

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

REQUEST FOR PROPOSALS FOR

**HEDGE FUND CONSULTING AND FUND OF HEDGE FUNDS SERVICES
FOR THE SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM**

DATE: MARCH 12, 2015

DEADLINE FOR SUBMISSION: APRIL 24, 2015 AT 5:00 PM PACIFIC TIME

San Francisco City and County Employees' Retirement System
Request for Proposals for
Hedge Fund Consulting and Fund of Hedge Funds Services

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I. Introduction

The San Francisco City and County Employees' Retirement System ("SFERS" or "Retirement System") is a defined benefit pension fund for eligible employees of the City and County of San Francisco and other participating employers. As of December 31, 2014 the fund had approximately \$20.0 billion in assets in global public equities, fixed income, real assets, and private equity.

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. At its meeting on February 11, 2015, the Board approved an updated asset allocation that includes a 5% allocation to hedge funds/absolute return. The Retirement System does not currently have an allocation to hedge fund investments, and expects to build its hedge fund program over the upcoming 6-18 months, including engaging a hedge fund consultant and/or fund of hedge funds manager, hiring investment staff with relevant expertise, and developing investment guidelines for the hedge fund program.

As described further in this Request for Proposals ("RFP"), SFERS is soliciting proposals to provide (1) comprehensive full-retainer hedge fund investment consulting **and/or** (2) fund of hedge funds advice and services to the Board and SFERS. The Board has not yet decided whether to engage a hedge fund consultant to make recommendations on structuring a hedge fund program and selecting and overseeing managers, or to engage a fund of hedge funds manager to provide discretionary management of a portfolio, subject to guidelines approved by SFERS, or whether to engage both. This RFP is intended to provide a basis for the Board to decide which approach will be the most effective for SFERS at this time. SFERS may engage one or more hedge fund consultant and/or fund of hedge funds manager through this RFP.

The selected firm(s)/manager(s) will work closely with the Board, the Chief Investment Officer, and investment staff. The selected firm(s)/manager(s) must demonstrate extensive experience and superior capability for providing hedge fund investment consulting or fund of hedge funds services to institutional investor clients, preferably including public pension systems, of comparable size to or larger than SFERS, including but not limited to investment policy development and compliance, portfolio construction, initial manager research and selection, on-going manager research and due diligence, risk management, performance reporting, and trustee and staff education for investing in hedge funds. The firm(s)/manager(s) must have deep experience with fund of hedge funds or direct hedge fund investing strategies. The firm(s)/manager(s) will serve in a fiduciary capacity and must acknowledge in writing that fiduciary status, without qualification. In all cases, the firm(s)/manager(s) and their personnel must offer advice to the Board and SFERS solely in the interest of Retirement System members and beneficiaries.

The contract 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 agreement for a period of one (1) year each option, which SFERS may exercise in its sole and absolute discretion.

Note: SFERS is seeking proposals from hedge fund consulting firms and fund of hedge funds managers to assist in the development and management of a hedge fund portfolio.

Except where noted, the term “consultant” herein encompasses both hedge fund consultants and hedge fund of funds managers.

II. Scope of Work

The general scope of work for this RFP is to provide professional services related to all aspects of investing in hedge funds. SFERS expects that a hedge fund consulting firm will have non-discretionary advisory responsibilities, i.e., make recommendations regarding hedge fund policies and specific hedge fund investments, while a fund of hedge funds manager will have some level of discretion in making hedge fund investments subject to policies and procedures approved by the Board.

Specifically, the successful firm(s)/manager(s) will demonstrate extensive experience and superior capability for providing hedge fund investment consulting or fund of hedge funds management services to institutional investor clients, preferably public pension systems of comparable size to or larger than SFERS, including but not limited to investment policy development and compliance, portfolio construction, initial manager research and selection, on-going manager research and due diligence, risk management, performance reporting, and trustee and staff education for investing in hedge funds.

The following are examples of the duties SFERS expects a **hedge fund consulting firm** to perform:

A. Policy Duties:

- Provide recommendations concerning investment goals, policies, guidelines and procedures.
- Provide recommendations regarding hedge fund investment strategies and structures.
- Provide recommendations concerning the process for manager research, selection, and subsequent due diligence and monitoring.
- Provide recommendations concerning risk management.
- Provide compliance monitoring.

B. Investment Manager Selection and Oversight Duties:

- Provide recommendations on how staff may enhance their manager research, selection, and subsequent due diligence of external hedge fund managers.
- Provide due diligence on prospective investment managers and ongoing monitoring and due diligence on funded managers.
- Provide investment recommendations on manager selection and portfolio construction.
- Provide compliance monitoring of funded managers.
- Provide access to analytical software and tools.
- Provide recommendations on cost containment.
- Provide recommendations concerning manager guidelines and benchmark selection.
- Provide recommendations on risk management strategies.

C. Performance Measurement Duties:

- Provide benchmark evaluation, implementation, analysis and quantify the impact of leverage on performance results.

- Compare hedge fund investment performance to custom policy benchmarks and appropriate peer comparisons.
- Compare hedge fund investment performance to the hedge fund performance of other public plans.

D. Training, Education and Client Relations Duties:

- Attend monthly Board meetings as needed, as well as Committee and special Board meetings as needed.
- Provide summary reporting and more detailed quarterly reporting. Coordinate effectively with the Retirement System's general investment consultant and specialty consulting firms for Real Assets and Alternative Investments.
- Coordinate effectively with SFERS' master custodian bank.
- Provide analysis of fund level holdings and transactions
- Provide investment education and training on hedge funds to staff and/or the Retirement Board as needed and on a periodic basis.
- Provide assistance on special projects related to hedge funds as needed.
- Participate in workshops or meetings on specific issues related to hedge funds designated by the Board or Staff.
- Provide support for operational issues related to hedge funds
- Respond to inquiries from Staff and the Board between meetings in an appropriate and timely manner.
- Share all firm research, including white papers, and provide access to the firm's research staff.
- Report any significant changes in the firm's organizational structure and staffing in a timely manner.
- Make no changes in the assigned consultant team without SFERS express approval.
- Ensure that consultant personnel identified by SFERS submit assuming office, annual and leaving office (as applicable) Statements of Economic Interests (Form 700s) with SFERS.
- Other services related to hedge fund investments as required by Board and Staff.

The following are examples of the duties SFERS expects a **fund of hedge funds manager** to perform:

A. Policy Duties:

- Provide recommendations concerning investment goals, policies, guidelines and procedures for SFERS' overall hedge fund program.
- Provide recommendations concerning SFERS' resources in overseeing its hedge fund program.
- Provide risk management and compliance monitoring services and reporting.

B. Investment Manager Selection and Oversight Duties:

- Select and oversee hedge fund managers, subject to agreed upon policy and guidelines.
- Work with SFERS Staff to enhance Staff's manager research and selection skills, as well as policy, portfolio construction, and oversight skills.
- Provide due diligence on prospective and funded investment managers and make its due diligence research available to SFERS.
- Provide transparency on its manager selections and due diligence processes.

- Provide compliance monitoring and reporting on managers that comprise SFERS' hedge fund portfolio.
- Enact policies and procedures to contain costs and provide reporting on costs.

C. Performance Measurement Duties:

- Provide benchmark evaluation, implementation, analysis and quantify the impact of leverage on performance results. Compare SFERS' hedge fund investment performance to custom policy benchmarks, taking into account SFERS' expected risk and return parameters.
- Compare the fund of hedge funds' performance to that of other fund of funds or other appropriate peers.
- Coordinate effectively with SFERS' master custodian bank in providing performance measurement and other aspects of the program.

D. Training, Education and Client Relations Duties:

- Attend Board meetings as needed, as well as Committee and special Board meetings as needed.
- Provide summary monthly reporting on the performance of the fund, and more detailed quarterly reporting.
- Coordinate effectively with the Retirement System's general investment consultant and specialty consulting firms for Real Assets and Private Equity.
- Provide analysis of fund level holdings and transactions.
- Provide investment education and training on hedge funds on a periodic basis.
- Provide assistance on special projects related to hedge funds as needed.
- Participate in workshops or meetings on specific issues related to hedge funds designated by the Board.
- Provide support for operational issues between meetings.
- Respond to inquiries from Board or Staff in an appropriate and timely manner.
- Share all firm research, including white papers, and provide access to the firm's research staff.
- Report any significant changes in the firm's organizational structure and staffing in a timely manner.
- Make no changes in the assigned consultant team without SFERS' express approval.
- Upon request, ensure that personnel identified by SFERS submit assuming office, annual and leaving office (as applicable) Statements of Economic Interests (Form 700s) with SFERS.

III. Submission Requirements

A. Blackout Period

For the duration of the RFP process, the Retirement System and Board will enter into a "blackout period" during which communications and meetings between parties interested in or actually responding to the RFP ("Proposers") and Retirement System staff and Board members is prohibited. This blackout period is effective upon approval of this RFP by the Board, which occurred March 11, 2015, and continues until either the RFP review and evaluation process is completed and a contract executed with the selected Proposer or the search process is otherwise ended by the Board.

This blackout period will enable SFERS and the Board 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 Retirement System staff and Board members. Communications include meetings, telephone conversations, letters, and email.
2. The following communications are permitted during the blackout period: written requests submitted as provided in Section V(B)(2) 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 Proposer as part of the RFP evaluation and selection process.
3. Proposers may meet with Retirement System staff or a Board member only if (a) the meeting is limited to discussions that are unrelated to this RFP, the Proposer's services that are covered by this RFP, or 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 the SFERS Executive Director. The Executive Director 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 employees and Board members required to effectively conduct the business and services under the existing engagement, as long as the topics in Section III(A)(3) above are not discussed.

If a Proposer has any questions regarding the blackout period, the Proposer should submit the question in writing as provided by Section V(B)(2) of this RFP.

B. Time and Place for Submission of Proposals

The deadline for submission of an **electronic copy** of the complete proposal is Friday, April 24, 2015 at 5:00 p.m. Pacific Time. In addition, Proposers must submit **five (5) hard copies** of the proposal to William Coaker at the address below no later than Wednesday, April 29, 2015 at 5:00 p.m. Pacific Time.

Proposers shall submit the electronic copy of their proposal to:

William J. Coaker Jr. – CFA
Chief Investment Officer
Attn: Hedge Fund Consulting and FOF RFP
San Francisco Employees' Retirement System
1145 Market Street, 7th Floor
San Francisco, CA 94103
bill.coaker@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. Proposers must timely submit both the electronic version and the hard copy version of the proposal to 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 proposal. The transmittal letter must indicate the signer is authorized to bind the Proposer. **A response with an unsigned transmittal letter will be rejected.** This transmittal letter must include the following:

1. The Proposer's name, address, telephone, facsimile number 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 SFERS' members and their beneficiaries.
6. A statement expressing the Proposer's availability of staff and other required resources for performing all services and providing all deliverables under the RFP.
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 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 Retirement Board member has any known personal or pecuniary interest, direct or indirect, in the contract contemplated by this RFP or the proceeds thereof.
10. A statement that identifies any personal, professional or financial relationships between Proposer and its officers and employees and any Retirement Board member or SFERS officer or employee.
11. A statement that Proposer acknowledges that materials submitted pursuant to this RFP are public records. See Section VI(I) of this RFP.
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 Proposer's proposal, together with a statement explaining why such relationships do not constitute a conflict of interest.

D. Format and Content of Proposals

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 Proposer.

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 applicable to the Proposer under Section IV(B);

3. Response to RFP questions in Appendix A; and
4. Additional information or documents required in Appendix A.

In addition, Proposers must submit the required vendor forms. See RFP Section VII(B).

IV. Evaluation and Selection Criteria

A. Minimum Qualifications – Unless otherwise specified, the Proposer must meet the minimum qualifications as of April 24, 2015.

A Proposer must meet all of the following minimum qualifications, to SFERS' satisfaction:

1. The Proposer must have at least \$3.5 billion in hedge fund consulting or fund of hedge funds assets (as of March 31, 2015) – of which at least \$2.0 billion must be invested in custom accounts.
2. The Proposer shall have at least three (3) public fund clients.
3. The Proposer shall have a minimum of five (5) custom accounts.
4. The Proposer must have provided hedge fund consulting or fund of hedge funds services for at least the past five years (2010 through the date of submission of this RFP).
5. The Proposer must have at least five employees responsible for conducting investment due diligence, operational due diligence, and portfolio construction on hedge funds.
6. The senior members of the Proposer's investment team must have worked together for at least three continuous years at the Proposer or a former employer.
7. At least three key professionals of Proposer's team intended for the SFERS account must have a minimum of three years of experience in reviewing advisor/manager agreements and other documents associated with hedge fund investment for institutional clients.
8. The Proposer must carry Errors and Omissions ("E&O") Insurance coverage or must have applied for such coverage by the submission date of the electronic copy of the proposal. E&O insurance will be required throughout the duration of any contract.

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

B. Desired Qualifications

Below is a list of desired qualifications for a **hedge fund consulting firm**:

1. At least two clients with total plan assets of \$10 billion or greater for the past five years or more.
2. Deep global hedge fund research capabilities. Demonstrated ability to research hedge fund managers in a wide array of strategies, including but not limited to: U.S., Non-U.S. Developed, Emerging Markets, and Global strategies; equity long-short; event driven; relative value; global macro; CTA; activist; and multi-strategies.
3. Experience in working with institutional clients to set hedge fund portfolio parameters at the manager and hedge fund composite level.
4. Sophisticated asset allocation and risk management practices.

5. Systems and technology needed to manage and advise a client with a plan of SFERS' size and complexity and to provide meaningful reporting to SFERS (both Staff and Board) on its hedge fund investments.
6. The depth and breadth across multiple asset classes to assist in managing and advising a client of SFERS' size and complexity with respect to hedge funds in an overall portfolio context.
7. E&O coverage of \$10,000,000.

Below is a list of desired qualifications for a **fund of hedge funds manager**:

1. Deep global hedge fund research capabilities. Demonstrated ability to research and allocate to hedge fund managers in a wide array of strategies, including but not limited to: U.S., Non-U.S. Developed, Emerging Markets, and Global strategies; equity long-short; event driven; relative value; global macro; CTA; activist; and multi-strategies.
2. Experience in working with clients to set hedge fund portfolio parameters at the manager and composite level.
3. Sufficient transparency provided on managers and the hedge fund portfolio overall.
4. Sophisticated hedge fund portfolio structure and risk management practices.
5. Institutionally recognized quality service providers such as custodian/administrator, legal counsel, and auditor for fund of funds.
6. Systems and technology needed to manage and advise a client with a plan of SFERS' size and complexity, and provide appropriate reporting.
7. E&O coverage of \$10,000,000.

