

# **City and County of San Francisco**

## **Retiree Health Care Trust Fund**

### **Request for Proposals for General Investment Consulting Services**



**Date Issued: August 8, 2018**

**Deadline For Submission: September 7, 2018 at 5:00 PM Pacific Time**

## **San Francisco Retiree Health Care Trust Fund (RHCTF)**

### **Request for Proposals for General Investment Consulting Services**

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## **I. Introduction**

As a result of the passage of Proposition B on the June 2008 ballot, a Retiree Health Care Trust Fund (RHCTF) was established under City & County of San Francisco Charter (Charter): Appendix A8.432. The Fund is to be used to pay for the City's contribution to the health care premiums of its retirees and their survivors. The fund is built through a 2% of salary contribution from City and County of San Francisco employees hired after January 9, 2009 which is matched by a 1% contribution from the City. Employees hired prior to January 9, 2009 contribute 1% of their salary, which is matched by the City. No withdrawals from the Fund other than for reasonable administrative expenses are allowed prior to January 2020. As of June 30, 2018, the fund had approximately \$270 million invested in global public equities and fixed income investments.

The RHCTF is governed by a Retiree Health Care Trust Fund Board (Board), as described in the Charter Section 12.204. The Board consists of five trustees, one appointed by the City Controller, one appointed by the City Treasurer, one appointed by the Executive Director of the San Francisco Employees' Retirement System (SFERS), one elected from among the active employees of the City's Health Service System, and one elected from among the retired employees of the City's Health Service System. Each elected trustee serves for a term of five years.

The SFERS Executive Director serves as the RHCTF Administrator. SFERS administrative and investment staff are responsible for the day-to-day administration of the RHCTF.

As described further in this Request for Proposals ("RFP"), the general investment consultant has primary responsibility to serve as an advisor on matters related to asset allocation including sub-asset class structure, investment policy, policy implementation and oversight. The general investment consultant is responsible for making timely and appropriate recommendations on investment policy issues, investment research, monitoring managers, and reporting on manager and total fund performance on a quarterly basis. The Northern Trust Company serves as the custodian for the assets of the RHCTF.

By this RFP, the RHCTF is soliciting proposals from qualified professional investment consulting firms to provide comprehensive general investment consulting advice and services to the Board. The selected firm will work closely with the Board and the SFERS' Chief Investment Officer and SFERS investment staff. The selected firm must demonstrate extensive experience and superior capability for providing investment consulting services to institutional investor clients, preferably public pension systems, of comparable size to or larger than the RHCTF, including but not limited to ongoing investment policy development, review and compliance; strategic and tactical investment planning; asset allocation decisions; investment due diligence; portfolio monitoring; manager due diligence, selection and monitoring; performance measurement and reporting; market research; risk management; and trustee education. The firm will serve in a fiduciary capacity and must acknowledge in writing the firm's fiduciary status, without qualification. In all cases, the firm and its consultants must offer advice to the RHCTF solely in the interest of the RHCTF's members and its beneficiaries.

The contract anticipated under this RFP will have an initial term of five (5) years. In addition, the RHCTF shall have two (2) options to extend the term of the agreement for a period of one (1) year each option, which the RHCTF may exercise in its sole and absolute discretion

## **II. Scope of Work**

The general scope of work for this RFP is to provide non-discretionary professional investment consulting services. Specifically, the successful firm must demonstrate superior experience and capability in the areas of investment policy development, review and compliance; portfolio monitoring; asset allocation; investment strategy; investment due diligence; investment manager research, selection and monitoring;

market research; risk management, and trustee education. The following are examples of the duties the RHCTF expects the general investment consultant to perform:

**A. Policy Duties**

1. Provide recommendations concerning long-term investment policy, objectives and strategy.
2. Provide recommendations concerning investment goals, policies, guidelines and procedures.
3. Provide recommendations concerning the process for manager research, selection, and subsequent due diligence.
4. Provide recommendations concerning proxy voting policies and guidelines.
5. Provide recommendations concerning risk management strategies.
6. Provide compliance monitoring.

**B. Asset Allocation & Total Portfolio Duties**

1. Conduct periodic asset allocation/asset liability studies (generally on a three-year cycle).
2. Provide capital market research across all asset classes and investment strategies.
3. Provide asset class research, analysis, and recommendations.
4. Provide access to analytical software and tools.
5. Provide due diligence and recommendations concerning securities lending strategies.
6. Provide compliance monitoring of the securities lending program.
7. Provide recommendations concerning custodial arrangements, specifically custodian search and review services.
8. Provide fee negotiation services with external managers and other investment service providers (cost containment).
9. Provide recommendations concerning brokerage issues, including directed brokerage, commission recapture, and low transaction cost trading strategies (cost containment).

**C. Investment Manager Oversight Duties**

1. Support and provide on-going monitoring of institutional investment managers.
2. Provide recommendations on how staff may enhance their manager research, selection, and subsequent due diligence of external managers.
3. Provide investment manager selection services and recommendations.
4. Provide investment manager compliance monitoring.
5. Provide ongoing monitoring of investment manager GIPS compliance.
6. Provide access to analytical software and tools.
7. Monitor trading programs (cost containment).
8. Provide recommendations concerning investment manager allocation and structure, manager guidelines and benchmark selection.

**D. Performance Measurement Duties**

1. Compare total portfolio investment performance to custom policy benchmarks in order to verify the value added by active management.
2. Provide benchmark evaluation, implementation, and analysis.
3. Provide access to analytical software.
4. Provide recommendations concerning risk management strategies.
5. Provide compliance monitoring.

**E. Training, Education and Client Relations Duties**

1. Attend regular quarterly Board meetings and other special meetings as requested by the Board or SFERS staff.
2. Provide quarterly reporting.
3. Provide investment education and training on a periodic basis.

4. Provide assistance on special projects, as needed.
5. Participate in ad hoc workshops on specific issues designated by the Board or SFERS staff.
6. Provide support for operational issues between Board meetings.
7. Respond to inquiries between Board meetings in an appropriate and timely manner.
8. Share all firm research, including white papers, and provide access to the firm's research staff.
9. Report any significant changes in the firm's organizational structure and staffing in a timely manner.
10. Make no changes in the assigned consultant team without the RHCTF's express approval.

The general investment consultant may also be asked to provide other services as required by the Board or SFERS staff.

### **III. Submission Requirements**

#### **A. Blackout Period**

For the duration of the RFP process, the RHCTF Board and assigned SFERS staff (Jay Huish, Caryn Bortnick, William Coaker and Kurt Braitberg) will enter into a "blackout" period during which communications and meetings between parties interested in or actually responding to the RFP ("Proposers") and assigned SFERS staff and Board members is prohibited. This blackout period is effective upon approval of this RFP by the Board, which occurred July 23, 2018, and continues until either the 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 the Board and assigned SFERS staff to treat all Proposers fairly during the RFP selection process and permit the review and evaluation of the responses to be fair and unbiased.

