion on how to redeploy assets within their asset class in accordance with applicable ranges. The Board recognizes that from time to time ranges may be breached for a period of time due to the absence of an appropriate manager and/or Staff judgment that an existing manager(s) should not be allocated additional assets, or when, in the judgment of Staff, market conditions are not favorable to rebalancing activities.

The CIO shall report to the Board monthly on the System’s rebalancing activities, including any exceptions to policy.

GENERAL INVESTMENT OBJECTIVES AND GUIDELINES FOR PUBLIC MARKET SECURITIES

Public Market Equity

The public equity portfolio will be managed on a total return basis, will employ a variety of investment styles, and may be implemented by way of both SMA's and commingled funds. Allocations will be evaluated on an on-going basis against representative market benchmarks determined in advance and specified in the written guidelines governing each SMA. Where such comparisons are applicable, investment results will also be compared to returns of a peer group of managers with similar styles. These benchmarks may also be modified, as appropriate to the manager's investment style, to exclude restricted stocks.

- Unless authorized in SMA guidelines, an equity manager's cash holdings shall not exceed 10% of portfolio market value.
- American Depositary Receipts or other depository receipts listed on a major stock exchange or on the NASDAQ are permitted if specified in the manager's guidelines.
- Convertible securities may be held in equity portfolios if authorized in guidelines and shall be considered equity holdings.
- Securities must be traded on a regulated stock exchange or listed on the NASDAQ or a comparable foreign market operation.
- Up to 5% of the public equity portfolio may be invested in non-publicly traded securities.
- Forward or futures contracts for foreign currencies may be entered into for hedging purposes or pending the selection and purchase of suitable investments in or the settlement of any such securities transactions only in portfolios designated specifically to hold these types of securities (i.e., currency overlay).
- The total equity portfolio shall have the following liquidity guidelines:
 - Less than 1 month: 25% minimum
 - Greater than 12 months: 15% maximum
- Long/short equity strategies shall be permitted.
- The total public equity portfolio's net long exposure shall be in a range of 75%-100%; gross long exposure shall be in a range of 75%-150%; and gross short exposure shall be in a range of 0%-50%.
- The total public equity portfolio shall have an expected tracking error target of 3%, with a range of 1%-5%.

Public Market Fixed Income Portfolios

The Public Market Fixed Income portfolio is comprised of separate allocations to U.S. Treasuries and Liquid Credit.

The U.S. Treasuries portfolio will be managed to provide diversified exposure to the U.S. Treasury market while the Liquid Credit portfolio will be managed on a total return basis, providing exposure to either specific investment styles or multiple fixed income sectors.

Fixed income allocations may be implemented by way of both SMA's and commingled funds. Allocations will be evaluated on an ongoing basis against representative market benchmarks determined in advance and specified in the written guidelines governing each SMA. Where such comparisons are applicable, investment results will also be compared to returns of a peer group of managers with similar styles.

Permissible securities for each investment manager will be determined based on their investment style and risk and return objectives. Permissible holdings shall include, but are not limited to, government and government agency bonds, corporate bonds (including convertible bonds), floating rate loans, securitized instruments (such as asset-backed and mortgage-backed securities), and cash equivalents. Derivatives may be used to control risk and augment return, or to effect portfolio management decisions in a timely, cost-effective manner. Short positions are also permissible.

Any exemption from these general guidelines requires the approval of the CIO, Managing Director for Asset Allocation, Risk Management, and Innovative Solutions, and General Consultant, and shall be reported to the Board.