C. Selection Criteria

A selection committee will evaluate the proposals generally in accordance with the criteria itemized below. The review of the written proposals will evaluate hedge fund consulting firms against other Proposers providing consulting services, and fund of hedge funds managers against other Proposers providing fund of hedge funds services.

For **hedge fund consulting firms**, the following criteria will be utilized in evaluating Proposers:

- | | | |
|----|--|-----|
| 1. | Business and Organization: | 15% |
| | -Business structure | |
| | -Ownership structure | |
| | -Conflict of interest issues | |
| | -References | |
| 2. | Personnel: | 20% |
| | -Depth of personnel devoted to hedge fund investing | |
| | -Experience of personnel devoted to hedge fund investing | |
| | -Experience of team assigned to SFERS | |
| | -References | |
| 3. | Manager Research and Portfolio Construction | 25% |
| | -Depth of manager investment research | |
| | -Depth of operational due diligence | |
| | -Ongoing monitoring and due diligence of hedge fund managers | |
| | -Breadth of manager research across sub-strategies and geographies | |
| | -Approach to portfolio construction of a multi-manager program | |
| | -References | |

- | | | |
|----|--|-----|
| 4. | Risk Management and Reporting | 20% |
| | <ul style="list-style-type: none"> -Approach to investment policy, guidelines, and procedures -Ongoing monitoring and due diligence of hedge fund managers -Approach to manager transparency -Insightful performance reporting, attribution analysis, and risk analytics -Comprehensive risk management systems, practices and reports -References | |
| 5. | Fees | 10% |
| | <ul style="list-style-type: none"> -Cost on absolute basis -Experience in negotiating lower fees with hedge fund managers | |
| 6. | Other | 10% |
| | <ul style="list-style-type: none"> -Experience and skill in Board presentations and working with Staff -Education materials of value to the Board and Staff -Proven innovation; creative solutions that are subsequently adopted by others -Warranties -Insurance, legal and contracting issues -Client service | |

For **fund of hedge funds managers**, the following criteria will be utilized in evaluating Proposers:

- | | | |
|----|--|-----|
| 1. | Business, Organization and Personnel: | 25% |
| | <ul style="list-style-type: none"> -Business structure -Ownership structure -Conflict of interest issues -References -Depth and experience of firm as a hedge fund of funds manager, and of personnel devoted to hedge fund investing and portfolio managers -Experience in working with clients similar to SFERS -Insurance, legal and contracting issues -Client service | |
| 2. | Portfolio Construction and Manager Research | 25% |
| | <ul style="list-style-type: none"> -Philosophy and Implementation of portfolio construction in a multi-manager hedge fund program -Depth of manager investment research -Depth of operational due diligence -Breadth of manager research across sub-strategies and geographies -References | |
| 3. | Risk Management and Reporting | 25% |
| | <ul style="list-style-type: none"> -Approach to investment policy, guidelines, and procedures -Approach to manager transparency -Insightful performance reporting, attribution analysis, and risk analytics -Comprehensive risk management systems, practices and reports -References | |
| 4. | Fees | 10% |
| | <ul style="list-style-type: none"> -Cost on absolute basis -Experience in negotiating lower fees with hedge fund managers | |

5. Performance 15%

-Returns relative to appropriate benchmark(s) and peers, consistent with investment strategy and considered on a risk adjusted basis.

Following the evaluation of the written proposals and determination of RFP finalists, SFERS may invite the most highly qualified Proposers to an oral interview with staff and potential site visits. Proposers should review the schedule in Section V(A) below, and ensure that all of Proposer’s key personnel will be available for any scheduled interviews, site visits, and Board meetings. The Board may interview any Proposer(s) recommended by staff following the RFP selection process, and must approve retention of the Proposer(s). A recommended Proposer shall attend the Board meeting when staff present that Proposer as a recommended Proposer(s) under the RFP, if requested by SFERS.

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

V. Schedule

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

Action	Responsibility	Date (subject to change)
RFP issued	SFERS	March 12, 2015
Deadlines for Proposers to submit all requests per RFP Section V(B)(2)	Proposers	March 24, 2015, 5:00 PM
SFERS posts responses to Proposer requests on website	SFERS	March 31, 2015
Deadline to submit <u>electronic version</u> of proposals	Proposers	April 24, 2015, 5:00 PM
Deadline to submit <u>hard copy</u> proposals	Proposers	April 29, 2015, 5:00 PM
Staff recommendation and Board approval of finalist Proposers	Staff and Board	June 10, 2015
Interviews and possible site visits of finalist Proposers	SFERS and Proposers	June and July 2015
Staff recommendation and Board approval of successful Proposer(s)	SFERS	August 12, 2015
Contract negotiations completed		September 7, 2015

B. Explanation of Events

1. The RFP will be posted on the SFERS website at:

<http://mysfers.org/about-sfers/request-for-proposal>

In addition, the RFP may be released to a list of potentially qualified firms/managers as determined by SFERS. All Proposers meeting the minimum qualifications, as stated in Section IV(A) of this RFP, are welcome to participate.

2. Any requests for interpretation or clarification of RFP procedures, requirements or the questions in Exhibit A must be emailed to Bill Coaker (bill.coaker@sfgov.org) and Bob Shaw (bob.shaw@sfgov.org) not later than 5:00 p.m. on March 24, 2015. SFERS has included with this RFP the information it believes Proposers should consider in preparing a proposal and the information SFERS is interested in receiving from Proposers.
3. SFERS will respond to all timely requests for interpretation or clarification of the RFP by March 31, 2015. Responses will be posted on SFERS' website.
4. SFERS may modify the RFP, prior to the submission deadline, by issuing addenda, which will be posted on SFERS' website. Each Proposer is responsible for ensuring that its proposal reflects any and all addenda issued by SFERS prior to the submission deadline regardless of when the proposal is submitted. Therefore, SFERS recommends that each Proposer consult the website frequently, including shortly before the submission deadline, 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. See RFP Section III(B) for the time and place requirements for Proposers to submit their proposals. **SFERS will not grant any exceptions to the submission requirements.**
7. Oral interviews of the finalist Proposers, if determined appropriate by SFERS, will be scheduled at SFERS' office at 1145 Market Street, 7th Floor, San Francisco, California. Site visits of the finalist Proposers may also be requested by SFERS. SFERS expects that Proposer's personnel who would be assigned to the SFERS account will attend both oral interviews and site visits. SFERS reserves the right to change the dates for these interviews and site visits at any time for any reason.
8. Staff anticipates recommending the successful Proposer(s) to the Board at its August 12, 2015 meeting. SFERS expects that the recommended Proposer(s)' team will be available to attend the Board meeting and make a presentation to the Board regarding the proposal, if requested by staff.

9. Submissions will be public documents. Any material that the Proposer considers “Business-Confidential” should be so marked, but confidentiality is not guaranteed. See RFP Section VI(I).

C. Contract Award

After Board approval, staff will commence contract negotiations with the selected Proposer(s). 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(s) 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 William Coaker at bill.coaker@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 April 3, 2015. Modifications and clarifications will be made by addenda as provided in RFP Section VI(C) below.

B. Objections to RFP Terms

Should a Proposer object on any grounds 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 by email to William Coaker at bill.coaker@sfgov.org, 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.

C. Addenda to RFP

SFERS may modify the RFP, prior to the proposal submission deadline, by issuing written addenda. Addenda will be posted on SFERS’ website. Each Proposer is responsible for ensuring that its proposal reflects any and all addenda issued by SFERS prior to the proposal submission deadline 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.

D. 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.

E. Revision of Proposal

A Proposer may revise a proposal on the Proposer’s own initiative at any time before the deadline for submission of electronic copies 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 submission deadline for electronic copies of proposals.

In no case will a statement of intent to submit a revised proposal, or commencement of a revision process, extend the submission deadline 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.

F. 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 Proposer from full compliance with the specifications of the RFP or any contract awarded pursuant to the RFP.

G. 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.

H. 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.

I. 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 and materials provided that are covered by this paragraph will be made available to the public upon request.

J. 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.

K. 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.

L. 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.

M. Local Business Enterprise Participation

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

N. 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(s) will be required to enter into a contract either substantially in the form of the Consulting Agreement attached hereto as Appendix C1 or the form of Investment

Manager Agreement attached hereto as Appendix C2, as applicable. Failure to timely execute the contract, or to furnish any and 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 SFERS can award any contract to a Proposer, the Proposer must file three standard City and County of San Francisco forms with the Retirement System. The required forms are:

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 www.sfgsa.org.

The Proposer must submit these required forms with the electronic copy of its proposal, and separately submit these required forms as provided below at the time the Proposer submits the hard copy of its proposal. If these forms are not submitted when the Proposer submits the electronic copy of its proposal, the proposal may be determined to be non-responsive and rejected. In addition, the forms should be submitted under separate cover in a separate, sealed envelope addressed to:

Jim Burruel, Finance Manager
San Francisco Employees' Retirement System
Attention: Hedge Fund Consulting or FOF RFP
1145 Market Street, 5th Floor
San Francisco, CA 94103

Even if a Proposer has previously completed and submitted the required forms to the Retirement System, the Proposer must do so again to ensure a complete file regarding this RFP.

APPENDIX A – RFP QUESTIONS

A. Warranties

1. Does your firm warrant that it maintains, or has applied for by the due date for the electronic copy of the proposal, an Errors and Omissions Insurance policy providing prudent coverage for negligent acts or omissions and that such coverage is applicable to Manager's actions under the Contract? E&O insurance is required throughout the duration of the assignment. Please describe the insurance coverages and amounts the firm maintains.
2. Does your firm warrant that all the information and statements in 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 CFA Institute 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 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 all personnel responsible for the account will be employees of the firm?
6. Does your firm warrant that it will be a fiduciary in working with SFERS as either a hedge fund consultant or fund of hedge funds manager? If there are any limitations on your firm's fiduciary status with respect to this assignment, please explain.
7. Does your firm comply with the duties of loyalty and care similar to those provided by ERISA as well as prohibition against self dealing?
8. Indicate whether this proposal is for advisory consulting services related to hedge funds or for fund of hedge funds management services.
9. Does your firm state affirmatively that it will comply with the provisions contained in the sample contract, attached as Appendix C1 (hedge fund consulting firm) or C2 (fund of hedge funds manager)? Indicate any provisions with which your firm could not comply and specify any changes that the firm would require or request to the contract with a reference to the specific provision and proposed change. Please certify that the firm's counsel had reviewed the applicable sample contract and provided any and all required or requested changes.

B. Legal and Regulatory

9. Has your firm or any employee at your firm (or ex-employee while employed at your firm) ever been involved in litigation where an allegation of a breach of fiduciary responsibility was made. If yes, please explain.

10. Has your firm been involved in an investigation or enforcement action by a regulatory agency? If yes, please explain.
11. Have any employees of your firm, or ex-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.
12. Have any employees of your firm, or your firm itself, been involved in any other litigation in the past ten (10) years? Please explain.

C. Business

13. Does your firm provide 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.
14. Have there been any material developments – such as changes in ownership, personnel, business strategy – over the past five years? Describe such developments and emphasize the impact the changes on the services requested.
15. Discuss any prospective changes in ownership, personnel, or the business over the next 12 months.
16. Describe the business objectives of your firm with respect to future growth, including with regard to the services requested by this RFP. Comment on any present or planned area of emphasis expected in the future.
17. What percentage of your firm's revenue was derived from hedge fund consulting services in 2014? What percentage of your firm's revenue was derived from providing fund of hedge funds management services in 2014?
18. 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 assets under management in each fund as of 3/31/15.
 - b) Which investment professionals are involved in the management of each such fund?
 - c) What procedures and policies are in place to ensure any conflicts of interest between the funds and needs of advisory non-discretionary clients are avoided? What conflicts cannot be avoided and how are these managed?

D. Organization and Personnel

19. Please provide the following information:
 - a) An overview of the firm, including its history and any special expertise or experience with hedge funds that would be relevant to the SFERS.

- b) 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 organizational structure are anticipated in the next 12-24 months, please note them.
 - c) A list of firm owners (from largest to smallest with respect to ownership) and their ownership percentages. Please include individuals and all other entities.
20. 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 the SFERS relationship.
21. Please provide a table as of 12/31/14 showing the total number of clients and their total, average, and median account as noted below by total plan assets and hedge fund assets.
- a) Public pension plans;
 - b) Endowments and Foundations;
 - c) Corporate clients;
 - d) Individuals;
 - e) Other clients (please describe what constitutes other clients);
 - f) Total clients.
22. List the 10 largest clients with hedge fund assets on which your firm advises or manages as of December 31, 2014, the type of account, size of the hedge fund portfolio (in \$ millions), and inception date of your relationship to the client. Please also provide each client's total assets. If you are unable to provide detailed information, please provide the type of account and the approximate size of the hedge fund portfolio.
23. Provide an organization chart that illustrates your firm's resources, organization, and lines of oversight relating to its fund of hedge funds management services, and how they relate to the overall firm.
24. Provide an organization chart that illustrates your firm's resources, organization, and lines of oversight relating to its hedge fund advisory services, and how they relate to the overall firm.
25. In the tables below, list the total number of professionals in the firm in each of the following categories as of 12/31/14, please list the names of all individuals currently employed by the firm, by category. *Please also indicate the percentage of time spent on each function.* Please describe any material changes in staffing over the past five years.