Blackout conditions are outlined below:

1. Proposers are to refrain from communications with the Board and assigned SFERS staff. Communications include meetings, telephone conversations, letters, and email.
2. The following communications are permitted during the blackout period: written inquiries submitted as provided in Section V(B)(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 Proposers as part of the RFP evaluation and selection process.
3. Proposers may meet with assigned SFERS 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 or the RHCTF as a service provider from participating in meetings and communications with SFERS staff, including assigned SFERS staff, and RHCTF Board members required to effectively conduct the business and services under the existing engagement.

If you have any questions regarding the blackout period, please submit your question in writing as provided by Section V(B)(2) of this RFP.

## **B. Time and Place for Submission of Proposals**

The deadline for submission of responses is **September 7, 2018 at 5:00 p.m. Pacific Time. Submissions must include seven (7) completed paper copies of the response and one full and complete electronic copy** of the response by the deadline date and time to:

Kurt L. Braitberg  
Managing Director, Public Markets  
Attn: RHCTF General Investment Consultant RFP  
San Francisco Employees' Retirement System  
1145 Market Street, 7th Floor  
San Francisco, CA 94103-1561  
[Kurt.Braitberg@sfgov.org](mailto:Kurt.Braitberg@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. Timely submission of only an electronic version of the proposal is insufficient to timely submit the proposal.

## **C. Transmittal Letter**

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

1. The Proposer's name, address, telephone, 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, the RHCTF, and the RHCTF's members and their survivors and beneficiaries.
6. A statement expressing the Proposer's availability of staff and other required resources for performing all services and providing all deliverables.
7. A certification that all fees and conditions stated in the proposal are firm for a period of 180 days from the deadline for submission of proposals and that the quoted prices are genuine and not the result of collusion or any other anti-competitive activity.
8. A statement that Proposer has reviewed the RFP schedule in Section V(A) of this RFP, and will ensure that all of Proposer's key personnel are available for interviews, site visits, and Board meetings.
9. A certification that no officer, employee or agent of SFERS and no RHCTF Board member has any known personal or pecuniary interest, direct or indirect, in this contract or the proceeds thereof.
10. A statement that identifies any personal, professional or financial relationships between Proposer and its officers and employees and any RHCTF Board member or SFERS staff.
11. A statement that Proposer acknowledges that materials submitted pursuant to this RFP are public records. See Section VI(J) of this RFP.
12. A description of Proposer's professional relationships involving SFERS, the RHCTF, **the State of California and any of its political subdivisions** for the past five (5) years from the date of the RFP response, together with a statement explaining why such relationships do not constitute a conflict of interest.

## **D. Format and Content of Proposals**

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

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

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

## **IV. Evaluation and Selection Criteria**

### **A. Minimum Qualifications**

A Proposer must meet all the following minimum qualifications, to the RHCTF's satisfaction:

1. The Firm must have at least \$25 billion in consulting assets.
2. At least one key professional member of the firm proposed for the RHCTF account must have a minimum of ten years of experience in reviewing advisor/manager agreements and other documents associated with investment for institutional clients.
3. The firm must carry a minimum of \$10,000,000 Errors and Omissions ("E&O") Insurance coverage or must have applied for such coverage by the submission date of the proposal. E&O insurance will be required throughout the duration of the contract.

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

### **B. Desired Qualifications**

Below is a list of desired qualifications for a general investment consultant:

1. Experience with OPEB trust funds.
2. Deep global research capabilities.
3. Sophisticated asset allocation and risk management practices.
4. The firm's investment professionals assigned to the RHCTF have an average of at least ten years of experience.
5. The firm has systems and technology needed to manage and advise a client of the RHCTF's size and complexity.
6. The firm has the depth and breadth across multiple asset classes to manage and advise client of the RHCTF's size and complexity.

### **C. Selection Criteria**

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

- |   |     |
|---|-----|
| 1. Personnel and Organization:  | 25% |
| <ul style="list-style-type: none"> <li>• Experience of the investment team</li> <li>• Depth of the investment team</li> <li>• Depth of the organization</li> <li>• Business structure</li> <li>• Ownership structure</li> <li>• Conflict of interest issues</li> </ul>  |     |
| 2. Asset Allocation, Asset Liability Modeling, and Risk Management:   | 25% |
| <ul style="list-style-type: none"> <li>• Experience and success in multi-asset class solutions</li> <li>• Innovation and creativity in asset allocation solutions</li> <li>• Proven ability to be forward-looking</li> <li>• Thoughtful about where to take risk and how much to take</li> <li>• Comprehensive risk management practices</li> </ul>   |     |
| 3. Investment Research  | 15% |
| <ul style="list-style-type: none"> <li>• Global research capabilities</li> <li>• Multi-asset class capabilities</li> <li>• Insightful and compelling investment research</li> </ul>   |     |
| 4. External manager research, selection, and subsequent due diligence and monitoring  | 15% |
| <ul style="list-style-type: none"> <li>• Multi-asset class manager research capabilities</li> <li>• Rigorous approach to manager selection and subsequent due diligence</li> <li>• Thoughtful insights into portfolio construction of multi-manager solutions</li> </ul>  |     |
| 5. Fee Proposal   | 5%  |
| <ul style="list-style-type: none"> <li>• Cost on absolute basis</li> </ul>  |     |
| 6. Other  | 15% |
| <ul style="list-style-type: none"> <li>• Thoughtful approach to investment policy, guidelines and procedures</li> <li>• Success in negotiating lower fees with managers, custodians, and other providers</li> <li>• Accuracy and insightful analysis in performing reporting and attribution analysis</li> <li>• Experience and skilled in Board presentations and working with Staff</li> <li>• Education materials of value to the Board and Staff</li> <li>• Proven innovation; creative solutions that are subsequently adopted by others</li> <li>• Warranties</li> <li>• Insurance, legal and contracting issues</li> <li>• Client service</li> </ul> |     |

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



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

**V. Schedule**

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

Action	Responsibility	Date (subject to change)
RFP is issued and advertised	SFERS Staff	August 8, 2018
Deadlines for Proposers to submit written questions	Proposers	August 17, 2018
Post responses to any written questions on the RHCTF website	SFERS staff	August 31, 2018
Deadline to submit RFP responses	Proposers	September 7, 2018
Review of RFP responses	SFERS Staff	Through October 5, 2018
Approval of semi-finalist Proposers	Board	October 22, 2018
In-house interviews of selected Proposers	SFERS Staff and semi-finalists	November 12-16, 2018
On site due diligence	SFERS Staff and semi-finalists	November 26-30, 2018
Assigned SFERS Staff recommendation to the Board	SFERS Staff	January 21, 2019
Board approval of a successful Proposer	Board	January 21, 2019
Contract negotiations completed		February 28, 2019
General consultant begins services to the RHCTF		February 28, 2019

**B. Explanation of Schedule of Events**

1. The RFP will be posted on the RHCTF website at <http://sfrhctf.org/>
2. In addition, the RFP will be released to a list of potentially qualified firms as determined by the RHCTF. All firms meeting the minimum qualifications, as stated in Section IV(A) of this RFP, are welcome to participate.
3. Any requests for information, modification or clarification of the RFP must be in writing or emailed to Kurt Braitberg ([Kurt.Braitberg@sfgov.org](mailto:Kurt.Braitberg@sfgov.org)) by not later than 5:00 p.m. on August 17, 2018. The RHCTF’s responses to any inquiries will be available to all Proposers on the RHCTF’s website by August 31, 2018.