DUTIES OF RESPONSIBLE PARTIES

Duties of the SFERS Board

The Board will adhere to the following procedures in the management of SFERS' assets:

- The Board's primary responsibility is to set the policy framework in which the implementation of SFERS' investment program will take place. Staff will be responsible for the timely implementation and administration of the Board's policy decisions.
- The Board shall formally review SFERS' investment structure, asset allocation and financial performance at least every three years, or more frequently should capital markets or the financial condition of the Plan undergo a material, long-term change necessitating such a review. The review will include recommended adjustments to the long-term, strategic asset allocation to reflect any changes in applicable regulations, long-term capital market assumptions, actuarial assumptions or SFERS' financial condition.
- The Retirement Board shall review SFERS' investment results at least quarterly,¹ or more often as needed, to ensure that policy guidelines continue to be met. The Board shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks and peer group comparisons. The sources of information for these reviews shall include Staff, outside consultants, the custodian, the performance measurement provider, and SFERS' investment managers.
- The Board may retain investment consultants to provide such services as conducting performance and manager reviews, asset allocation, and investment research. The comments and recommendations of the consultants will be considered in conjunction with other available information to aid the Board in making informed, prudent decisions. In selecting external consultants, the Board shall consider the recommendations of Staff.
- The Board shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed.
- The Board shall direct Staff to administer SFERS' investments in a cost-effective manner subject to Board approval. Investment-related costs include, but are not limited to, management, consulting and custodial fees, transaction costs and other administrative costs chargeable to SFERS.
- The Board shall be responsible for selecting a qualified custodian with advice from Staff, and from the Consultant(s) if directed by the Staff or the Board.
- The Board shall provide oversight of the effectiveness of Staff's implementation of its policy directives.

Duties of the Investment Staff

SFERS' Investment Staff plays a significant role in the management and oversight of the Plan and is responsible for the timely implementation and administration of the Board's policy decisions. The Board shall monitor the performance of the Investment Staff in carrying out the duties, which include:

¹ Performance of Private Equity, Real Assets, and Private Credit are reviewed annually.

- Managing investment funds according to written investment policies and guidelines as directed by the Board.
- Carrying out rebalancing activity in accordance with the policy stated in this document.
- Monitoring external managers for adherence to SFERS' written policies and guidelines, and in accordance with respective asset class guidelines. Reviews for portfolios managed by external managers will focus on:
 1. Compliance with the investment guidelines.
 2. Compliance with the terms of the contracts, and the manager's ability to provide the System with timely, accurate and useful information.
 3. Manager's ability to continue to achieve its objectives given its investment process and resources.
 4. Material changes in a manager's organization. This may include, but is not limited to changes in investment philosophy, personnel or ownership, acquisitions or losses of major accounts, etc. The manager will be responsible for advising SFERS' Staff of any material changes in personnel, investment strategy, or other pertinent information potentially affecting performance.
 5. Investment performance relative to each manager's stated performance benchmark(s) as set forth in the manager's investment guidelines as well as the manager's rankings in an appropriate peer group comparison.
- Providing due diligence, oversight, and investment recommendations regarding all investment portfolios with assistance from the respective Consultant(s).
- Identifying, measuring and evaluating risk in SFERS' holdings across all asset classes.
- Evaluating and managing relationships with the Consultant(s) to the Plan to ensure that the Consultant(s) are providing all the necessary assistance to Staff, and the Board as set forth in their service contracts and meeting the needs of the System.
- Making recommendations to the Board regarding retention of Consultant(s).
- Conducting manager searches with assistance from Consultant(s).
- Managing portfolio restructurings resulting from manager terminations with the assistance of Consultants, managers, or other parties, as needed.
- Conducting, directing Consultants and/or managers to conduct, or participating in any special research required to manage the Plan more effectively and in response to any questions or issues raised by the Retirement Board.
- Reviewing the cost-effectiveness and performance of the custodian on a regular basis (at least every five years), with input from SFERS' Consultants as needed or as directed by the Board.
- Monitoring and reviewing the System's securities lending program (if any) on an ongoing basis in accordance with SFERS' processes and procedures including annual update to the Board of program's performance, activity, and initiatives.
- Monitoring and reviewing the System's credit facilities (if any) on an ongoing basis in accordance with SFERS' processes and procedures including annual update to the Board of program's cost, utilization, and initiatives.
- In collaboration with Plan's General Investment Consultant, Staff shall monitor and report on the utilization and results of the Plan Leverage program.
- In collaboration with SFERS' Consultants, Staff will present to the Board annual updates for Asset Allocation and Risk Management, ESG, Public Fixed Income, Public Equity, Absolute Return, Private Credit, Real Assets, and Private Equity. Updates will provide an overview of each area's strategic plan, co-investment and direct investment programs, performance (as

appropriate), activity, and initiatives.