	2014
Personnel with direct client responsibilities	
Personnel with direct client	

responsibilities pertaining to hedge fund advisory services	
Personnel with direct client responsibilities pertaining to hedge fund of funds management	
Personnel with direct policy responsibilities relating to hedge funds (allocation, portfolio	
Capital Market Research & Economists	
Investment Manager Research (hedge funds only)	
Investment Manager Research (Other, not including hedge funds)	
Risk Management and Monitoring Analytics	
Performance Measurement and Reporting	
Total Investment Staff	
Firm Management	
Legal	
Compliance	
Other Professional Staff	
Total Professional Staff (sum)	
Marketing	
Accounting	
Administration	
Other	
Total Staff	

	2014
Asset Allocation	
Capital Markets Research	
Public Equity	
Fixed Income	
Private Equity	
Real Estate	
Real Assets	
Hedge Funds	
Other Investment Research	
Total Investment Research	

26. Please list the name, title, date of addition and reason for addition each employee acting in the role of Lead Consultant, Consultant, Fund of Hedge Funds Manager, or

hedge fund Analyst or operations specialist that left the firm from 1/1/2010 through the date of submission of the electronic copy of the proposal.

27. Please list the name, title, date of departure and reason for departure of each employee acting in the role of Lead Consultant, Consultant, Fund of Hedge Funds Manager, or hedge fund Analyst or operations specialist that left the firm from 1/1/2010 through the date of submission of the electronic copy of the proposal.
28. If the firm anticipates any type of near-term changes in its professional staffing of the firm overall, or specifically with respect to services related to hedge funds, please indicate the nature of such changes.
29. When hiring senior personnel with consulting or portfolio management responsibilities and analysts covering hedge funds, what are the qualifications, skills, and experiences that the firm generally requires? Please also describe your recruitment practices.
30. What key strengths or competitive advantages does the firm possess with respect to assisting institutions on setting hedge fund policies, allocating and selecting hedge fund managers, and overseeing a hedge fund program on an ongoing basis?
31. Discuss the tradeoffs of your firm's attributes and how you mitigate the downsides 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 mitigate the potential downside of a very large organization? If your firm is smaller, what disadvantages does that create, what are its strengths, and how do you mitigate the potential downside of having a more resource-constrained team?
32. Discuss your organization's compensation and incentive policies. How are professionals evaluated and rewarded and by whom? What incentives are provided to attract and retain superior individuals? If equity ownership is possible, on what basis is it determined and distributed?
33. List any hedge fund consulting or fund of hedge funds mandates that have been lost from January 1, 2010 to the date of submission of the electronic copy of the proposal. State the name or type of account, the size of the account at termination, and the reasons for the loss, and whether the account was discretionary or advisory.

E. Resources Dedicated to SFERS

34. Please identify the individual(s) who would perform the requested services for the SFERS. Please state the number of clients each individual is responsible for. 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*):

Name:

Title:

Expected role:

Total years of institutional investment experience:

Total years of institutional investment consulting experience:

Total years of fund of hedge funds management experience

Total years with the firm:

Total current number of assigned accounts:

Name, plan type, length of relationship, and size of each assigned client account:

Role for each assigned account (e.g., Lead Consultant, Support Consultant, Lead Manager, etc.):

35. Please explain how the team dedicated to the SFERS account would function, including lead hedge fund consultant or fund of hedge funds manager, back-up, and support services.
36. Please describe the firm's procedures in the event that key personnel assigned to this account or key portfolio management decision-makers leave the firm, are unable to serve, or are able to serve only in a reduced capacity.
37. Describe the process and list the names of personnel whose approval is required before a fund is authorized for investment by your firm.
38. Please describe the firm's experience and capabilities for providing education to public pension plan trustees and staff regarding hedge funds. Provide examples of materials used in recent hedge fund educational forums for clients or other institutional audiences.

F. Conflicts of Interests

39. Does the firm or an affiliate of the firm offer both advisory services to clients and serve as an investment manager for clients? If yes, please explain the rationale for the relationship. Please also discuss how you avoid actual or potential conflicts of interest, and the appearance of a conflict of interest.
40. Does the firm or an affiliate of the firm provide a fund of funds to clients or to non-clients? If yes, please explain the rationale for the fund. Please also discuss how you avoid the appearance of or actual conflicts of interest between your firm's advisory business and its fund of hedge funds business.
41. 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.
42. Does the firm and/or any affiliates accept soft dollars as a method of payment for services provided? If yes, describe.

43. Please list the percentage of revenues the firm received for the 12-months ended December 31, 2014, from the following sources: (Total must equal 100%.)
- a) Revenues from investment managers:
 - b) Revenues from brokerage activity:
 - c) Revenues from plan sponsor clients:
 - d) Revenues from other sources: (Please specify)
44. 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 work for the 12-months ended December 31, 2014.
45. Please list the dollar value of revenues, commissions or any other benefits the firm and its affiliates received (or a brokerage affiliate received – please specify) as a result of any type of brokerage activity for the 12-months ended December 31, 2014.
46. For the 12-months ended December 31, 2014, 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.
47. 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 or other service providers that are clients of your firm? If not, please explain.
48. 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.
49. Please explain in detail any potential conflicts of interest that would be created by the firm's contracting with SFERS in either a non-discretionary hedge fund consulting capacity or fund of hedge funds manager capacity. Please include any activities of affiliated or parent organizations as well as other client relationships that may affect services to the SFERS.

G. Technology and Communication Resources

50. Please describe the firm's technology capabilities and relate them to the firm's consulting services or fund of hedge funds products. Do you provide any custom computer-based analytical or research tools to the firm's clients? If so, please elaborate, particularly with respect to tools related to absolute return strategies.

51. Please describe the firm's communication technology capabilities. How does the firm use technology to share and leverage information resources across the organization?

H. Hedge Fund Advisory Services

Investment Philosophy:

52. Describe the overall investment philosophy of the firm toward manager research, manager selection, portfolio construction, risk management, and ongoing due diligence related to a hedge fund/absolute return strategy.

53. Do you prefer hedge fund managers:

- a) With large, sophisticated organizations, or smaller, more focused businesses?
- b) That manage many strategies or just a few?
- c) With large research staffs or more focused staffs?
- d) Who are generalists or specialists?
- e) Who run concentrated portfolios or who own many dozens or hundreds of securities?
- f) Constrained strategies or giving managers extra flexibility?
- g) That use significant leverage (e.g., long exposure of >150% of NAV) or those that use less or no leverage?

54. Do you have a preference for or away from equity-long short, event driven, relative value, multi-strategy, global macro, U.S., Non-U.S. Developed, Emerging Markets, or any strategy or sub-strategy? Brief describe your rationale on each. List any hedge fund strategies you would advise SFERS to avoid in its hedge fund program and provide a rationale.

55. What is roughly the number of managers you would envision for a hedge fund portfolio for SFERS given its asset size? How do you guard against concentration at the portfolio level? How do you guard against over-diversification at the portfolio level?

56. For *any* discretionary fund of hedge funds portfolios your firm manages, provide the number of hedge fund managers in each fund as of year end in the following table:

Name of fund	Number of funds 12/31/14	Number of funds 12/31/13	Number of funds 12/31/12	Number of funds 12/31/11	Number of funds 12/31/10

57. Are there common beliefs that underpin the firm's view on hedge funds? Please describe.

58. What is your expected prospective net of fees return and volatility for a hedge fund portfolio over a 10-year period? How do your expectations for the future compare with actual results achieved by your firm for clients over the last 10 years?

Investment Research:

59. Please describe the firm's capabilities and process for monitoring and reporting on market trends, both as they relate to hedge funds as well as other aspects of the capital markets.

60. Please provide several examples of White Papers or other works of your own original analysis of hedge funds as well as the capital markets. Provide as an exhibit.

61. Describe how your firm's views of capital markets inform your recommendations for hedge fund portfolios, including structure, allocation and manager selection. Describe specifically your firm's current views on capital markets translate to hedge fund portfolio structure in the current environment.

Idea Generation:

62. Provide examples from your work on hedge funds of when your firm advocated or implemented (in the case of a fund of funds) a strategy or course of action that was proactive, not commonly practiced by others at the time of your recommendation, and the result of your proposal/action.

63. Provide three examples of a hedge fund-related idea that your firm recommended or implemented which proved to be a disappointment. Why and in what way were the ideas not successful? What did you learn from the experience?

64. What is the firm's philosophy toward idea generation and a willingness to take a differentiated risk? Does the firm promote a willingness to take differentiated risks that are not widely practiced by others, or does the firm prefer to a more mainstream approach and wait until an idea is more proven and widely-accepted?

Investment Due Diligence:

65. Please describe your firm's:

- a) Process for conducting investment due diligence on hedge fund managers?
- b) What quantitative and qualitative factors are examined?
- c) How important are onsite meetings? On average how many meetings, including onsite meetings, does your firm conduct prior to recommending a manager?
- d) What factors in the investment due diligence evaluation are particularly important in recommending a hedge fund manager?

- e) Describe your firm's process for monitoring managers after they have been hired? On average how often are subsequent onsite meetings conducted?
66. For the calendar years ended 2010 thru 2014:
- a) Approximately how many phone meetings did the firm hold with hedge fund managers?
 - b) Approximately how many in-person meetings did the firm hold with hedge fund managers (do not include those meetings held at client conferences or educational forums)?
 - c) Approximately how many onsite meetings did the firm hold with hedge fund managers? Please also summarize by various types of hedge fund strategies.
 - d) In what countries did such onsite meetings take place? Please list the approximate number of onsite meetings by country.
 - e) Describe the role of reference checks with clients and service providers in evaluating hedge fund managers.
 - f) Describe the role of credit or other background checks on hedge fund managers and senior personnel in your firm's due diligence.
 - g) Approximately how many meetings does the firm hold with a prospective hedge fund manager before you recommend or fund them? Approximately how many months does such due diligence take?
67. Please describe the firm's experience and capability for assessing a hedge fund manager's investment performance. What key performance criteria does the firm consider in evaluating a hedge fund manager?
68. Please describe the manner in which external resources are used in the hedge fund research process.
69. Describe the firm's internal hedge fund research, including use of any proprietary internal databases or systems, or customized use of external databases or systems.
70. Regarding manager performance:
- a) How important is past performance in your evaluation of hedge funds?
 - b) How often have you recommended or funded managers that have underperformed in the years before you recommended them?
 - c) What factors cause your firm to recommend or decide to terminate a hedge fund manager?
 - d) How often have you recommended or decided to retain a manager who has underperformed over the past three years? Five years? Why did you do so?
 - e) How often have you recommended or decided to terminate a manager that has outperformed recently? Why did you do so?
 - f) Have you recommended or decided to terminate a manager shortly after recommended them? Under what circumstances would you do so?

- g) Do you track the performance of managers after you have recommended terminating them? What have been the results?
71. For a fund of funds manager, describe and provide examples of the level of detail provided on how you report to clients on your firm's decisions to hire, terminate, and re-allocate to individual hedge fund managers in the client's portfolio.
72. Describe how hedge fund benchmarks are recommended or developed and how performance is compared to similar portfolios. Describe your thoughts on the relevance of benchmarks in measuring a hedge fund manager's performance and its relevance in achieving a plan's risk and return objectives, as well as appropriate time frames for such comparisons.
73. What hedge fund benchmarks do you commonly recommend or use?
74. What is your expected net of fees excess returns over the benchmark that you expect to achieve over a 3-5 year time frame? Specify the benchmark for this expectation. If your firm is offering fund of hedge funds management services, provide data through 12/31/14 for the funds you offer or any custom hedge fund portfolios that you manage on a discretionary basis.
75. What is the expected net of fees tracking error of the actual hedge fund portfolio versus the benchmark that you expect to recommend to SFERS? If your firm is offering fund of hedge funds management services, provide data through March 31, 2015 for the funds you offer or any custom hedge fund portfolios that you manage on a discretionary basis.
76. What is the expected beta versus the MSCI ACWI of a hedge fund portfolio that you expect to recommend to SFERS? If your firm is offering fund of hedge funds management services provide data on actual beta of the funds you offer or any custom hedge fund portfolios that you manage on a discretionary basis.
77. What is the expected volatility (standard deviation) of a hedge fund portfolio that you expect to recommend to SFERS? If your firm is offering fund of hedge funds management services provide data on actual historical volatility for 3 and 5 years through March 31, 2015 and since inception of the funds you offer or any custom hedge fund portfolios that you manage on a discretionary basis.
78. Describe how performance measurement data is presented at a Board meeting. Do you prefer to provide performance data at a composite level, at the manager level, or in some other manner?
79. Please describe the firm's methods for identifying and evaluating emerging or minority hedge fund firms. How many emerging or minority owned hedge fund managers have you recommended over the past five years?

80. Please furnish three complete manager research evaluations including any summary ratings or scoring.

Operational Due Diligence:

81. What factors do you evaluate in operational due diligence for hedge funds? Please provide as much detail as you think would be helpful. Which factors do you view as most significant in operational due diligence and how do you address them in your due diligence process?

82. List your firm's key personnel in conducting hedge fund due diligence, their respective roles at the firm, and their experience.

83. Describe your firm's process for evaluating a hedge fund manager's service providers, e.g., administrator/custodian, legal counsel, auditor.

84. If your firm is a fund of funds, list the service providers (e.g., administrator/custodian, legal counsel, auditor) used for your funds. Include any custom funds or "funds of one."

85. Describe the process used by your firm for selecting the service providers used by your fund of funds, if applicable.

86. When faced with a hedge fund manager you believe is exceptional, what factors in an operational due diligence would cause you to not invest with the manager?

Risk Management:

87. How do you manage and monitor market, factor, manager, and other risks in a hedge fund portfolio? Do you utilize holdings, returns-based, or manager furnished factor-based risk management process? Other? Discuss in detail your risk management practices.

88. List your firm's key personnel in hedge fund risk management, their respective roles at the firm, and their experience.

89. How do you approach the issue of transparency of a hedge fund manager? What level of transparency do you require or recommend from hedge fund managers? Do these requirements differ by strategy type? If so describe.

90. If you are a fund of funds manager, what level of transparency on hedge fund managers and holdings (individual managers and on a portfolio basis) do you offer to clients?