4. The RHCTF may modify the RFP, prior to the proposal due date, by issuing addenda, which will be posted on the RHCTF's website. Each Proposer is responsible for ensuring that its proposal reflects all addenda issued by the RHCTF prior to the proposal due date regardless of when the proposal is submitted. Therefore, the RHCTF recommends that each Proposer consult the website frequently, including shortly before the proposal due date, to determine if the Proposer has downloaded all addenda.
5. In preparing their responses, Proposers should rely only on written material concerning this RFP issued by RHCTF.
6. Deadline for submission of RFP responses is 5:00 PM, Pacific Time, September 7, 2018.

**No exceptions to this deadline will be granted.**

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

**C. Contract Award**

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

**VI. Terms and Conditions for Receipt of Proposals**

**A. Errors and Omissions in RFP**

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

**B. Inquiries Regarding RFP**

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

Kurt L. Braitberg  
Managing Director, Public Markets  
Attn: RHCTF General Investment Consultant RFP  
San Francisco Employees' Retirement System  
1145 Market Street, 7th Floor

**C. Objections to RFP Terms**

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

**D. Addenda to RFP**

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

**E. Term of Proposal**

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

**F. Revision of Proposal**

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

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

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

**G. Errors and Omissions in Proposal**

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

**H. Financial Responsibility**

The RHCTF 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 the RHCTF and may be used by the RHCTF in any way deemed appropriate.

**I. Proposer's Obligations Under the Campaign Reform Ordinance**

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

#### **J. Sunshine Ordinance**

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

#### **K. Public Access to Meetings and Records**

If a Proposer is a non-profit entity that receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, the Proposer must comply with the reporting requirements of that Chapter. The Proposer must include in its proposal (1) a statement describing its efforts to comply with the Chapter 12L provisions regarding public access to Proposer's meetings and records, and (2) a summary of all complaints concerning the Proposer's compliance with Chapter 12L that were filed with the City in the last two years and deemed by the City to be substantiated. The summary shall also describe the disposition of each complaint. If no such complaints were filed, the Proposer shall include a statement to that effect. Failure to comply with the reporting requirements of Chapter 12L or material misrepresentation in Proposer's Chapter 12L submissions shall be grounds for rejection of the proposal and/or termination of any subsequent Agreement reached on the basis of the proposal.

#### **L. Reservations of Rights by the RHCTF**

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

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

#### **M. No Waiver**

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

#### **N. Local Business Enterprise Participation**

The RHCTF 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 “How to Qualify to Do Business with the City” tab on the Office of Contract Administration website at [www.sfgsa.org](http://www.sfgsa.org) for details and required forms.

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

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated by reference as though fully set forth herein. Those provisions prohibit discrimination by City contractors in employment, the use of property, the provision of public accommodations and in the provision of benefits to employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees.

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

### **VII. Contract Requirements**

#### **A. Standard Contract Provisions**

The successful Proposer will be required to enter into a contract substantially in the form of the Consulting Agreement, attached hereto as Appendix C. Failure to timely execute the contract, or to furnish all certificates, bonds or other materials required in the contract, shall be deemed an abandonment of a contract offer. The RHCTF, 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](http://www.sfgov.org) at the *San Francisco Municipal Codes* link under the “Government” section of the San Francisco homepage.

#### **B. Required Standard City Forms**

Before the City can award any contract to Proposer, the Proposer must file three standard City forms with SFERS. 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](http://www.sfgsa.org).

The Proposer must submit these required forms at the time the Proposer submits its proposal. If these forms are not submitted when the Proposer submits its proposal, the proposal may be determined to be non-responsive and rejected. 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: General Investment Consultant RFP  
1145 Market Street, 7<sup>th</sup> Floor  
San Francisco, CA 94103

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

**APPENDIX A**  
**RFP QUESTIONS**

**A. Warranties**

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

**B. Legal and Regulatory**

1. Has your firm or any officer or employee at your firm (or ex-officer or employee while employed at your firm) ever been involved in litigation where an allegation of a breach of fiduciary responsibility was made. If yes, for each litigation matter, please provide the following information:
  - a. Full name of the case;
  - b. Court where the case was filed;
  - c. Case number;
  - d. Date the case was filed;

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



- f. Procedural posture (if the proceeding is pending) or outcome of the proceeding (if the proceeding is resolved).
6. Has your firm been involved in an investigation or enforcement action by a regulatory agency? If yes, please explain and provide the following information:
  - a. The regulatory agency or agencies involved;
  - b. The dates of the investigation or enforcement action;
  - c. The nature of the investigation or enforcement; and
  - d. Procedural posture (if the investigation or enforcement is pending) or outcome of the proceeding (if the investigation or enforcement is resolved).
7. Have any officers or employees of your firm, or ex-officers or employees while employed at your firm, been involved in litigation, investigation, or enforcement action by a regulatory agency or other legal proceedings related to investment activities. If yes, please explain.
8. Does your firm provide health and other employment benefits to domestic partners of employees? If yes, describe. If no, indicate whether your firm would adopt such benefits if it were selected for this assignment.

### **C. Organization and Personnel**

1. Have there been any material organizational developments at your firm – such as changes in ownership, personnel, business – over the past five years? Describe such developments and emphasize the impact the changes on the services requested.
2. Discuss any prospective changes in ownership, personnel, or the business scheduled or anticipated over the next 12 months.
3. Describe the business objectives of your firm with respect to future growth, including the services requested. Comment on any present or planned area of emphasis expected in the future.
4. Does your firm or any affiliated entities offer any investment products (such as fund of funds)? If so, respond to the following questions:
  - a. Describe such strategies that are offered by your firm and the current assets under management in each fund.
  - b. Which investment professionals are involved in the management of such funds?
  - c. What procedures and policies are in place to ensure any conflicts of interest between the funds and needs of consulting clients are avoided? What conflicts cannot be avoided and how are these managed?
5. Please provide an overview of the firm, including its history and any special expertise or experience that would be relevant to the RHCTF.
6. Please provide a description of the ownership structure of the firm, including the parent company and any affiliated companies, joint ventures, and strategic alliances. If any near-term changes to the firm's corporate or ownership structure are anticipated, please note them.
7. Please provide a list of firm owners (from largest to smallest with respect to ownership) and their ownership percentages. Please include individuals and all other entities.