Duties of the Investment Managers

The duties of the Investment Managers shall include:

- Provide the Plan with a written agreement to invest within the guidelines established.
- Provide the Plan with proof of liability and fiduciary insurance coverage on an annual basis.
- Be an SEC-Registered Investment Advisor under the 1940 Act or exempt from registration and be recognized as providing demonstrated expertise over a number of years in the management of institutional, tax-exempt assets within a defined investment specialty.
- Adhere to the investment management style, concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, and purchasing and selling securities.
- Execute all transactions for the benefit of the Plan with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the Plan.
- Reconcile monthly accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.
- Maintain frequent and open communication with the System on all significant matters pertaining to the Investment Plan, including, but not limited to, the following:
 1. Major changes in the Investment Manager's investment outlook, investment strategy and portfolio structure;
 2. Significant changes in ownership, organizational structure, financial condition or senior personnel;
 3. Any changes in the Portfolio Manager(s) or other personnel assigned to the Plan;
 4. Each client which terminates its relationship with the Investment Manager, and whose assets represent 5% or more of the firm's AUM and/or 10% or more of assets in the strategy in which SFERS invests, within 30 days of such termination;
 5. All pertinent issues which the Investment Manager deems to be of significant interest or material importance to its investment process; and
 6. Meet with the Staff or the Board on an as-needed basis.

Duties of the Master Custodian

The Master Custodian shall be responsible for the following actions:

- Provide complete global custody and depository services for the designated accounts.
- Manage, if directed by the Board, a Short-Term Investment Fund for investment of any cash not invested by managers, and to ensure that all available cash is invested in this or other fixed income vehicles approved by the Board for this purpose. If the cash reserves are managed externally, full cooperation must be provided to the external cash manager.
- Provide in a timely and effective manner a monthly report of the investment activities implemented by the investment managers and the performance of each portfolio.
- Collect all income and principal realizable, including timely processing and collection of tax reclaims, and properly report its regular accounting statements.

- Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These reports should be provided within acceptable time frames.
- Report to SFERS' Staff situations where accurate security pricing, valuation and accrued income is either not possible or subject to considerable uncertainty.
- Provide regular performance reports including performance attribution of SFERS' asset class composites and total assets, and a check on guideline compliance and adherence to investment style and discipline; performance calculations shall conform to the CFA Institute's Global Investment Performance Standards.
- Reconcile monthly with SFERS investment managers on price variance and portfolio valuation.
- Provide assistance to the Plan to complete such activities as the annual audit, proxy voting, transaction verification or other unique issues as required by the Board.
- Manage a securities lending program to enhance income if directed to do so by the Board. The custodian may also be called upon to manage the cash collateral associated with the securities lending program. If a securities lending program is managed externally, full cooperation must be provided to the external securities lending agent. Provide credit facilities options to enhance liquidity management if directed to do so by the Board.

Duties of the Investment Consultants

The selection of Consultants will be accomplished in accordance with all applicable Local, State and Federal laws and regulations. Each Consultant shall be a co-fiduciary to the Plan and must function under a formal contract that delineates responsibilities and appropriate performance expectations.

Consultants shall have no discretionary authority (unless such authority is delegated contractually by the Board and the Consultant). They shall be responsible for making timely and appropriate recommendations on investment policy issues, for monitoring managers, and for reporting on performance results on a quarterly basis. The Board and Staff will consider the comments and recommendations of Consultants in conjunction with other available information in making informed, prudent decisions.

Each Consultant shall abide by The Code of Ethics and The Standards of Professional Conduct established by the CFA Institute (formerly the Association for Investment Management and Research) in carrying out its responsibilities with respect to SFERS.