91. How do you monitor liquidity terms and liquidity risk? Who at your firm is responsible for this function?

92. What are your thoughts on requiring recommended or funded managers to furnish security level holdings data on a lagged basis of, for example, 90 days after month-end? What impact would such a requirement have on manager selection for SFERS?
93. Discuss your practices in detail regarding how you guard against fraudulent managers.
94. Have you ever recommended a hedge fund manager who was subsequently accused of fraudulent activity? Discuss such experiences in detail, including who was the manager, the name of the clients, what was the amount of investment and how much money did your clients lose.
95. Have you ever recommended or funded a hedge fund manager who subsequently had to close a fund due extreme performance shortfalls, SEC action, or for other reasons? Discuss such experiences in detail, including manager name, and the estimated amount of client assets at risk with the manager.
96. Have you ever recommended termination of a manager or specifically recommended a client not invest in a hedge fund manager who was subsequently accused of fraudulent activity or had to close the fund? Discuss such experiences in detail, including the name of the manager and estimate how much money you saved your client.
97. Describe your firm's experience with hedge funds during the financial crisis in 2007/8, and which funds recommended or funded by your firm had to impose gates, create special purpose vehicles, or otherwise restrict liquidity at that time. How were those liquidity restrictions resolved? What lessons did your firm draw from this experience, and how do they affect your hedge fund advice or fund of hedge funds management services?
98. Please provide a risk report for a hedge fund manager and for a multi-manager hedge fund portfolio.
99. What level of hedge fund liquidity do you provide in your fund of funds, or recommend for your hedge fund advisory clients?
100. Provide examples of where you have been successful in gaining preferential hedge fund liquidity terms.
101. Describe your firm's use of separate accounts for hedge fund managers in your recommendations as a hedge fund consultant or as a hedge fund of funds manager. Where are separate accounts most often used and to what extent? In your judgment will separate accounts be possible and advisable for SFERS, to what extent, and why?

Other Services:

102. Please discuss the firm's views on performance-based fees, asset-based fees, fee claw backs, flat fees (with or without performance bonuses) or any other fee structures you recommend for use with hedge fund managers. For fund of hedge funds managers, describe your firm's portfolios' actual use of different fee structures.
103. Please discuss the firm's experience in reducing fees charged by hedge funds to institutional clients such as SFERS. Please provide realistic expectations regarding manager fees for SFERS' hedge fund program.
104. Please describe the firm's experience and capability for providing policy guidelines for an absolute return program for a defined benefit plan.
105. For a hedge fund consultant Proposer, provide a sample of a hedge fund program policy recommended by your firm. Indicate how you would suggest addressing overall program risks, including manager concentration, strategy concentration, use of leverage, liquidity terms, use of hedge overlays, benchmarks, geographic restrictions, market exposure, and other factors.
106. For a fund of hedge funds Proposer, provide a sample of guidelines for a fund you believe would be appropriate for SFERS from among your current offerings. If available, provide a sample of guidelines that would be appropriate for a custom fund of funds.
107. Please describe the firm's experience and capability for monitoring a hedge fund manager's compliance to client guidelines and policies, and how compliance is reported to clients.
108. Describe your firm's experience and capability for monitoring the compliance of an overall hedge fund program with client guidelines and policies, and how such compliance is reported to clients.

Additional Information:

109. What common mistakes do consultants, pension plan staffs, and Boards of pension plans make when investing in hedge funds? How do you insure that your firm guards against mistakes consultants may frequently make? What suggestions do you have for the staff of plan staff so that they avoid or minimize their mistakes? What recommendations do you have for Boards so they minimize or avoid their own mistakes?
110. Please provide a fee quote for the services requested in this RFP. Please provide **one** fee for all services. If applicable, provide a fee schedule for each service and indicate if any of the services (required or desired) cannot be provided by your firm.

111. For hedge fund consultant Proposers: Please state how the firm, as a hedge fund consultant, expects to add value to the SFERS over the next three to five years. For example, will it be through manager selection, portfolio construction, cost containment, education, other, etc.?
112. For fund of hedge fund Proposers: State how the firm, acting as a hedge fund of funds manager, expects to add value to SFERS over the next three to five years. For example, will it be through manager selection, portfolio construction, cost containment, education, other, etc.?
113. For fund of hedge funds Proposers. Describe whether your firm would recommend a fund structure that involved the use of leverage applied at the fund of funds level and any parameters for such overlays, or what other tactical exposures would be created at the fund level? Provide specifics on such exposures implemented by your firm.
114. For hedge fund consultant Proposers: Outline a methodology for measuring your firm's performance as a hedge fund consultant.
115. For fund of hedge fund Proposers: Outline a methodology for measuring your firm's performance as a fund of hedge funds manager.
116. For fund of hedge funds Proposers. Describe your experience and practice in transitioning clients to a direct hedge fund program. What do believe are the required elements for success in such a transition? Provide an example(s) of such a transition.
117. For hedge fund consulting Proposers, do your services include evaluation of hedge fund of funds managers? Describe the universe covered.
118. For hedge fund consulting Proposers, describe cases where your firm would expect to recommend use of a fund of hedge funds for an institution such as SFERS, e.g., in certain strategies? Certain geographies? Other?

I. Requested Materials and Additional Information

119. In addition to any materials requested in the questions listed above, please include the following documents in your proposal.
- a) A corporate organization chart (showing the firm, parent and all affiliates and subsidiaries).
 - b) The biographies of the firm's professional staff, including education, investment experience, and the year they joined the firm.
 - c) A current company Annual Report.
 - d) A copy of the firm's mission statement, statement of values, and code of ethics.
 - e) Current firm policies related to conflicts-of-interest.
 - f) Most recently filed SEC Form ADV, Parts I and II.

- g) A copy of the firm's standard marketing brochure that describes the firm's processes and services.
- h) Performance through 12/31/14 of *each* of the firm's fund of hedge funds products offered generally to investors, including assets as of 12/31/14 in each product and a description of the liquidity terms, investment objectives and recommended benchmark of each such fund. Include as an excel spreadsheet *monthly* performance for each product from inception through 12/31/14 on a NET of fees basis. Indicate whether the performance track record is GIPS compliant and include any relevant disclosures. Include a listing of the constituent hedge fund managers in each product as of each calendar year end since inception.
- i) Hedge fund performance of clients where your firm provides hedge fund advisory services. Provide as composites of funds with similar objectives if possible.
- j) Completed Equal Employment Opportunity Employer Information Report Form EEO-1 on Workforce Composition.
- k) Any other information you feel would be necessary to gain a complete understanding of the firm or the services it provides.

J. References

120. Provide the organization name, address, telephone number, contact name and title for at least five existing clients (preferably at least two of whom should be U.S. public pension funds). Indicate the length of your relationship and asset size for each reference. Not including references will be considered non-responsive.
121. Provide the organization name, address, telephone number, contact name and title for at least five hedge fund 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.
122. Provide the organization name, address, telephone number, contact name and title for three *former* clients (preferably at least one of whom should be a U.S. public pension fund). If three accounts are not available, please explain why. Indicate the length of your relationship and asset size for each former client listed. Not including references will be considered non-responsive.

APPENDIX B

REQUIRED VENDOR FORMS

All required forms are available at www.sfgsa.org under the “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 form 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:

<http://www.sf-hrc.org/Modules/ShowDocument.aspx?documentid=872>

APPENDIX C1

**CONSULTING AGREEMENT
BETWEEN
SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
AND
[_____]**

THIS Consulting Agreement (this "Agreement") is made this ____ day of _____, 2015 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 San Francisco Retirement Board (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 investment consulting services for the Retirement System's hedge fund 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 [_____, 2015 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 alternative investments 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 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, Contractor 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 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. However, 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 potentially oversubscribed investment opportunity that Consultant recommends to the Retirement System, 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.

- 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:

William Coaker, Chief Investment Officer
San Francisco City and County Employees' Retirement System

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

Consultant shall also send electronic copies of such invoices to: bill.coaker@sfgov.org;
and publicmarkets.sfers@sfgov.org

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

- 10. False Claims.** Consultant acknowledges that Consultant is subject to Section 21.35 of the San Francisco Administrative Code (“Section 21.35”), 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 Section 21.35. Under Section 21.35, 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 amount 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 effect that reduction.

13. Insurance. 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:

- (a) worker's compensation, in statutory amounts, with employers' liability limits not less than \$1,000,000 each accident;
- (b) commercial general liability insurance with limits not less than \$1,000,000 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; and
- (c) professional or fiduciary indemnity (errors and omissions) insurance in the aggregate minimum of \$10,000,000.

Regarding workers' compensation, Consultant hereby agrees to waive subrogation which any insurer of Consultant may acquire from Consultant by virtue of the payment of any loss. Consultant agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. The workers' compensation policy shall be endorsed with a waiver of subrogation in favor of the Retirement System for all work performed by the Consultant, its employees, agents and subcontractors.

All evidence of insurance shall specify this Agreement and shall be accompanied by a written statement from the insurer that the Retirement System shall be given at least thirty (30) days advance written notice of any material modification or termination of any policy of insurance.

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 three (3) years beyond the termination of this Agreement, to the effect that, should occurrences during the contract term give rise to claims made after termination of this Agreement, those claims shall be covered by the claims-made policies.

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 a general annual aggregate limit, the general annual aggregate limit shall be double the occurrence or claims limits specified above in this Section 13.

Should any required insurance lapse during the term of this Agreement, the Retirement System will not process requests for payment originating after the lapse 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.

Before commencing any operations under this Agreement, Consultant shall furnish to the Retirement System certificates of insurance, in form and with insurers satisfactory to the Retirement System, evidencing all coverages set forth above, and shall furnish complete copies of policies promptly upon the Retirement System's request. Failure by Consultant to procure or maintain the insurance described in this Section 13 shall constitute a material breach of this Agreement upon which the Retirement System may immediately terminate this Agreement for default effective on the date of such breach.

Approval of the insurance by the Retirement System shall not relieve or decrease the liability of Consultant under this Agreement.

- 14. Indemnification.** Consultant shall indemnify and save harmless the Retirement System and the Retirement Board, and their officers, agents and employees from, and, if requested, shall defend them against any and all loss, cost, damage, injury, liability, and claims thereof 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 (a) breach of any representation or warranty made by Consultant in this Agreement, (b) breach of any covenant, agreement or obligation of the 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 or (c) 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 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 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 indemnity 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 (Drug-Free Workplace);
- (G) Section 44 (Compliance with Laws);
- (H) Section 47 (Protection of Private Information); and
- (I) Section 48 (Graffiti Removal);

(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 debtors' 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 effect 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);
- (q) Section 46 (Severability); and
- (r) Section 47 (Protection of Private Information).

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. Conflict of Interest. Through its execution of this Agreement, Consultant acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of the San Francisco Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et. seq. of the Government Code of the State of California, and 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.

Consultant further acknowledges that it is familiar with Section 3.216 of the San Francisco Campaign and Governmental Conduct Code (“Section 3.216”) 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. Section 3.216 defines “restricted source” to mean: (a) a person doing business with or seeking to do business with the department of the officer or employee; or (b) any person who during the prior twelve (12) months knowingly attempted to influence the officer or employee in any legislative or administrative action.

- 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: Jay Huish, Executive Director
San Francisco City and County Employees’ Retirement System
1145 Market Street, 5th floor
San Francisco, CA 94103
Fax: (415) 487-7023
E-mail: jay.huish@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 designs, 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 22.
- 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 the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the “LBE Ordinance”), provided such amendments do not materially increase Consultant’s obligations or liabilities, or materially diminish Consultant’s rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made part of this Agreement as though fully set forth in this Section 27. Consultant's willful failure to comply with any applicable provision of the LBE Ordinance is a material breach of Consultant’s obligations under this Agreement and shall entitle the Retirement System, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE

Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, Consultant shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

Consultant agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three (3) years following termination of this Agreement.

28. Nondiscrimination; Penalties.

- (a) **Consultant Shall Not Discriminate.** In the performance of this Agreement, Consultant agrees not to discriminate against any employee, City employee working with such contractor or subcontractor, applicant for employment with such consultant or subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.
- (b) **Subcontracts.** 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's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.
- (c) **Nondiscrimination in Benefits.** 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 San Francisco, or where work is being performed for the Retirement System elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.
- (d) **Condition to Contract.** As a condition to this Agreement, Consultant shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and

Benefits” form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

- (e) **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section 25 by reference and made a part of this Agreement as though fully set forth herein. Consultant shall comply fully with and be bound by all of the provisions that apply to this Agreement under such chapters, including but not limited to the remedies provided in such chapters. Without limiting the foregoing, Consultant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Consultant and/or deducted from any payments due Consultant.
29. **MacBride Principles – Northern Ireland.** Pursuant to San Francisco Administrative Code Section 12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this Agreement on behalf of Consultant acknowledges and agrees that he or she has read and understood this Section 26.
30. **Tropical Hardwood and Virgin Redwood Ban.** Pursuant to Section 804(b) of the San Francisco Environment Code, the City urges companies not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood or virgin redwood wood product.
31. **Drug-Free Workplace.** Consultant acknowledges that pursuant to the federal Drug-Free Workplace Act of 1988 (the “Drug-Free Workplace Act”), the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on Retirement System premises. Consultant agrees to comply with the Drug-Free Workplace Act. Any violation of this Section 28 shall be deemed a material breach of this Agreement.
32. **Resource Conservation.** Consultant shall comply in good faith, wherever applicable, with Chapter 5 of the San Francisco Environment Code, which is hereby made a part of this Agreement as though fully set forth herein.
33. **Compliance with Americans with Disabilities Act.** Consultant acknowledges that, pursuant to the Americans with Disabilities Act of 1990, as amended (the “ADA”), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. Consultant shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Consultant agrees not to discriminate against persons with disabilities in the provision of

services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Consultant, its employees, agents or assigns will constitute a material breach of this Agreement.

- 34. 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.
- 35. Limitations on Contributions.** Through execution of this Agreement, Contractor acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code ("Section 1.126"), which prohibits any person who contracts with 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, or for a grant, loan or loan guarantee, from making any campaign contribution to (a) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six (6) months after the date the contract is approved. Consultant acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Consultant further acknowledges that 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 20 percent in Consultant; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Consultant. Additionally, Consultant acknowledges that Consultant must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Consultant further agrees to provide to the Retirement System the names of each person, entity or committee described above.
- 36. Requiring Minimum Compensation for Covered Employees.** Consultant agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (the "MCO"), as set forth in San Francisco Administrative Code Chapter 12P ("Chapter 12P"), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth.
- 37. Requiring Health Benefits for Covered Employees.** Unless exempt, Consultant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (the "HCAO"), as set forth in San Francisco Administrative

Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of the HCAO are incorporated by reference and made a part of this Agreement as though fully set forth herein.