8. Please provide a description of the firm’s organization structure, including all operating divisions and functional areas, and the number of employees within each area. If any near-term changes to the firm’s organizational structure are anticipated, please note them.
9. 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 RHCTF relationship.
10. Please list the total number of clients and their total, average, and median account as follows:
  - a. Public plans (including OPEBs);
  - b. Endowments and Foundations;
  - c. Corporate clients;
  - d. Individuals;
  - e. Other clients (please describe what constitutes “other clients”);
  - f. Total clients.
11. List the 20 largest clients as of June 30, 2018, the type of account, portfolio size, inception date of your relationship to the client, and the service provided to that client. Please indicate if you are unable to provide the name of the account and the portfolio size, while still providing the type of account and the portfolios approximate size.
12. Please list the total number of professionals in the firm in each of the categories in the following charts for the past five years. Each person should be assigned to only one category. *In completing the first chart below, please provide data as of January 1 for years 2014 thru 2017 and as of June 30, 2018 for 2018. In completing the second chart below, please indicate the percentage of time spent on each function.*

	2014	2015	2016	2017	2018
Lead Consultants					
Consultants					
Capital Market Research					
Investment Manager Research					
Economists					
Analytics/Reporting					
Total Investment Staff					
Firm Management					
Legal					
Compliance					
Other Professional Staff					
Total Professional Staff (sum)					
Marketing					
Accounting					
Administration					
Total Staff					

	2014	2015	2016	2017	2018
Asset Allocation					
Capital Markets Research					
Public Equity					
Fixed Income					
Private Credit					
Private Equity					
Real Estate					
Real Assets					
Hedge Funds					
Other Investment Research					
Total Investment Research					

13. By the categories above, please list the names of all individuals currently employed by the firm including their tenure (years) with the firm and within the investment industry.
14. Please summarize the firm's qualification and years of investment experience by category.
15. Please list the names of employees acting in the role of Lead Consultant, Consultant, or Analyst that left the firm in 2014 through 2018.
16. If the firm anticipates any type of near-term changes in its professional staffing, please indicate the nature of such changes.
17. Please provide a brief description of the firm's compensation arrangements for professional staff, including any incentive bonuses, sharing of profits and/or equity ownership. Specific compensation amounts need not be presented.
18. When hiring consultants and analysts, what are the qualifications, skills, and experiences that the firm generally requires? Please also describe your recruitment practices.
19. What key strengths or competitive advantages does the firm possess?
20. Discuss the tradeoffs of your firm's attributes and how you minimize the downside and maximize the positives of an attribute. For example, if your firm is very large, what disadvantages does that create, what are its strengths, and how are you able to minimize the potential downside of such an attribute.
21. Discuss your organization's compensation and incentive program. 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?

22. List any accounts that have been lost from January 1, 2014 to the date of submission of the RFP. State the name or type of account, the size of the account at termination, and the reasons for the loss.

**D. Resources Dedicated to the RHCTF**

1. Please identify the individual(s) who would perform the requested services for the RHCTF. Please state the number of clients for which each individual is currently responsible. What percentage of time do you expect each individual will provide to the RHCTF? For each person, please also provide a biography as well as the following information (in the specified format):
  - a. Name:
  - b. Title:
  - c. Expected role:
  - d. Total years of institutional investment experience:
  - e. Total years of institutional investment consulting experience:
  - f. Total years with the firm:
  - g. Total current number of assigned accounts:
  - h. Name, plan type, length of relationship, and size of each assigned client account:
  - i. Role for each assigned account (ex. Lead Consultant, Support Consultant):
2. Please explain how the team dedicated to the RHCTF account would function, including lead consultant, back-up, and support services.
3. Please describe the firm's procedures in the event that key personnel assigned to this account leave the firm, are unable to serve, or are able to serve in only a reduced capacity.
4. Please describe the firm's experience and capabilities for providing education to public pension plan trustees and staff. Provide examples of materials used in recent educational presentations.

**E. Conflicts of Interests**

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

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

4. Does the firm or an affiliate of the firm act as a securities broker-dealer? If yes, please provide the most recent “focus report” (X-17A5) the firm or the affiliate filed with the Securities and Exchange Commission.
5. Does the firm and/or any affiliates accept soft dollars as a method of payment for services provided? If so, please describe.
6. Please list the percentage of revenues the firm’s ultimate parent company received in the 12-month period ended June 30, 2018, from the following sources: (Total must add to 100%.)
  - a. Revenues from investment manager clients:
  - b. Revenues from brokerage activity:
  - c. Revenues from plan sponsor consulting clients:
  - d. Revenues from other clients: (Please specify)
7. Please list the total revenue the firm and that of each of its affiliates received directly or indirectly from investment managers for auditing, actuarial, benefits, or any other management consulting work for the 12-month period ended June 30, 2018.
8. Please list the dollar value of revenues, commissions or any other benefits the ultimate parent company received (or a brokerage affiliate received – please specify) as a result of any type of brokerage activity for the 12-month period ended June 30, 2018.
9. For the 12-month period ended June 30, 2018, please list the names of all investment management firms from which the firm, each of its affiliates, and the ultimate parent company of the firm has received any compensation. Please state the dollar amounts received from each entity.
10. Would the firm be willing to disclose, annually or upon client request, the dollar amount and nature of all material beneficial relationships that the firm or any affiliate of the firm engages in with investment manager clients? If not, please explain.
11. Please describe the firm’s conflict of interest policy. If the firm, its affiliates, or the ultimate parent company provides investment management services, brokerage services, or services to investment managers, please include an explanation of how this policy, and any other measures taken by the firm, limit the likelihood that the client could receive investment advice that is not completely objective.
12. Please explain in detail any potential conflicts of interest that would be created by the firm’s representation of the RHTCF. Please include any activities of affiliated or parent organizations as well as other client relationships that may affect services to the RHCTF.

## **F. Technology and Communication Resources**

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

## **G. Investment Consulting**

### *Investment Philosophy*

1. Please describe the firm's philosophy toward the following:
  - a. Asset allocation;
  - b. Do you promote an equity orientation, downside protection, a balance of risks approach, risk parity, or some specific approach to asset allocation?
  - c. Do you promote investing passively or actively?
2. Do you prefer managers with large, sophisticated organizations, or smaller, more focused businesses? Why? Please provide details to support the rationale for your response.
3. Do you prefer managers who offer many strategies or just one or a few strategies? Why? Please provide details to support the rationale for your response.
4. Do you prefer managers who have large research staffs or more focused staffs? Why? Please provide details to support the rationale for your response.
5. Do you prefer generalist managers or specialized strategies? Why? Please provide details to support the rationale for your response.
6. Do you prefer concentrated managers, or managers who hold many dozens or hundreds of securities? Why? Please provide details to support the rationale for your response.
7. Do you prefer managers with high, moderate, or low tracking error? Why? Please provide details to support the rationale for your response.
8. Do you prefer managers with high, moderate, or low active share? Why? Please provide details to support the rationale for your response.
9. Do you prefer constrained strategies or giving managers extra flexibility? For example, do you prefer relaxing the long-only constraint, giving managers the ability to invest in non-public equity securities such as private equity, equities outside their geographical or style mandate, convertible, distressed, or high yield bonds, the ability to be more or less than 100% long, the ability to hold cash, or the ability to short stocks? Why? Please provide details to support the rationale for your response.
10. What is roughly the appropriate number of securities a plan sponsor should hold across its entire portfolio? Why? Please provide details to support the rationale for your response.