The General Investment Consultant shall be responsible to the Board for the following actions:

- Assist SFERS Staff in making recommendations to the Board regarding investment policy and strategic asset allocation, including sub-asset class structure.
- Assist SFERS Staff in the selection of qualified public markets investment managers and making recommendations to the Board and Staff on manager selection and manager guidelines.
- Assist Staff in the oversight of existing managers, including monitoring changes in personnel, organization, ownership, the investment process, compliance with guidelines, and other issues likely to affect performance.
- Assist Staff in the selection of a qualified custodian (including a securities lending agent and/or a cash manager) if directed by the Board and Staff.
- Assist Staff in the evaluation and selection of appropriate credit facilities if directed by the Board

and Staff.

- Monitor and prepare quarterly report on Plan's Total Leverage including leverage utilization and compliance with strategic allocation ranges, cost, and performance.
- Monitor and prepare annual report on Plan's co-investments and direct investments including activities summary, audit of transactions with Staff's delegation authority, performance, and benchmarking.
- Prepare quarterly performance summaries regarding SFERS' manager, composite, and total plan results and make recommendations addressing any performance issues.
- Provide topical research and education on investment subjects that are relevant to SFERS.
- Other tasks as requested by the Board or Staff consistent with the function served by the General Investment Consultant.

Private Market (Private Equity, Private Credit, and Real Assets) Investment Consultant(s) shall be responsible for the following:

- Assist SFERS Staff in making recommendations to the Board regarding investment policy and strategic asset allocation as they pertain to private markets.
- Assist SFERS Staff in the selection of qualified private market investment managers and making recommendations to the full Board on manager selections.
- Assist SFERS Staff in the oversight of existing managers (including any public market securities managers related to the private equity portfolio), including monitoring changes in personnel, ownership and the investment process.
- Assist SFERS Staff in preparing an annual asset class updates that will provide an overview of performance, activity, pacing plans, and initiatives.
- Provide topical research and education on private market investment subjects that are relevant to SFERS.
- Other tasks as requested by the Board or Staff consistent with the function served by the Private Market Consultant(s).

APPENDIX: STRATEGIC ASSET ALLOCATION

	Long-Term Target	Allowable Range	Composite Benchmark
Growth/Capital Appreciation	60%	45-75%	
Public Equity	37%	25-50%	MSCI ACWI Investable Market Index (\$, ND)
Private Equity	23%	15-30%	75% Russell 3000/25% MSCI ACWI ex-US + 300 bps
Diversifying Assets	20%	15-30%	
Real Assets	10%	8-15%	70% NCREIF ODCE for Core and Cambridge Associates Real Estate for Non-Core / 20% Cambridge Associates Infrastructure / 10% Cambridge Associates Natural Resources; floating weight based on actual calendar year-end allocations until target is reached or until Year 10 for Real Assets
Absolute Return	10%	5-15%	90 Day T-Bill + 500 bps
Income/Capital Preservation	23%	6-40%	
Liquid Credit	5%	0-10%	33.34% Bloomberg US Corporate Bond Index/ 33.33% Bloomberg US Corporate High Yield Index/ 33.33% J.P. Morgan EMBI Global Diversified Index
Private Credit	10%	3-15%	50% Credit Suisse Leveraged Loan Index/50% BofA ML US HY BB-B constrained + 150 bps
Treasuries	8%	3-12%	Bloomberg Barclays Intermediate U.S. Treasury Index
Cash	0%	0-5%	90 day T-Bill
Total Fund Composite	103%	100%-105%	Benchmarks Weighted by Strategic Allocation Targets

Note: Asset Allocation Long-Term Targets Approved: -November 10, 2020. The Interim Policy Benchmark will be based on actual asset allocation as of November 30, 2020, plus net additional capital deployment to Private Markets and Absolute Return. Recognition of changes from the Interim Policy Benchmark to the Long-Term Targets will be made by the General Consultant.