- 38. Prohibition on Political Activity with Retirement System Funds.** In accordance with San Francisco Administrative Code Chapter 12G (“Chapter 12G”), Consultant may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, “Political Activity”) in the performance of the services provided under this Agreement. Consultant agrees to comply with Chapter 12G and any implementing rules and regulations promulgated by the City’s Controller. The terms and provisions of Chapter 12G are incorporated herein by this reference. In the event Consultant violates the provisions of this Section 38, the Retirement System may, in addition to any other rights or remedies available hereunder, (a) terminate this Agreement, and (b) prohibit Consultant from bidding on or receiving any new Retirement System contract for a period of two (2) years. The City’s Controller will not consider Consultant’s use of profit as a violation of this Section 38.
- 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.** Contractor 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 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. Protection of Private Information.** Consultant has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, “Nondisclosure of Private Information,” and 12M.3, “Enforcement” of San Francisco Administrative Code Chapter 12M, “Protection of Private Information,” which are incorporated herein as if fully set forth herein. Consultant agrees that any failure of Consultant to comply with the requirements of Section 12M.2 of this chapter shall be a material breach of the Agreement. In such an event, in addition to any other remedies available to it under equity or law, the Retirement System may terminate the Agreement, bring a false claim action against Consultant pursuant to Chapter 6 or Chapter 21 of the San Francisco Administrative Code, or debar Consultant.
- 48. Graffiti Removal.** Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City’s property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti. Consultant shall remove all graffiti from any real property owned or leased by Consultant in the City within forty eight (48) hours of the earlier of Consultant’s (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This Section 48 is not intended to require a Consultant to breach any lease or other agreement that it may have concerning its use of the real property. The term “graffiti” means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether

permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of Consultant to comply with this Section 48 of this Agreement shall constitute an Event of Default.

- 49. 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.
- 50. 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: _____
JAY HUISH
Executive Director

By: _____
Name: _____
Title: _____

Approved as to Form:

DENNIS J. HERRERA
City Attorney

By: _____
KATHARINE HOBIN PORTER
Deputy City Attorney

EXHIBIT A

INVESTMENT POLICY STATEMENT

EXHIBIT B

SCHEDULE OF SERVICES

TO TRACK RFP REQUIREMENTS

EXHIBIT C

FEE SCHEDULE

**TO TRACK PROPOSER'S FEE PROPOSAL, AS NEGOTIATED WITH THE
RETIREMENT SYSTEM**

Appendix C2

INVESTMENT MANAGEMENT AGREEMENT

BETWEEN

[MANAGER NAME]

AND

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

_____, 2014

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INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (“Agreement”) is made and entered into as of this ____ day of _____, 2014 (“Effective Date”) in the City and County of San Francisco (the “City”), State of California, by and between [INVESTMENT MANAGER NAME] (“Investment Manager”) and the SAN FRANCISCO CITY AND COUNTY EMPLOYEES’ RETIREMENT SYSTEM (the “Retirement System”).

RECITALS

WHEREAS, the San Francisco Retirement Board (“Retirement Board”) has plenary authority and fiduciary responsibility for investment of monies and administration of the Retirement System, including the authority to segregate the Retirement System’s assets into one or more accounts and to appoint investment managers to manage a portion or portions of the assets so segregated;

WHEREAS, the Retirement System recommended and the Retirement Board approved selection of Investment Manager based on its representations in a competitive selection process; and

WHEREAS, the Retirement System wishes to appoint Investment Manager as a full discretionary investment manager to provide investment management and advisory services to the Retirement System.

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

ARTICLE I

APPOINTMENT, AUTHORITY AND RESPONSIBILITY OF INVESTMENT MANAGER

1.01 APPOINTMENT

The Retirement System hereby appoints Investment Manager as a fiduciary of the Retirement System with discretion and authority to invest and manage the assets allocated to Investment Manager in a separate custody account (the “Account”) established by the Retirement System’s designated custodian bank (“Custodian”) on its books and records in Investment Manager’s name. The Retirement System’s assets allocated to Investment Manager in the Account, together with all interest, earnings, accruals and capital growth thereon, are the “Managed Assets.” The Retirement System hereby authorizes Investment Manager to invest and manage the Managed Assets.

Investment Manager hereby accepts this appointment, assumes full fiduciary responsibility for the investment and management of the Managed Assets, and agrees to execute its duties according to the terms, conditions and standards set forth in this Agreement.

1.02 STATEMENT OF OBJECTIVES, GUIDELINES AND PROCEDURES; CODE OF ETHICS AND TRADING POLICY

Investment Manager shall have the authority to make investments of the Managed Assets in accordance with the investment objectives and guidelines set forth in the “Investment Policy Statement” attached hereto as Exhibit A and incorporated by reference as if fully set forth herein, and the “Statement of Objectives, Guidelines and Procedures” attached hereto as Exhibit B and incorporated by reference as if fully set forth herein (“Guidelines”).

Investment Manager hereby acknowledges that it has reviewed and shall comply with the Investment Policy Statement and Guidelines. The Retirement System may amend the Investment Policy Statement and the Guidelines from time to time, and will notify Investment Manager of any changes made to the Investment Policy Statement and/or the Guidelines. Investment Manager shall be given a reasonable opportunity to bring the Managed Assets into compliance with any such amendments. Investment Manager understands and acknowledges that failure to consistently meet the performance objectives set forth in the Investment Policy Statement and the Guidelines may result in termination of this Agreement by the Retirement System.

Investment Manager shall at all times comply with its Code of Ethics and Trading Policies. Investment Manager shall promptly provide the Retirement System with a copy of its Code of Ethics and Trading Policies upon request. Investment Manager understands and acknowledges that failure to comply with its Code of Ethics and Trading Policy may result in termination of this Agreement by the Retirement System.

1.03 MANAGEMENT OF ASSETS

Investment Manager shall have full discretion and authority to exercise all rights, powers and authority granted to it under this Agreement over the Managed Assets and shall be subject to each of the obligations and duties contained in this Agreement; *provided, however*, that Investment Manager’s authority under this Agreement is and shall be limited to the purchase, management and disposition of the Managed Assets as set forth in Exhibit A and Exhibit B hereto.

Additional investment management 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 Chief Investment Officer of the Retirement System (the “Chief Investment Officer”) acting on behalf of the Retirement System.

1.04 FIDUCIARY DUTY; STANDARD OF CARE

Investment Manager acknowledges and understands that this Agreement places it in a fiduciary relationship with the Retirement System and the Retirement Board. As a fiduciary, Investment Manager shall discharge each of its duties and exercise each of its powers (as those duties and powers are set forth 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, as amended, and San Francisco Charter Section 12.100, as amended, and with the customary standard of care of a professional investment manager providing services to a public pension plan (“Standard of Care”). Investment Manager shall cause any and all of its employees, agents

and representatives providing services in connection with this Agreement (“Agents”) to exercise the same Standard of Care. Investment Manager shall be liable to the Retirement System and/or the Retirement System for any Claim (as defined below) which arises from or relates to any failure by Investment Manager or any of its Agents to exercise the Standard of Care. As used herein, “Agents” does not include independent service providers such as, but not limited to, broker-dealers and securities pricing services.

Investment Manager further acknowledges that it is a “fiduciary” under the Investment Advisers Act of 1940 (“Advisers Act”), as amended, and agrees that it shall carry out its fiduciary duties with respect to the Managed Assets in accordance with the fiduciary standards applicable to investment advisers registered with the Securities and Exchange Commission (“SEC”) pursuant to the Advisers Act.

Investment Manager acknowledges that, to comply with the above-described fiduciary duties and Standard of Care, 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. Investment Manager further acknowledges that the Retirement System staff acts as the agent for the Retirement Board in its relationship with Investment Manager, but is subordinate to the Retirement Board and cannot direct Investment Manager to consider interests contrary to those expressed by the Retirement Board.

Investment Manager warrants that it will not delegate its fiduciary responsibilities under this Agreement.

1.05 AUTHORIZED PERSONNEL

Upon execution of this Agreement, the Retirement System shall provide Investment Manager with a list of authorized Retirement System personnel (“Authorized Persons”) who will be permitted to advise, inform and direct Investment Manager on the Retirement System’s behalf, together with signature specimens of certain Authorized Persons who may execute specific tasks under this Agreement. The list of Authorized Persons and any changes to that list shall be made in writing to Investment Manager and signed by the Executive Director or his or her designee. Until notified of any change and subject to the provisions of Section 1.06 below, Investment Manager may rely on and act upon instructions and notices received from an Authorized Person identified on the then current list furnished by the Retirement System.

In no event will any Authorized Person have any personal liability to Investment Manager for any action taken or not taken by that Authorized Person while acting or purporting to act as an Authorized Person.

1.06 AUTHORIZED INSTRUCTIONS

All directions and instructions to Investment Manager from any Authorized Person (“Authorized Instructions”) shall be in writing and transmitted as provided in Section 8.02 hereof; *provided, however*, that Investment Manager may, in its discretion, accept verbal Authorized Instructions subject to written confirmation of same from the Authorized Person issuing the Authorized Instruction. Such Authorized Instructions shall bind Investment Manager upon receipt. If Investment Manager receives instructions or notices from a source other than an Authorized Person, Investment Manager shall not comply with them and shall immediately notify the Chief Investment Officer in writing of such unauthorized instructions or notices.

1.07 CUSTODY OF ASSETS

The Retirement System shall instruct its Custodian to: (a) establish the Account on its books and records in Investment Manager's name and (b) maintain the Account in a manner that enables Custodian to account for the Managed Assets, and transactions with respect thereto.

Ownership of the Managed Assets shall remain with the Retirement System. Investment Manager shall not, under any circumstances, act as a custodian of the Managed Assets or otherwise take physical control or possession, custody, title, or ownership of any Managed Assets. Investment Manager shall not have the right to have securities in the Account registered in its own name or in the name of its nominee, nor shall Investment Manager in any manner acquire or become possessed of any income or proceeds distributable by reason of selling, holding or controlling any Managed Assets in the Account. Accordingly, Investment Manager shall have no responsibility with respect to the collection of income, reclamation of withheld taxes (subject to Section 1.16, below), physical acquisition or the safekeeping of the Managed Assets. All such duties of collection, physical acquisition or safekeeping shall be the sole obligation of Custodian.

1.08 WITHDRAWAL OF ASSETS FROM MANAGEMENT

The Retirement System may withdraw from and/or decrease the Managed Assets immediately upon written notice to Investment Manager. Any written notice shall set forth the amount of any withdrawal or identify the Managed Assets and amount of cash to be withdrawn, the date when the withdrawal is effective, and any other information that the Retirement System deems necessary or appropriate. On and after the effective date of a withdrawal or decrease of the Managed Assets, and except as may otherwise be set forth in the written notice, Investment Manager shall cease to be responsible for future investment of the withdrawn Managed Assets.

1.09 TRADING PROCEDURES

All transactions authorized by this Agreement shall be settled through Custodian, who shall retain sole possession of and have complete custodial responsibility for the Managed Assets. Investment Manager shall be the sole entity to notify and instruct Custodian on: (a) orders that Investment Manager places for the sale, purchase, or exchange of any Managed Assets and the management or disposition of Managed Assets, and (b) the purchase or acquisition of other securities or property for the Account. All orders shall be based upon "best execution." Investment Manager shall provide Custodian with all trade information that Custodian may require to effect settlement, within the time frames as Custodian may designate. Investment Manager shall obtain Custodian's detailed procedures and settlement instructions upon execution of this Agreement, and hereby warrants compliance therewith with respect to the Managed Assets.

1.10 INVESTMENT MANAGER NOT ACTING AS PRINCIPAL

Investment Manager shall not act as a principal in sales and/or purchases of the Managed Assets, unless Investment Manager has received prior written approval from an Authorized Person to act in that capacity in that transaction. Additionally, Investment Manager shall not exercise voting rights or grant proxies with respect to securities under its management.

1.11 BROKERAGE

Investment Manager shall have authority and discretion to establish accounts with one or more duly registered broker/dealers. Consistent with its fiduciary duties to ensure the safety of the Managed Assets, Investment Manager shall engage in a prudent and diligent broker/dealer selection process. Investment Manager shall ensure that all orders are placed with only reputable, qualified and financially sound broker/dealers. Investment Manager's primary objective shall be to select broker/dealers who will provide the most favorable net price and execution for the Account, but this requirement shall not obligate Investment Manager to recommend any broker/dealer solely on the basis of obtaining the lowest commission rate if the other standards set forth herein are satisfied.

Notwithstanding the foregoing, Investment Manager shall not place orders with any broker/dealer who is: (a) deemed unsuitable to execute trades on behalf of the Retirement System, as communicated by written notice to Investment Manager by the Retirement System, (b) affiliated with any investment consultant that provides non-brokerage related services to the Retirement System, as reflected on a list provided by the Retirement System, which the Retirement System may change at any time during the term of the Agreement, or (c) a related party or otherwise affiliated with Investment Manager. In addition, Investment Manager shall not engage in transactions that involve a broker acting as a principal where the broker is also an investment manager, without the Retirement System's advance written consent.

From time to time, the Retirement System may provide Investment Manager with a list of minority and women-owned brokerage firms whose services the Retirement System would like Investment Manager to utilize in connection with the Account. To the extent one or more of the firms on the list are qualified to provide services under this Agreement, Investment Manager should make a good faith effort to retain the firms, in order to further the Retirement Board's policy of encouraging the use of minority and women-owned business enterprises.

The Retirement System shall have the right to amend this Section 1.11 in accordance with any changes made in the law governing broker/dealers or soft dollar arrangements.

1.12 TRADE SETTLEMENT

Investment Manager shall cooperate with Custodian and other parties to the trade to promptly resolve any trade settlement discrepancies or disputes.

1.13 DISCRETIONARY RIGHTS AND POWERS AFFECTING THE MANAGED ASSETS

Investment Manager may receive information from Custodian concerning the Managed Assets, including without limitation, conversion rights, subscription rights, warrants, options, pendency of calls, maturities of securities, expirations of rights, tender and exchange offers, and any other right or power requiring a discretionary decision by Investment Manager. Investment Manager shall be responsible for timely directing Custodian as to the exercise of such rights and/or powers where Investment Manager has actual knowledge of same, whether by written notice or otherwise.