11. How do you guard against concentration at the portfolio level? Please provide details to support the rationale for your response.
12. How do you guard against over-diversification at the portfolio level? Please provide details to support the rationale for your response.
13. Are there common beliefs about the investment markets that underpin the firm's investment advice to clients? If yes, please describe them.

### ***Asset Allocation***

1. Please describe the firm's experience and capability for performing asset allocation studies on an OPEB and defined benefit plans. How often would this occur? What type of follow-up or review would the firm perform between studies? What factors would the firm consider?
2. Discuss the theory and methodology of the asset allocation models the firm employs. How does the firm develop input data for the models employed? How are the liability structure, funding level, and changes in the contribution level incorporated? Please discuss the firm's capability for analyzing liabilities.
3. Please provide a generic asset allocation model for an OPEB plan such as the RHCTF. Please tell us what information you need to provide a final asset allocation recommendation.

### ***Investment Research***

1. Please describe the firm's process and capabilities for monitoring and reporting on market trends.
2. Please provide several examples of research papers or other works of your own original analysis of the capital markets.
3. Discuss your thoughts on the capital markets over the past 20 years, including events such as the evolution of the emerging markets, the technology bubble, the credit bubble, and the Global Financial Crisis (GFC) and the subsequent recovery.
4. What are your current views on the capital markets? In addition to any other comments you wish to convey, please state your thoughts on the risks and opportunities (and attendant strategies for avoiding and capturing) associated with the following market factors:
  - a. Equity valuations;
  - b. Inflation (or deflation)
  - c. Interest rates and the shape of the yield curve
  - d. Potential trade wars
  - e. Expected economic growth
5. Please list and describe the specific analytical tools and/or software used by the firm about the items noted below. Also, briefly discuss your experience in each.
  - a. Capital Market & Economic Research
  - b. Asset/Liability Modeling
  - c. Asset Allocation
  - d. Public Equity

- e. Fixed Income
- f. Private Credit
- g. Private Equity
- h. Real Estate
- i. Real Assets
- j. Hedge Funds
- k. Other Specialty Strategies
- l. Performance Measurement/Attribution
- m. Risk management/measurement
- n. Other (please specify)

***Expected Returns and Risk***

1. What are your expected returns and risk for public equity and by sub-asset class within public equity? Discuss the rationale for your expectations. Some investors think public equity returns will be considerably lower in the future than they have been in the past. Please comment on why you agree or disagree with that perspective, and how your views impact your asset allocation recommendations? What will be the keys to success for investing in public equity going forward?
2. What are your expected returns and risk for fixed income and by sub-asset class within fixed income? Discuss the rationale for your views. Many investors think fixed income returns will be significantly lower in the future than they have been in the past. Please comment on your views on this matter. What will be the keys to success for investing in fixed income going forward?
3. What are your expected returns and risk for private equity? Please discuss your views. Some investors think that private equity will earn lower returns in the future than they have been in the past, due to overcrowding and other factors. Please comment on why you agree or disagree with that perspective, and how your views impact your asset allocation recommendations? What will be important to achieving success in private equity in the future?
4. What are your expected returns and risk for private credit? Please discuss the rationale for your views.
5. What are your expected returns and risk for real estate? Please discuss the rationale for your views.
6. What are your expected returns and risk for real assets? Please discuss the analysis that leads to your assessment.
7. What are your expected returns and risk for hedge funds? Please discuss your assessment. Please also discuss the analysis that leads to your assessment.
8. What are your expected returns and risk for a total fund? Please discuss the analysis that leads to your assessment.
9. Do you think your asset class and total fund returns and risks are materially higher or lower than your peers? Why do you think your expectations are notably different than consensus?
10. Do you recommend a target total risk (standard deviation) for a plan?



11. Past Forecasts. Taking into consideration your annual capital market assumptions across all asset classes, please discuss the long-term accuracy (10-year time horizon) of your forecasting skill at both the asset class and total fund level. Please provide data supporting your skill.
12. There have been suggestions that plan sponsors should reduce the risk of their portfolios by increasing their allocation to fixed income and other lower risk strategies. On the other hand, many investors expect lower returns from fixed income than the asset class has provided over the past 20 and 30 years, and most plan sponsors have required rates of return of 7% to 8% to pay long-term benefits.
  - a. What do you think of the suggestion that plan sponsors should reduce the risk of their portfolios?
  - b. If you agree that fixed income is going to earn low returns in the future, what changes in strategic asset allocation would you recommend, and how would you manage a portfolio's total risk if its allocation to fixed income was reduced?

### ***Idea Generation***

1. Provide examples of when your firm advocated 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.
2. Provide examples of ideas that you recommended that proved to be a disappointment. Why were the ideas not successful? What did you learn from the experiences?
3. What is the firm's philosophy toward idea generation and a willingness to take a differentiated risk? Does the firm's culture promote a willingness to take differentiated risks that are not widely practiced by others, or does the firm prefer to a more mainstream approach and wait until an idea is accepted by many others?

### ***Manager Selection and Monitoring***

1. Please describe your firm's:
  - a. Process for researching and selecting investment managers?
  - b. What quantitative and qualitative factors are examined?
  - c. How important are onsite meetings? On average how many onsite meetings does your firm conduct prior to recommending a manager? What factors are evaluated during an onsite meeting?
  - d. Describe your firm's process for monitoring managers after they have been hired? On average how often are subsequent onsite meetings conducted?
2. For the calendar years ended 2014 thru 2017 and for the six months ended June 30, 2018, approximately:
  - a. How many phone meetings did the firm hold with investment managers in each of these time periods?
  - b. How many in-person meetings did the firm hold with investment managers (do not include those meetings held at client conferences or educational forums) in each of these time periods?
  - c. How many onsite meetings did the firm hold with investment managers in each of these time periods? Please summarize by asset class (i.e., U.S. Equity, International Equity, Emerging Markets Equity, Global Equity, Private Credit,