1.14 ACTING ON ILLEGAL INFORMATION

Investment Manager shall not place orders to purchase or sell any Managed Assets on the basis of any material information obtained, or utilized, by Investment Manager in violation of the securities laws

of the United States, or any other country in which Investment Manager transacts business on the Retirement System's behalf.

1.15 SOFT DOLLAR TARGETS

If the Retirement System establishes any soft dollar targets, and provides notice to Investment Manager of those targets, Investment Manager shall use its best efforts to meet those soft dollar targets when such transactions can be done without jeopardizing its best execution. Investment Manager shall provide the Retirement System with a quarterly statement of each broker's/dealer's soft dollars and the total commissions paid to each broker/dealer for the Retirement System account, in addition to such other statements and reports as detailed below.

Investment Manager shall conduct soft dollar and directed brokerage arrangements in accordance with Chapter 11.5, Sections 6930 et seq. of Division 7, Title 1 of the California Government Code, as amended ("Government Code"). The term "soft dollar and directed brokerage arrangements" shall have the same meaning herein as in Section 6930 of the Government Code.

(a) Each securities transaction or brokerage agreement carried out by Investment Manager pursuant to a soft dollar and directed brokerage arrangement shall be executed at the lowest responsible transaction cost available.

(b) Investment Manager shall maintain complete and detailed records of all billed services provided pursuant to soft dollar and directed brokerage arrangements.

(c) The proceeds provided to an Investment Manager by a broker/dealer pursuant to soft dollar and directed brokerage arrangements shall be for the specific purpose of supplementing and enhancing Investment Manager's investment research and portfolio management capabilities and utilizing the Retirement System's commissions for all other purposes permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended, with respect to investing the Managed Assets.

(d) On a semi-annual basis, Investment Manager shall disclose to the Retirement System and Custodian all of the following:

(1) A list of all billed services provided pursuant to soft dollar and directed brokerage arrangements with respect to investment transactions for the Retirement System;

(2) The justification for providing each of such services;

(3) The maximum percentage of the investment transactions of the Retirement System planned for use in soft dollar and directed brokerage arrangements;

(4) A statement of all billed services provided during the previous year under soft dollar and directed brokerage arrangements with respect to investment transactions for the Retirement System; and

(5) A determination of whether each service provided under soft dollar and directed brokerage arrangements with respect to investment transactions for the Retirement System is proprietary to the Retirement System or is being shared by other clients of Investment Manager.

1.16 RECAPTURE COMMISSION TARGET

If the Retirement System establishes any recapture commission targets, and provides notice to Investment Manager of those targets, Investment Manager shall use its best efforts to meet those recapture commission targets when such transactions can be performed without jeopardizing its best execution. Investment Manager shall provide the Retirement System with a quarterly statement of each broker's/dealer's recapture commissions and the total commissions paid to each broker/dealer for the Account.

1.17 ACCOUNT RECONCILIATION

Investment Manager shall review all performance and other reports provided to it by Custodian with respect to the Managed Assets, and notify the Retirement System monthly in writing of any material errors or discrepancies. Investment Manager shall cooperate with Custodian to reconcile the Account each month.

1.18 NOTIFICATION OF TAX LIABILITIES

Investment Manager hereby acknowledges that the Retirement System is a tax-exempt entity, and that it is unlikely to be subject to any tax withholding requirements of U.S. federal, state, or local laws. Notwithstanding the foregoing, if at any time, the Retirement System is required to pay any local, state, federal or international taxes or stamp duties or to file any returns or other documents with respect to income earned on the Managed Assets under this Agreement, Investment Manager shall promptly notify the Retirement System. Investment Manager acknowledges that the Retirement System is relying on Investment Manager for notice of such taxation matters. Investment Manager shall be liable for all penalties and interest due to any failure by Investment Manager to promptly notify the Retirement System of such tax matters.

1.19 ADMINISTRATION OF RECORDS

(a) Record Maintenance and Retention. Investment Manager shall keep and maintain all records related to the Managed Assets, including but not limited to any pertinent transaction, activity, time sheets, cost, billing, accounting and financial records, proprietary data, electronic recordings, and any other records created in connection with this Agreement ("Retirement System Records"). Investment Manager shall keep and maintain Retirement System Records for no less than six (6) years following the termination of this Agreement.

Investment Manager agrees that, except for accounts and records routinely or customarily destroyed in the ordinary course of business in compliance with existing laws governing the retention of such documents, Investment Manager shall not destroy any accounts and records unless Investment Manager first notifies the Retirement System in writing of its intention to do so and then provides the Retirement System with the opportunity to take possession of those accounts and records as the Retirement System and Investment Manager shall mutually agree.

(b) **Record Review and Audit.** Investment Manager shall provide to the Retirement System and its authorized representatives, on reasonable notice (which in no event need ever be more than five (5) business days) and during ordinary business hours, full access to (including usable electronic data format), and the right to examine, audit, excerpt, copy or transcribe, any Retirement System Records maintained by Investment Manager with regard to this Agreement at any time during the term of this Agreement and any time for up to six (6) years after the termination of this Agreement. Regardless of any interest, proprietary or otherwise, of Investment Manager in reports, memoranda, or other documents prepared by Investment Manager in connection with services performed under this Agreement, all such reports, memoranda, and documents prepared by Investment Manager shall become the property of and will be transmitted to the Retirement System in a useable format (including electronic data format) upon demand. Investment Manager shall make the persons responsible for creating and maintaining Retirement System Records available to the Retirement System during such review for the purpose of responding to the Retirement System's inquiries.

This Section 1.19 shall survive the termination of this Agreement.

1.20 REPORTING

Investment Manager shall provide the Retirement System and its staff, auditors, accountants, attorneys and other professional advisers, with documents, reports, data, and other information as the Retirement System may require, in a form satisfactory to, and approved by, the Retirement System. The required reports may include reports of use of soft dollars, performance reports, statements to the Retirement System and Custodian confirming all transactions relating to the Managed Assets, the existence and status of any claims, tax liabilities and withholdings, and reports regarding Investment Manager's system of internal control and security. Investment Manager shall also provide Custodian with documents, reports, data, and other information as Custodian or the Retirement System may require.

Investment Manager shall also regularly review data provided by the Retirement System or its Custodian on the Retirement System aggregate holdings when making investments with the Managed Assets and promptly notify the Retirement System if any transaction triggers a legal filing or reporting obligation under applicable law. An authorized officer of Investment Manager shall sign all reports and shall certify that such reports are accurate and consistent with the Investment Policy Statement.

Additionally, Investment Manager shall furnish to the Retirement System such reports as set forth in **Exhibit B**, at the times set forth therein.

1.21 PROXY VOTING

Investment Manager shall not exercise any voting rights attaching to the investments comprising the Managed Assets.

1.22 MEETINGS

At the Retirement System's request and at mutually agreed upon times, Investment Manager shall meet with the Retirement System to review Investment Manager's performance and to discuss Investment Manager's present and future investment strategy. Investment Manager shall be available to answer questions from time to time as needed, without additional charge.

1.23 KEY PERSONNEL

Certain Investment Manager officers, principals, partners and employees who are “Key Personnel” are identified in Exhibit C, attached hereto and incorporated by reference as if fully set forth herein. The Retirement System may update Exhibit C from time to time during the term of this Agreement, by designating in writing additional or alternate Key Personnel. Investment Manager shall notify the Retirement System, by an immediate phone call to the Chief Investment Officer and a follow up written notice within three (3) business days, of any changes in Key Personnel. In addition, Investment Manager shall facilitate the replacement of Key Personnel in such a manner as to ensure an orderly succession and uninterrupted performance of the investment management services under this Agreement. Before assigning Key Personnel, whether as an initial assignment or as a replacement, Investment Manager shall: (i) notify the Retirement System, by an immediate phone call to the Chief Investment Officer and a follow up written notice within three (3) business days, of the proposed assignment and provide a resume regarding the individual; (ii) specify how long that individual has been with Investment Manager; (iii) at the Retirement System’s request, introduce the individual to appropriate representatives of the Retirement System; and (iv) consult with the Retirement System prior to implementing such assignment.

ARTICLE II

COMPENSATION

2.01 FEE STRUCTURE

As compensation for providing the services under this Agreement, Investment Manager shall be compensated as set forth in the fee schedule attached hereto as Exhibit D and incorporated by reference as if fully set forth herein (the “Fee Schedule”). For each calendar quarter during which this Agreement is in effect, Investment Manager shall be paid in arrears for its services hereunder in accordance with the Fee Schedule. The Fee Schedule is subject to annual adjustment by the Retirement System upon thirty (30) days’ advance written notice. The fees set forth in the Fee Schedule shall be the sole compensation owed by or to any person for services under this Agreement.

No charges shall be incurred under this Agreement nor shall any payments become due to Investment Manager until reports, services, or both, required under this Agreement are received from Investment Manager and approved by the Retirement System as being in accordance with this Agreement. the Retirement System may withhold payment to Investment Manager in any instance in which Investment Manager has failed or refused to satisfy any material obligation provided for under this Agreement.

In no event shall the annual compensation amount of this Agreement exceed [_____]
(\$[_____]).

2.02 INVOICES

Investment Manager shall submit to the Retirement System an itemized quarterly invoice within thirty (30) calendar days of the close of the quarter for which services were provided. Invoices shall only cover work already performed; no compensation shall be paid to Investment Manager in advance of services rendered. Investment Manager shall send invoices by electronic mail to publicmarkets.sfers@sfgov.org and bill.coaker@sfgov.org and also by U.S. mail to:

San Francisco City and County Employees’ Retirement System

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102
Attention: Chief Investment Officer

The Retirement System may change the recipient for receipt of invoices by written notice to Investment Manager.

2.03 MOST FAVORED NATION

For so long as this Agreement remains effective, Investment Manager shall promptly advise the Retirement System of any fee agreement or arrangement between Investment Manager and any of its other clients that contains terms more favorable than those set forth in this Agreement and its exhibits. The Retirement System shall automatically receive the benefit of any such more favorable terms at its option.

2.04 FALSE CLAIMS

(a) Investment Manager acknowledges that Investment Manager is subject to Section 21.35 of the San Francisco Administrative Code, as amended ("Section 21.35"), which provides that any Investment Manager who submits a false claim: (i) is liable for three times the amount of damages the Retirement System sustains; (ii) is liable for the costs (including attorney's fees), of a civil suit to recover such damages; and (iii) may be liable for a civil penalty of up to Ten Thousand Dollars (\$10,000) per false claim.

(b) Under Section 21.35, Investment Manager is deemed to have submitted a false claim if Investment Manager: (i) 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; (ii) 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; (iii) conspires to defraud the Retirement System by getting a false claim allowed or paid by the Retirement System; (iv) 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 (v) 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.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS OF INVESTMENT MANAGER

3.01 INVESTMENT MANAGER'S REPRESENTATIONS, WARRANTIES AND COVENANTS

Investment Manager acknowledges that the Retirement System has relied upon the representations, warranties, acknowledgments, covenants and agreements set forth in this Section 3.01, which constitute a material inducement to the Retirement System's decision to enter into this Agreement. This Section 3.01 shall survive the expiration or earlier termination of this Agreement.

Investment Manager acknowledges, represents, warrants, covenants and agrees that:

(a) Organization and Powers. Investment Manager is duly organized, validly existing, and in good standing under the laws of the state of its organization and has full corporate power and authority to carry on its business as it has been and is conducted. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are within the power of Investment Manager and have been duly authorized by all necessary corporate and other action.

(b) Authorization. Investment Manager has duly authorized, executed and delivered this Agreement, and this Agreement constitutes the legal, valid and binding agreements and obligations of Investment Manager, enforceable against Investment Manager in accordance with its terms, except insofar as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar limitations on creditors' rights generally and general principles of equity. Investment Manager is not subject to or obligated under any law, rule or regulation of any governmental authority, or any order, injunction or decree, or any agreement, that would be breached or violated by Investment Manager's execution, delivery or performance of this Agreement.

(c) Qualifications and Quality of Services. Investment Manager is qualified to perform the investment management services required by the Retirement System under this Agreement. Investment Manager is willing and capable of performing all of the services described in this Agreement. Investment Manager shall notify the Retirement System promptly of any changes in Investment Manager's organization or legal status which may affect its willingness or capability to act effectively as the Retirement System's investment advisor. All services that Investment Manager provides hereunder shall meet the requirements and standards set forth in this Agreement and its exhibits. At the Retirement System's request, Investment Manager shall promptly correct any errors or omissions in the provision of such services.

(d) Fees to Third Parties. Investment Manager has not employed or retained any person or selling agency to solicit or secure this Agreement under any agreement or understanding for a commission, percentage, brokerage, or contingent fee, except for bona fide employees of Investment Manager and Investment Manager's affiliates or bona fide established commercial or selling agencies maintained by Investment Manager for the purpose of securing business. Investment Manager has received and reviewed the Retirement System's Placement Agent Policy, dated June 8, 2010 ("Placement Agent Policy"), and hereby confirms compliance therewith. If Investment Manager in any way breaches or violates the representations or warranties as set forth in this paragraph (d), the Retirement System shall have the right to immediately terminate this Agreement for default and, in the Retirement System's sole discretion, to deduct from Investment Manager's compensation under this Agreement, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee under this Agreement and/or in accordance with the Placement Agent Policy.

(e) Prohibited Activities. Investment Manager does not and shall not knowingly employ, retain or compensate in any capacity: (1) any the Retirement System's employee, member of the Retirement Board, fiduciary, agent, consultant or other service provider 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 (2) any spouse or economic dependent of any Interested Person.

Through its execution of this Agreement, Investment Manager acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, as amended, Article III, Chapter 2 of the San Francisco Campaign and Governmental Conduct Code, as amended, and Section 87100 et seq. and Section 1090 et. seq. of the Government Code, as amended, and 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.

Investment Manager further acknowledges that it is familiar with Section 3.216 of the San Francisco Campaign and Governmental Conduct Code, as amended (“Section 3.126”) 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. Section 3.216 defines “restricted source” to mean: (a) a person doing business with or seeking to do business with the department of the officer or employee; or (b) any person who during the prior twelve (12) months knowingly attempted to influence the officer or employee in any legislative or administrative action. Investment Manager 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.

If Investment Manager breaches any representation or warranty in this Section 3.01(e), the Retirement System may immediately terminate this Agreement for default.

(f) Intellectual Property. In connection with its performance under this Agreement, Investment Manager shall not knowingly develop, provide or use any software, program, process, composition, writing, equipment, appliance or device, or any trademark, service mark, logo, idea, or any other work or invention of any nature, or any other tangible or intangible assets, that infringes or will infringe on any patent, copyright, or trademark of any other person or entity, or is or will be a trade secret of any other person or entity.

(g) Audited Financial Statement. Upon the request of the Retirement System, Investment Manager shall provide the Retirement System with copies of its audited financial statements, including its audited balance sheet, income statement and statement of cash flow, within fifteen (15) days after the financial statements become available.

(h) Changes. Investment Manager shall notify the Retirement System in writing within three (3) business days of any of the following changes: (1) Investment Manager becomes aware that any of its representations, warranties and covenants set forth in this Agreement cease to be materially true at any time during the term of this Agreement; (2) there is any change in Investment Manager’s directors, executive officers, or senior management personnel within its organization; (3) there is any change in ownership or control of Investment Manager; (4) Investment Manager becomes aware of any other material change in its business organization, including without limitation the filing for bankruptcy relief; (5) within a six (6) month period, there is a withdrawal of assets under management with Investment Manager of 5% or more, or (6) within a twelve (12) month period, three (3) clients with \$100 million in assets under management with Investment Manager withdraw those assets or terminate their relationship with Investment Manager.

(i) Investigations and Complaints. To the extent permitted by applicable law, Investment Manager shall promptly advise the Retirement System in writing of any subpoena, investigation,

examination, complaint, disciplinary action or other proceeding relating to or affecting Investment Manager or involving any investment professional employed by Investment Manager who has performed any service with respect to the Account or Managed Assets or otherwise under this Agreement in the preceding twenty-four (24) months, which is commenced by any of the following: (1) the SEC, (2) the New York Stock Exchange (NYSE), (3) the American Stock Exchange (AMEX), (4) the Financial Industry Regulatory Authority (FINRA), (5) any attorney general or any regulatory agency of any state of the United States, (6) any United States governmental department or agency, or (7) any governmental agency regulating securities of any country in which Investment Manager is doing business.

(j) Registered Investment Advisor. Investment Manager meets all qualifications set forth in the Guidelines to act as an investment advisor to the Retirement System and further Investment Manager meets all qualifications required of investment advisors by law, including but not limited to, the Investment Company Act of 1940, as amended, the Advisers Act, as amended, and 15 U.S.C. §§ 80b-1 et seq., as amended; and it has completed, obtained and performed all registrations, filings, approvals, authorizations, consents, and examinations required by any governmental authority for its services contemplated by this Agreement. Investment Manager shall immediately notify the Retirement System if at any time during the term of this Agreement it is not so registered or if its registration is suspended.

(k) Manager's Agents. The personnel and Agents of Investment Manager responsible for discharging Investment Manager's duties and obligations under this Agreement are and will be individuals licensed, as applicable, and experienced in the performance of the various services and functions contemplated by this Agreement. None of these individuals has been convicted of any felony, found liable in a civil or administrative proceeding, pleaded no contest, or agreed to any consent decree with respect to any matter involving breach of trust, breach of fiduciary duty, fraud, violations of any federal or state securities law or the FINRA Code of Conduct, or bankruptcy law violations. Investment Manager shall immediately notify the Retirement System if the representation and warranty in the preceding sentence is no longer accurate.

(l) Disclosure Statement. Investment Manager has delivered to the Retirement System, at least five (5) business days prior to the execution of this Agreement, Investment Manager's current SEC Form ADV, Part II (the "Disclosure Statement"), unless it is exempt from such requirement, in which case Investment Manager has provided the Retirement System with a letter from its counsel explaining the basis for the exemption. Investment Manager further warrants that it will deliver to the Retirement System (a) a copy of the Disclosure Statement it files with the SEC annually, within thirty (30) days of filing, and (b) copies of any amendments or updates to the Disclosure Statement it files with the SEC, within thirty (30) days of filing.

(m) Reporting Assistance. Investment Manager shall assist the Retirement System and Custodian, as necessary or as requested by Retirement System or Custodian, to prepare required reporting or regulatory forms and filings regarding the Managed Assets; shall take action necessary to recover any taxes improperly paid or withheld; and shall use diligence to identify and evaluate material legal claims relating to any of the Managed Assets, including but not limited to class action claims (such claims shall hereinafter be referred to as "Claims"), advise the Retirement System of any Claims potentially involving more than Two Million Dollars (\$2,000,000) and pursue, or assist the Retirement System in pursuing, any Claims as directed by the Retirement System.

(n) Independent Contractor. Investment Manager shall at all times be acting in the capacity of an independent contractor. This Agreement is not intended, and shall not be construed, to create the relationship of agent, servant, employee, partnership, joint venture, or association as between the Retirement System and Investment Manager. For all purposes, including but not limited to workers' compensation liability, Investment Manager understands and agrees that all persons furnishing services under this Agreement are deemed employees solely of Investment Manager and not of the Retirement System.

If any governmental authority should, nevertheless, determine that Investment Manager is an employee, then the Retirement System's payment obligations hereunder shall be reduced so that the aggregate amount of payments directly to Investment Manager and to the applicable governmental authority does not exceed the maximum amount specified in Section 2.01. Investment Manager shall refund any amounts necessary to effect that reduction.

(o) Misstatements and Omissions. Neither any representation or warranty contained in this Agreement nor any written statement, certificate, or document furnished or to be furnished to the Retirement System by or on behalf of Investment Manager under this Agreement contains or will contain any misstatement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE IV

INSURANCE AND INDEMNIFICATION

4.01 INSURANCE

(a) Without in any way limiting Investment Manager's liability under the "Indemnification" section of this Agreement, Investment Manager must maintain in force, during the full term of the Agreement, insurance in the following amounts and coverages:

(1) Commercial General Liability Insurance, with limits not less than Two Million Dollars (\$2,000,000) each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products and Completed Operations;

(2) Errors and Omissions Insurance, with a per-occurrence limit of at least Twenty-Five Million Dollars (\$25,000,000) and an annual aggregate of at least Fifty Million Dollars (\$50,000,000);

(3) Workers' Compensation Insurance, in an amount and form to meet all applicable statutory requirements, to cover all of Investment Manager's employees, with Employers' Liability Limits not less than Two Million Dollars (\$2,000,000) each accident, injury, or illness; and

(4) Crime Coverage Insurance. Investment Manager shall provide and maintain throughout the term of this Agreement a fidelity or financial institution bond policy that provides protection to the Retirement System against loss by reason of fraud or dishonesty on the part of Investment Manager or its Agents, with at least the following coverages and amounts:

- i) Employee dishonesty coverage – Ten Million Dollars (\$10,000,000).
- ii) Computer theft coverage – One Million Dollars (\$1,000,000).

(b) Commercial General Liability and Errors and Omissions policies must be endorsed to:

- (1) Name as Additional Insured the Retirement System and its Officers, Agents, and Employees.
- (2) 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) Regarding Workers' Compensation, Investment Manager hereby agrees to waive subrogation which any insurer of Investment Manager may acquire from Investment Manager by virtue of the payment of any loss. Investment Manager agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the Retirement System for all work performed by the Investment Manager, its employees, agents and subcontractors.
- (d) All policies shall provide thirty days' advance written notice to the Retirement System of reduction or nonrenewal of coverages or cancellation of coverages for any reason. Notices shall be sent to the Retirement System address in the "Notices to the Parties" section.
- (e) Should any of the required insurance be provided under a claims-made form, Investment Manager shall maintain such coverage continuously throughout the term of this Agreement and, without lapse, for a period of three years beyond the expiration of this Agreement, to the effect that, should occurrences during the contract term give rise to claims made after expiration of the Agreement, such claims shall be covered by such claims-made policies.
- (f) 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 above.
- (g) 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.
- (h) Before commencing any operations under this Agreement, Investment Manager 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 above. Failure to maintain insurance shall constitute a material breach of this Agreement.
- (i) Approval of the insurance by the Retirement System shall not relieve or decrease the liability of Investment Manager hereunder.
- (j) If a subcontractor will be used to complete any portion of this Agreement, the Investment Manager shall ensure that the subcontractor shall provide all necessary insurance and shall name the Retirement System and the Investment Manager as additional insureds.
- (k) This Section 4.01 shall survive the termination of this Agreement.

4.02 INDEMNIFICATION

Investment Manager shall indemnify, hold harmless, and, if requested, defend the Retirement System, its officers, members of the Retirement Board, fiduciaries (excluding Investment Manager), employees and agents (“Indemnified Parties”), from and against any and all claims, damages, losses, liabilities, suits, costs, charges, expenses (including, but not limited to, reasonable attorneys’ fees and court costs), judgments, fines and penalties, of any nature whatsoever, arising from or relating to any bad faith, negligence, willful misconduct, improper or unethical practice, infringement of intellectual property rights, breach of fiduciary duty, breach of trust, breach of confidentiality, breach of contract, or violation of any Legal Requirement (as defined below) by Investment Manager or any of its Agents acting in connection with this Agreement.

For purposes of this Agreement, the term “negligence” shall mean failure to exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity, with the same resources, and familiar with like matters would exercise in the conduct of an enterprise of a like character with like aims.

In addition to Investment Manager’s obligation to indemnify the Indemnified Parties, Investment Manager specifically acknowledges and agrees that it is obligated to immediately defend the Indemnified Parties from any claim that 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 a claim is tendered to Investment Manager by the Indemnified Parties and continues at all times thereafter.

This Section 4.02, and the indemnification obligations hereunder, shall survive the termination of this Agreement.

4.03 FORCE MAJEURE

Investment Manager shall not be liable for any default or delay in the performance of its obligations under this Agreement if and to the extent any default or delay is caused, directly or indirectly, by: flood, earthquake, elements of nature or acts of God; acts of the public enemy; riots, civil disorders, rebellions or revolutions in any country; or any other cause beyond the reasonable control of Investment Manager (“Force Majeure”); but in every case the default or delay in performance must be beyond the reasonable control and without the fault or negligence of Investment Manager.

4.04 LIMITATION ON LIABILITY OF THE RETIREMENT SYSTEM

The Retirement System’s payment obligations hereunder shall be limited to the payments under Section 2.01 of this Agreement. Notwithstanding any other provision of this Agreement, in no event shall the Retirement System be liable, regardless of whether the 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.

ARTICLE V
TERM AND TERMINATION

5.01 TERM OF THE AGREEMENT

The term of this Agreement shall commence on [Month] [Day], 2015, and continue until [Month] [Day], [_____]. The Retirement System may extend the Agreement for additional [_____]year terms, in its sole, absolute discretion, by written amendment. As part of its due diligence in monitoring Investment Manager, the Retirement System will regularly review and evaluate the terms and conditions of this Agreement, including Exhibit A and Exhibit B, and Investment Manager's compliance with the terms of the Agreement, and take any necessary action, including but not limited to amending or terminating the Agreement.

5.02 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 Investment Manager written notice of termination for convenience. Such notice shall specify the date on which the termination is effective (the "Effective Termination Date"). In no event shall the Retirement System's termination of this Agreement under this Section 5.02 be deemed a waiver of the Retirement System's right to make a claim against Investment Manager for damages resulting from any default by Investment Manager that occurred before the Effective Termination Date.

5.03 TERMINATION FOR DEFAULT

The Retirement System may immediately terminate this Agreement by delivering to Investment Manager a written notice of termination for default that specifies the Effective Termination Date, under any one of the following circumstances:

(a) If Investment Manager materially fails to perform or cause to be performed the services required under this Agreement, or any of the other provisions of this Agreement, within the time specified therefor (or within a reasonable time if no time is specified) and subsequently fails to cure that default within thirty (30) calendar days (or such longer period as the Retirement System may authorize in writing) after receipt of written notice from the Retirement System specifying the default;

(b) Upon notice but without further cure period, if Investment Manager repeatedly fails to perform according to this Agreement following notice and failure to cure under Section 5.03(a);

(c) Without notice or cure if Investment Manager materially breaches any of the warranties, representations and covenants made in Article III above;

(d) Without notice or cure if Investment Manager files for bankruptcy or is placed into involuntary bankruptcy, becomes insolvent or generally cannot pay its debts as they become due;

(e) Without notice or cure if Investment Manager is subject to criminal investigation, indictment or conviction, or is found civilly or criminally liable by a trial court, jury or administrative body in connection with any matter involving breach of trust, breach of fiduciary duty, fraud, theft, or moral turpitude; or

(f) Without notice or cure if Investment Manager attempts or purports to assign this Agreement, or any portion hereof, or any of its rights or obligations hereunder, without obtaining the Retirement System's prior written consent.

If the Retirement System terminates this Agreement for default under this Section 5.03, the Retirement System shall be entitled to recover from Investment Manager all reasonable damages resulting from the default. The running of any period to cure a default under this Section 5.03 shall not limit the Retirement System's right to terminate this Agreement for convenience at any time, under Section 5.02 above.

5.04 RIGHTS, REMEDIES AND RESPONSIBILITIES UPON TERMINATION

In the event of any termination of this Agreement, all of the terms and conditions of the Agreement shall continue to apply through the Effective Termination Date and through any period following the Effective Termination Date, during which Investment Manager shall continue to perform the services required under this Agreement in order to complete any transactions pending on the Effective Termination Date and to facilitate an orderly transition to a successor manager ("Transition Period"). Any Transition Period shall not exceed three (3) months after the Effective Termination Date. The following provisions shall also apply to any termination of this Agreement.

(a) Post-Termination Responsibilities. If the Retirement System terminates this Agreement, Investment Manager shall commence and perform, with diligence, all actions necessary on the part of Investment Manager to effect the termination of this Agreement on the Effective Termination Date and to minimize the liability of Investment Manager 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 orderly liquidation of the portfolio, the cessation of trading, or such other actions as reasonably directed by the Retirement System.