- Private Equity, Real Estate, Real Assets, Hedge Funds, and various Fixed Income strategies, etc.).
- d. In what countries did such onsite meetings take place? Please list the number of onsite meetings by country in each of these time periods.
3. Please describe the firm's experience and capability for assessing an investment manager's total investment performance. What key criteria does the firm consider in evaluating an investment manager? How important is past performance?
  4. Please describe the manner in which external resources are used in the research process. Describe how the firm utilizes internal and external research? Please describe internal and external systems/databases used. Please describe all systems/databases security measures.
  5. Regarding manager performance:
    - a. How important is past performance?
    - b. How often have you recommended managers that have underperformed in the years before you recommended them?
    - c. What factors cause your firm to recommend terminating an investment manager?
    - d. Have you recommended retaining a manager who has underperformed recently? Please identify the occasions when you did so, and why.
    - e. Have you recommended terminating a manager that has outperformed recently? Please identify the occasions when you did so and why.
    - f. Have you recommended terminating a manager shortly after recommended them to be hired? If so, describe the circumstances.
    - g. Under what circumstances would you recommended terminating a manager shortly after recommended them to be hired?
  6. Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Describe your thoughts on the relevance of benchmarks in measuring a manager's performance and its relevance in achieving a plan's risk and return objectives. Please indicate whether the firm has ever developed benchmarks, and if so, please provide a description of the benchmarks developed and the process used.
  7. Describe how performance measurement data is presented at a Board meeting. Do you prefer to provide performance data at an asset class level, at the manager level, or in some other manner?
  8. Please describe the firm's methods for identifying and evaluating local business enterprises (as defined in Chapter 14B of the San Francisco Administrative Code) and emerging firms and managers.
  9. Please furnish at least one example of manager research including any summary ratings or scoring for each of the following asset classes: U.S. equity; Non-U.S. Developed Equity; Emerging Markets Equity; Global Equity; and Hedge Funds.

***Other Consulting Services***

1. Please describe how the firm would advise a client regarding minimizing trading costs, both on an ongoing basis and during a manager transition.

2. Please discuss the firm's views on performance-based fees, asset-based fees, flat fees (with or without performance bonuses) or any other fee structures you recommend for use with investment managers.
3. Please describe the firm's experience and capability for providing policy guideline development and review for an OPEB or defined benefit plan. What specifically would the firm do to develop or review the policies of the RHCTF? How often would you recommend this process occur? What factors would be considered?
4. Please describe the firm's experience and capability for monitoring an investment manager's compliance to client guidelines and policies.

***The RHCTF's Asset Allocation and Manager Selection***

1. Regarding the RHCTF's strategic asset allocation (See details in Appendix D):
  - a. What are your thoughts on the RHCTF's existing strategic asset allocation?
  - b. What is your expected return and risk of the RHCTF's current asset allocation?
  - c. How can the RHCTF's asset allocation strategy be improved? Are there any specific changes you would recommend? Please discuss your ideas on our asset allocation and your potential recommendations in detail.
2. Regarding the RHCTF's manager lineup (see details in Appendix E):
  - a. What are your thoughts on the RHCTF's existing managers?
  - b. What is your expected excess returns and tracking error of the RHCTF's current public equity and fixed income portfolios?
  - c. How can the RHCTF's manager lineup be improved? Are there any changes you would recommend as to the type of manager the RHCTF is invested in? Please discuss your ideas on our manager lineup and the recommendations of the types of managers you are most confident in.

***Additional Information***

1. What common mistakes do consultants, plan sponsors, staffs, and public pension plan or OPEB Boards make? How do you insure that your firm guards against mistakes consultants may frequently make? What suggestions do you have for OPEB or public pension plan staff so that they avoid or minimize their mistakes? What recommendations do you have for OPEB or public pension plan Boards so they minimize or avoid their own mistakes?
2. Please state how the firm, as a consultant, expects to add value to the RHCTF over the next three to five years. For example, will it be through manager selection, asset allocation, cost containment, education, etc. Please provide a range of expected improvement in each category and for the RHCTF as a whole.
3. Please suggest a methodology for measuring your firm's performance as an investment consultant.

**H. Fee Proposal**

1. Please provide a fee quote for the services requested in Section II of this RFP, Scope of Work. The fee proposal will consist of two parts:
  - a. Fee for each specific service presented in section II; and
  - b. One fee for all services.

## **I. Requested Materials and Additional Information**

**In addition to any materials requested in the questions listed above, please send the following documents electronically (if possible), and in hard copy format, with each copy of your response.**

1. A corporate organization chart (showing the consulting firm, parent and all affiliates and subsidiaries).
2. The biographies of the firm's professional staff, including education, investment and consulting experience, and the year they joined the firm.
3. A current company Annual Report.
4. A copy of the firm's mission statement, statement of values, and code of ethics.
5. Current firm policies related to conflicts-of-interest.
6. Most recently filed SEC Form ADV, Parts I and II.
7. A copy of the firm's standard marketing brochure that describes the firm's processes and services.
8. Any other information you feel would be necessary to gain a complete understanding of the firm or the services it provides.

## **J. References**

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

## **APPENDIX B**

### **REQUIRED VENDOR FORMS**

All required forms are available at [www.sfgsa.org](http://www.sfgsa.org) under the “How To Qualify To Do Business with The City” tab of the Office of Contract Administration Web site located at:

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

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

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

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

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

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

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

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

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

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

This 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 C**

**FORM OF CONSULTING AGREEMENT**

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

[\_\_\_\_\_]

THIS General Investment Consulting Agreement (this "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 2018 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 general investment consulting services for the Retirement System's investment portfolio (the "Proposed Services");

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

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

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

1. **Term of the Agreement.** Subject to Section 8 of this Agreement, the term of this Agreement shall be from [\_\_\_\_\_, 2018 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:

Kurt L. Braitberg  
Managing Director, Public Markets  
Attn: RHCTF General Investment Consultant RFP  
San Francisco Employees' Retirement System  
1145 Market Street, 7th Floor  
San Francisco, CA 94103-1561  
[Kurt.Braitberg@sfgov.org](mailto:Kurt.Braitberg@sfgov.org)

Consultant shall also send electronic copies of such invoices to: [Kurt.Braitberg@sfgov.org](mailto:Kurt.Braitberg@sfgov.org)

From time to time, the RHCTF 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 affect 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:

- (1) worker's compensation, in statutory amounts, with employers' liability limits not less than \$1,000,000 each accident;
- (2) 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 affect 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 affect the termination of this Agreement on the date specified by the Retirement System and to minimize the liability of Consultant and the Retirement System to third parties as a result of termination. All such actions shall be subject to the prior approval of the Retirement System. Such actions shall include, without limitation, the cessation of performance of all services under this Agreement on the date(s) and in the manner specified by the Retirement System, the completion of performance of any service that the Retirement System designates to be completed prior to the date of termination specified by the Retirement System or such other actions as directed by the Retirement System. Consultant agrees to cooperate with the Retirement System to ensure an orderly termination process.