(b) Termination Invoice. Following the Effective Termination Date, Investment Manager shall submit to the Retirement System, in the form and with any reasonable certifications as may be prescribed by the Retirement System, Investment Manager's final invoice ("Termination Invoice"). The Termination Invoice shall prorate Investment Manager's quarterly fees for work already performed but for which Investment Manager has not been compensated through the Effective Termination Date, in accordance with Investment Manager's then current compensation level, by multiplying those fees by a fraction, the numerator of which is the number of days in the quarter that Investment Manager managed the Managed Assets and the denominator of which is the number of days in such quarter. Investment Manager shall submit such Termination Invoice no later than thirty (30) days after the Effective Termination Date. Upon Investment Manager's failure to submit its Termination Invoice within the time allowed, the Retirement System may determine, on the basis of information available to it, the amount, if any, due to Investment Manager and that determination shall be final. Subject to the provisions of Section 6.04(c) below, after the Retirement System has made that determination, or after Investment Manager has submitted its Termination Invoice, the Retirement System shall authorize payment to Investment Manager.

(c) Payment Withheld for Default. The Retirement System shall not authorize and shall withhold payment for services provided if the Retirement System terminates this Agreement for default under Section 5.03 above.

(d) Finding of No Default. If it is determined, after the Retirement System issues a notice of termination for default to Investment Manager under Section 5.03 above, that Investment Manager is not

in default, then the rights and obligations of the parties shall be the same as if a notice of termination for default had not been given.

(e) Good Faith Transfer. Upon any termination of this Agreement by the Retirement System and to the extent directed by the Retirement System, Investment Manager shall continue to serve as a manager hereunder at the then existing compensation level under this Agreement for the duration of the Transition Period. Investment Manager shall cooperate with the Retirement System in good faith to effect a smooth and orderly transfer of services and all records. Upon termination of this Agreement, Investment Manager shall retain all Retirement System Records according to the record retention provisions set forth in Section 1.19 above.

(f) Cumulative Nature of Rights and Remedies. The rights and remedies of the Retirement System provided by this Section 5.04 are not exclusive, but cumulative and in addition to any other rights and remedies provided by law, in equity or under any of the provisions of this Agreement.

This Section 5.04 shall survive termination of this Agreement.

5.05 MEASURE OF DAMAGES

Damages arising from any default, act or omission under this Agreement shall be determined under the laws of the State of California, without regard to special circumstances or conditions of the parties, provided that those damages are reasonably foreseeable at the time the parties entered into this Agreement. If any payment required to be made to a party to this Agreement by the other party is not paid in full when due, the amount due shall include an amount equal to the average federal funds rate as published daily in The Wall Street Journal, and compounded to the extent permitted under applicable law from the date of loss to the date on which payment is made.

This Section 5.05 shall survive the termination of this Agreement.

ARTICLE VI

SAN FRANCISCO PROVISIONS

6.01 MACBRIDE PRINCIPLES – NORTHERN IRELAND

Pursuant to San Francisco Administrative Code Section 12F.5, as amended, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this Agreement on behalf of Investment Manager acknowledges and agrees that he or she has read and understood this Section 6.01.

6.02 RESOURCE CONSERVATION

(a) Investment Manager shall comply in good faith with Chapters 5 and 8 of the San Francisco Environment Code, as amended, which is hereby made a part of this Agreement as though fully set forth herein.

(b) Pursuant to Section 804(b) of the San Francisco Environment Code, as amended, the City urges companies not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood or virgin redwood wood product.

6.03 SUNSHINE ORDINANCE

Investment Manager acknowledges that under Section 67.24(e) of the San Francisco Administrative Code, as amended, 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 Investment Manager that is covered by that ordinance (as it may be amended) will be made available to the public upon request.

6.04 LIMITATIONS ON CONTRIBUTIONS

Through execution of this Agreement, Investment Manager acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, as amended, which prohibits any person who contracts with 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, or for a grant, loan or loan guarantee, from making any campaign contributions to (a) an individual holding a City elective office if the contract must be approved by such individual, the board on which that individual serves or a state agency on whose board an appointee of that individual serves, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations of the contract until the later of either: (1) the termination of negotiations for such contract or (2) six (6) months after the date the contract is approved.

6.05 PROHIBITION ON POLITICAL ACTIVITY WITH CITY FUNDS

In accordance with San Francisco Administrative Code Chapter 12G, as amended ("Chapter 12G"), Investment Manager may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Agreement. Investment Manager agrees to comply with Chapter 12G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12G are incorporated herein by this reference. In the event Investment Manager violates the provisions of this Section 6.05, the City may, in addition to any other rights or remedies available hereunder, (a) terminate this Agreement, and (b) prohibit Investment Manager from bidding on or receiving any new City contract for a period of two (2) years.

ARTICLE VII

NON-DISCRIMINATION

7.01 NON-DISCRIMINATION; PENALTIES

In the performance of this Agreement, Investment Manager agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes or in retaliation for opposition to discrimination against such classes, against any

employee of, any City employee working with, or applicant for employment with Investment Manager, in any of Investment Manager's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Investment Manager. For purposes of this Section 7.01, the term "operation" shall include, without limitation, the following: employment, upgrading, promotion, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

7.02 NON-DISCRIMINATION IN BENEFITS

Investment Manager 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 San Francisco, or where work is being performed for the Retirement System elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code, as amended.

7.03 CONDITION TO CONTRACT

As a condition to this Agreement, Investment Manager shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

7.04 INCORPORATION OF ADMINISTRATIVE CODE PROVISIONS BY REFERENCE

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code, as amended, are incorporated in this Section 7.04 by reference and made a part of this Agreement as though fully set forth herein. Investment Manager shall comply fully with and be bound by all of the provisions that apply to this Agreement under such chapters, including but not limited to the remedies provided in such chapters. Without limiting the foregoing, Investment Manager acknowledges that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, as amended, a penalty of Fifty Dollars (\$50) for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Investment Manager and/or deducted from any payments due Investment Manager.

7.05 COMPLIANCE WITH AMERICANS WITH DISABILITIES ACT

Investment Manager acknowledges that, pursuant to the Americans with Disabilities Act of 1990, as amended (the "ADA"), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. Investment Manager shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Investment Manager agrees not to discriminate against persons with disabilities in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Investment Manager, its Agents or assigns will constitute a material breach of this Agreement.

ARTICLE VIII
MISCELLANEOUS

8.01 CONFIDENTIALITY

Investment Manager shall retain as strictly confidential and shall not disclose any information about the Retirement System, the Account, the Managed Assets, and financial transactions regarding the Managed Assets received in performing services under this Agreement; *provided, however*, that such restrictions shall not apply to any disclosure required by regulatory authorities, applicable law or the rules of any securities exchange that may be applicable. Investment Manager shall inform all of its Agents of the confidentiality provisions of this Agreement. Investment Manager may not use information about the Retirement System, the Account, the Managed Asset and financial transactions regarding the Managed Assets for any purpose other than to provide services to the Retirement System under this Agreement.

8.02 NOTICES

All notices, requests, demands or other communications required or desired to be given under this Agreement or under any law now or hereafter in effect shall be in writing. Any notice shall be deemed to have been given if delivered by facsimile with telephone confirmation of receipt, or by overnight courier, or if mailed by first class registered or certified mail, postage prepaid, and addressed as follows:

To the Retirement System:

Jay Huish
Executive Director
San Francisco City and County Employees'
Retirement System
1145 Market Street, 5th floor
San Francisco, CA 94103
Fax No. (415) 487-7023

William J. Coaker, Jr.
Chief Investment Officer
San Francisco City and County Employees'
Retirement System
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102
Fax No. (415) 487-7014

Katharine Porter
Deputy City Attorney
Office of the City Attorney
1390 Market Street, Fifth Floor
San Francisco, CA 94102
Fax No. (415) 554-4248

To Investment Manager:

[Insert Investment Manager Contact Info]

From time to time any party hereto may designate a new address or recipient for notice by written notice to the other party.

8.03 NO ASSIGNMENT, SUBCONTRACTING OR DELEGATION

The services under this Agreement are personal in nature and Investment Manager shall perform the work contemplated with resources available within its own organization. Investment Manager shall not assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the Retirement System, which consent may be granted or withheld in the Retirement System's sole discretion. Despite the Retirement System's consent, no assignment shall release Investment Manager of any of its obligations or alter any of its primary obligations under the Agreement, unless such consent expressly provides for a release of Investment Manager. Any attempted assignment or delegation of this provision shall be void and shall entitle the Retirement System to terminate this Agreement for default.

8.04 NO WAIVER

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right or remedy shall be deemed a waiver of any other breach, failure, right or remedy, whether or not similar, or preceding or subsequent, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

8.05 AMENDMENTS IN WRITING

This Agreement may be amended or modified only by a written instrument executed by both parties hereto and by making specific reference to this Agreement and to the intent of the parties that it be modified or amended by such writing.

The parties shall meet and confer in good faith on any modification of this Agreement that may become necessary to make its provisions consistent with any investment policy of the Retirement System, or any foreign, international, federal, state, county or local statute, rule, regulation or ordinance which governs any aspect of this Agreement.

8.06 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.

8.07 SECTION HEADINGS

Headings used in this Agreement are for convenience and reference only and shall in no way restrain, affect or otherwise modify the meaning, construction or interpretation of this Agreement. Each party hereto and its counsel have participated fully and equally in the review and negotiation of this Agreement. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, and not strictly for or against either party. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Agreement.

8.08 ENTIRE AGREEMENT

This Agreement, and any and all exhibits, schedules and appendices attached hereto, contains the entire and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all previous oral and written agreements or understandings, and all contemporaneous oral and written negotiations, commitments, understandings and communications between the parties relating to the subject matter of this Agreement. No party has been induced to enter into this Agreement by, nor is any party relying on, any representation or warranty outside those expressly set forth in this Agreement.

8.09 GOVERNING LAW; JURISDICTION

This Agreement shall be construed and enforced according to the laws of the State of California, without regard to choice of law rules. The parties hereby submit to the jurisdiction of the courts of the State of California, or of the United States of America sitting in the State of California, over any action, suit, or proceeding arising out of or relating to this Agreement. Nothing herein shall affect the right of the Retirement System to serve process in any manner permitted by law or limit the right of the Retirement System to bring proceedings against Investment Manager in the competent courts of any other jurisdiction or jurisdictions.

8.10 COMPLIANCE WITH LEGAL REQUIREMENTS

Investment Manager shall comply with the City and County of San Francisco Charter, and with all applicable foreign, international, federal, State of California, and local laws, regulations, ordinances, registrations, filings, approvals, authorizations, consents and examinations (the "Legal Requirements"), and all provisions required by the Legal Requirements to be included in this Agreement are hereby incorporated by reference.

8.11 SEVERABILITY

If any provision of this Agreement is found to be invalid or unenforceable, that finding shall not affect the validity of any other provision hereof; and that provision shall be enforced to the maximum extent possible so as to effect the intent of the parties.

8.12 SERVICES PROVIDED BY ATTORNEYS

Any services to be provided by a law firm or attorney 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 Investment Manager, will be paid unless the provider received advance written approval from the City Attorney.

8.13 DRUG-FREE WORKPLACE

Investment Manager acknowledges that pursuant to the federal Drug-Free Workplace Act of 1988, as amended (the "Drug-Free Workplace Act"), the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on Retirement System premises. Investment Manager agrees to comply with such Drug-Free Workplace Act. Any violation of this Section 8.13 by Investment Manager shall be deemed a material breach of this Agreement.

8.14 COOPERATION IN CONTRACT ADMINISTRATION

Investment Manager shall cooperate with consultants as the Retirement System may retain from time to time to assist the Retirement System in the administration of this Agreement, including, without limitation, investment consultants, attorneys, and accountants.

8.15 FURTHER ACTS AND ASSURANCES

In addition to the acts and deeds recited herein and contemplated to be performed, executed and/or delivered by or on behalf of the parties hereto, the parties hereby agree to perform, execute and/or deliver or cause to be performed, executed and/or delivered any and all such further acts, deeds, and assurances as the other party may reasonably require to consummate the transactions contemplated hereby.

8.16 PUBLICITY

Investment Manager shall not issue or release any press release or other public announcement concerning this Agreement or the services Investment Manager provides under the Agreement, without advance written approval of the Retirement System.

8.17 REPLACEMENT OF INVESTMENT MANAGER'S AGENTS

Upon demand by the Retirement System, Investment Manager shall replace any Agent assigned to perform services under this Agreement who the Retirement System determines is unable to effectively execute the responsibilities required by this Agreement.

8.18 COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which counterparts shall together constitute but one and the same instrument.

8.19 JOINT AND SEVERAL LIABILITY

If Investment Manager (or any permitted assignee) consists of more than one person or entity, the liability of each such person or entity signing this Agreement as Investment Manager shall be joint and several.

8.20 EXHIBITS

The exhibits attached hereto are incorporated in and made a part of this Agreement by reference. The exhibits may be modified by the Retirement System at any time, without an amendment hereto, upon written notice from an Authorized Person. If any conflicts, inconsistencies or ambiguities should arise between or among this Agreement and the incorporated documents, the following precedence shall be used to interpret the requirements of this Agreement:

- (a) The terms of this Agreement; and
- (b) The terms of the exhibits according to the order in which they appear.

8.21 WORD USAGE

Unless the context clearly requires otherwise, (a) the plural and singular number shall each be deemed to include the other; (b) the masculine, feminine, and neuter genders shall each be deemed to include the others; (c) “shall,” “will,” or “agrees” are mandatory, and “may” is permissive; (d) “or” is not exclusive; (e) “includes” and “including” are not limiting; and (f) “hereof,” “herein,” and other variants of “here” refer to this Agreement as a whole.

[Signature Pages Follow]

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**

[INVESTMENT MANAGER]

By: _____
JAY HUIISH
Executive Director

By: _____
Name: _____
Title: _____

Approved as to Form:

DENNIS J. HERRERA
City Attorney

By: _____
KATHARINE HOBIN PORTER
Deputy City Attorney

EXHIBIT A

INVESTMENT POLICY STATEMENT

EXHIBIT B

STATEMENT OF OBJECTIVES, GUIDELINES AND PROCEDURES

EXHIBIT C

KEY PERSONNEL

The following persons are Key Personnel under this Agreement:

1. [NAME, TITLE]
2. [NAME, TITLE]

EXHIBIT D

FEE SCHEDULE

Investment Manager shall bill its fee quarterly in arrears after the end of each calendar quarter. The fee shall be [____%] of the average market value of the Account as calculated by the Custodian as of the end of each month within such quarter. For any partial quarter, the fee shall be pro-rated according to the actual number of days during which Investment Manager provided services under this Agreement.