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

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

- (a) Section 4(c) (Payment Does Not Imply Acceptance of Services);
- (b) Section 10 (False Claims);
- (c) Section 11 (Taxes);
- (d) Section 12 (Independent Contractor);
- (e) Section 13 (Insurance);
- (f) Section 14 (Indemnification);
- (g) Section 15 (Limitation on Liability of the Retirement System);
- (h) Section 20 (Proprietary or Confidential Information);
- (i) Section 22 (Ownership of Results);
- (j) Section 23 (Works for Hire);
- (k) Section 24 (Audit and Inspection of Records);
- (l) Section 39 (Modifications);

- (m) Section 40 (Administrative Remedy);
- (n) Section 41 (California Law; Venue);
- (o) Section 42 (Construction);
- (p) Section 43 (Entire Agreement);
- (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 RHCTF:

Kurt L. Braitberg  
Managing Director, Public Markets  
Attn: RHCTF General Investment Consultant RFP  
San Francisco Employees' Retirement System  
1145 Market Street, 7th Floor  
San Francisco, CA 94103-1561  
[Kurt.Braitberg@sfgov.org](mailto:Kurt.Braitberg@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  
RETIREE HEALTH CARE TRUST**

[\_\_\_\_\_]

By: \_\_\_\_\_  
JAY HUISH  
Executive Director

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Approved as to Form:

DENNIS J. HERRERA  
City Attorney

By: \_\_\_\_\_  
Robert Bryan  
Deputy City Attorney

**APPENDIX D**

**RHCTF'S INVESTMENT POLICY STATEMENT**

**CITY AND COUNTY OF SAN FRANCISCO  
RETIREE HEALTH CARE TRUST FUND**

**INVESTMENT POLICY STATEMENT**



**Approved and Adopted: May 22, 2014**

**Updated: July 28, 2014**

**July 28, 2014 Update Approved and Adopted: September 15, 2014**

**Updated April 30, 2018**



**I. Introduction**

*The City and County of San Francisco Retiree Health Care Trust Fund (“RHCTF” or “Fund”) was created in 2009 for the sole and exclusive purpose of providing a funding source to defray the cost of the City’s, and other Participating Employers’, obligations to pay for health coverage for Retired Persons and their eligible spouses, registered domestic partners, dependents and survivors entitled to health care coverage under Charter Section A8.428.*

*The San Francisco Retiree Health Care Trust Fund Board (“Board”) is the governing fiduciary for the Fund, and, as such, is charged with governing the RHCTF.*

*The purpose of this Investment Policy Statement (“IPS”) is to set forth the goals, objectives, and investment constraints of the Fund, and to establish guidelines for the implementation of investment strategy.*

**II. Investment Goals**

The Board recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the Fund. As such, the Board has developed this IPS with the following goals in mind:

- To clearly and explicitly establish the objectives and constraints that govern the investment of Fund assets;
- To establish a long-term target asset allocation with a likelihood of meeting Fund goals and objectives, given the explicit investment constraints;
- To protect the financial health of the Fund; and
- To clearly articulate duties of responsible parties.

**III. Fiduciary Standards**

a. As Trustees of the Fund, Board members are fiduciaries. The Board operates under the “RHCTF Board Fiduciary Policy”, and intends to act in accordance with that Policy in the context of exercising its investment responsibilities. Accordingly, Board members must:

- i. Act solely in the interest of Fund participants and beneficiaries, for the exclusive purpose of providing benefits and defraying the reasonable costs of managing Fund assets.
- ii. Exercise the 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 conduct of an enterprise of like character and with like aims.
- iii. Diversify the investments of the Fund in order to minimize the risks of meaningful losses, unless under the circumstances it is clearly prudent not to do so.
- iv. Act in accordance with the Fund authorizing statutes, Charter sections 12.204 and A8.432, and governing documents.

b. Fiduciary standards of conduct also apply to Fund staff, investment managers, custodians, investment consultants, and others who exercise discretionary authority or control over the management or disposition of Fund assets.

#### IV. Duties and Responsibilities

##### a. Board

The Board is responsible for establishing the policies and guidelines by which the Fund is managed. The Board also has authority over the selection and termination of investment consultants and investment managers.

##### b. Staff

Staff is responsible for the oversight of the Investment Consultant, and recommendations to the Board on policies and guidelines by which the Fund is managed. This includes, but is not limited to, providing input on investment policy and asset allocation decisions for Board approval. In addition, Staff is also responsible for oversight of the Investment Consultant in its due diligence and recommendations to the Board with respect to the selection and termination of investment managers, subject to Board approval. Administrative staff is responsible for oversight of legal counsel in the negotiation of investment consulting agreements and investment management agreements, and oversight of contract compliance. Staff is also responsible for administration of the Fund in compliance with the rules, regulations and decisions of the Board.

##### c. Investment Managers

The Board employs professional investment managers and delegates to them the discretion to manage Fund assets. Each investment manager will operate under a formal contract, which will include, but is not limited to, an outline of the strategy they have been hired to manage, performance expectations, and investment guidelines. The Board will periodically review the investment managers against their stated objectives.

##### d. Investment Consultant

The Investment Consultant is retained to provide performance reports, conduct asset allocation studies, complete manager due diligence, and provide overall investment recommendations, as requested by the Board. The recommendations of the Investment Consultant may be considered by the Board in conjunction with other available information for the purpose of making informed and prudent decisions.

##### e. Custodian Bank

The Custodian Bank holds the assets of the Fund. The Custodian Bank accounts for, and assists in, the settlement and transfer of assets by investment managers and Fund Staff. The Custodian Bank is expected to provide the Fund with timely information as related to portfolio holdings, transactions, and performance.

#### V. Investment Objectives

The investment strategy of the Fund is designed to ensure the prudent investment of Fund assets in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss.

##### a. Risk Objectives

- i. The Board recognizes that in order for the Fund to reach a generative rate of return and meet its expected liabilities, the Fund must allocate a portion of assets to riskier, higher returning assets.

- ii. The Fund will use diversification to minimize company-specific, industry-specific, country-specific, and other idiosyncratic risks in the aggregate investment portfolio.
- iii. The Fund will monitor liquidity risk, thus maximizing the Fund's ability to meet disbursement needs during adverse market conditions. The Board anticipates that liquidity will not be a factor for a long period of time, given the legal structure around the Fund.

**b. Return Objectives**

- i. In a manner consistent with the goals stated in Section II above, to manage Fund assets so as to achieve the highest, reasonably prudent real return, with the lowest level of commensurate risk possible.

**VI. Investment Constraints**

**a. Legal and Regulatory**

The Board intends that Fund assets be at all times invested in accordance with applicable laws. The Board will retain legal counsel when appropriate to review contracts and provide advice with respect to applicable statutes and regulations.

**b. Time Horizon**

The Fund will be managed on a going-concern basis. Fund assets will be invested with a long-term time horizon (twenty years or more), consistent with the goals stated in Section II above.

**c. Liquidity**

The Board intends to monitor the percentage of assets that it will invest in illiquid vehicles, defined as those vehicles that do not allow withdrawals to occur on at least a monthly basis.

**d. Tax Considerations**

The Fund is exempt from U.S. federal, state, and local income taxes. Therefore, investments and strategies will be evaluated on a basis of expected risk and return regardless of taxable status, except where the prospect of Unrelated Business Income Tax ("UBIT") is a concern.

**VII. Diversification**

The Board recognizes that the important element of risk control is diversification. Therefore, investments will be allocated across multiple asset classes, chosen in part for the expected correlation of their returns. Within each asset type, the Board will seek to distribute investments across individual holdings, thus further minimizing volatility. In addition, for appropriate investment managers, investment guidelines will specify diversification requirements, including, but not limited to, the maximum permissible investment in any one asset.

**VIII. Asset Allocation**

The Board recognizes that the allocation of monies to various asset classes will be the major determinant of the Fund return and risk experience over time. Therefore, the Board intends to allocate investments across

those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting Fund investment objectives. The Board acknowledges that, due to the size of Fund assets, certain asset classes may not be investable until such time as the Fund becomes large enough to:

(a) meet minimum investment criteria; or (b) accept the illiquidity risk associated with such investments.

**a. Permissible Asset Classes**

Because investment in any particular asset class may or may not be consistent with Fund objectives, the Board has specifically indicated in Appendix A those asset classes that may be utilized when investing Fund assets.

**b. Expected Returns, Risks, and Correlations for Permissible Asset Classes**

The risk and return behavior of the Fund will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio are to be considered. Appendix B lists the expected return, volatility, and correlations for each permissible asset class.

**c. Long-Term Target Allocations**

Based on the investment objectives and constraints of the Fund, and on the expected behavior of the permissible asset classes, the Board, based on recommendations from the Consultant and Staff, will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the Fund's overall market value, surrounded by a band of permissible variation resulting from market forces.

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Fund asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the Fund. Deviations from targets that occur due to capital market changes are discussed below.

The Fund's target allocations for all permissible asset classes are shown in Appendix C.

**d. Rebalancing**

In general, cash flows to and from the Fund will be allocated in such a manner as to move each asset class toward its target allocation.

The Board recognizes that, periodically, market forces may move Fund allocations outside the target ranges. The Board also recognizes that failing to rebalance the allocations would unintentionally change the Fund's structure and risk posture. Consequently, the Board has established the following process to rebalance the allocations periodically.

On at least an annual basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to within the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals. This rebalancing is considered a technical exercise and will be conducted with direction from the Consultant and Staff, and reported to the Board.

**IX. Review of Investment Policy, Asset Allocation, and Performance**

The Board, Staff and Consultant will review the Investment Policy Statement at least annually to ensure that the objectives and constraints remain relevant. However, the Board recognizes the need for a stable long-term Fund policy, and thus, in general, major changes to the Investment Policy Statement should only be made when significant developments in the circumstances, objectives, or constraints of the Fund occur.

The Fund's asset allocation and investment structure will be reviewed by Staff, the Consultant and the Board, at least every three years. A formal review will be conducted with Board participation. When necessary, such reviews may result in a rebalancing of asset allocation. In general, the Board intends that the Fund will adhere to its long-term target allocations, and that major changes to these targets should be made only in response to significant developments in the circumstances, objectives, or constraints of the Fund or in the capital market opportunities.

Staff and Consultant will evaluate and monitor Fund performance relative to its objectives and to the returns available from the capital markets during the period under review, within the constraints created by size and structure. The consultant, with oversight from Staff, will report results to the Board and recommend a change in course of action when appropriate. In general, Fund performance will utilize relative, rather than absolute, benchmark results in evaluating performance. The total performance of the Fund will be evaluated relative to the investment objectives and constraints identified in this investment policy statement. Specifically, the total Fund performance will be evaluated relative to a "custom benchmark" that weights the returns of available market indices on the basis of the Fund's target investment structure, to assess the implementation of the Fund's investment strategy.

**X. Investment Service Provider Review**

Staff and the Consultant (where applicable) will review periodically the Fund's investment managers, custodian, investment consultant and other investment service providers to verify that they remain appropriate for the Fund. Each provider's suitability as a Fund investment manager will be judged from a variety of perspectives including, but not limited to, stability and capability of professional staff, adherence to investment disciplines for which the manager was retained, business practices, prudent management of risk, investment performance, and client communication. If an outside structure is utilized to invest the assets, then the provider of the investment fund will be reviewed for consistency with Fund objectives.

The Board acknowledges that when the Fund is invested in collective investment vehicles, for example commingled trusts or mutual funds, the Board will not have control over selection of the underlying securities in the collective vehicles. However, designated Staff/Consultant, will conduct searches for, and recommend the managers, subject to Board approval. Staff and Consultant will monitor these managers and investments, and, after notifying the Board can move assets to other investment products consistent with the underlying asset classes and allocations approved by the Board, under the following circumstances: 1) Significant Organizational change, 2) Senior Investment Staff Turnover, or 3) Unacceptable Performance Deviation. The Board will meet to ratify any such "crisis" manager terminations within 2 weeks.

**XI. Investment Costs**

The Board intends to monitor and control Fund investment costs:

- Professional fees will be negotiated whenever possible; staff and consultant will review existing fees periodically and re-negotiate them as appropriate.
- Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.

- If possible, assets will be transferred in-kind during manager transitions and portfolio restructurings to eliminate unnecessary expenses.
- Managers will be instructed to minimize brokerage, execution, and other costs.

**XII. Voting of Proxies**

The Board recognizes that the voting of proxies is important to the overall performance of Fund investments. The Board may delegate the responsibility of voting all proxies to investment managers or a third party. The Board expects that all proxies will be executed in a timely fashion. The Board intends to review the voting actions periodically. The Board retains the right to exercise acquired voting rights at any time.

**XIII. Socially Responsible Investments**

The Board recognizes that there may be unique circumstances which require the Board to consider socially responsible investments (or divestment) or other restrictions. The Board intends to consider such matters when appropriate, and when the size of the Fund is large enough that separate account mandates could be considered. The Board acknowledges that within commingled accounts or mutual funds, it may not have the ability to direct the specific inclusion or exclusion of securities.

**XIV. Forbidden Assets and Strategies**

The Fund's Investment Consultant may furnish appropriate investment managers retained by the Fund with a list of asset types and investment strategies that are forbidden as part of their investment manager guidelines.

**APPENDIX A**

**PERMISSIBLE ASSET CLASSES**

Asset Class
Domestic Equity
International Equity
Emerging Market Equity
Investment Grade Bonds
High Yield
Bank Loans
Emerging Market Debt
Global Equity
U.S. Nominal Bonds
Inflation-linked Bonds
Global Real Estate
Commodities

APPENDIX B

MEKETA INVESTMENT GROUP 2017 ANNUAL ASSET STUDY  
 TWENTY-YEAR ANNUALIZED RETURN AND VOLATILITY EXPECTATIONS  
 FOR MAJOR ASSET CLASSES

Asset Class	Expected Return (%)	Volatility (%)
<b>Fixed Income</b>		
Cash Equivalents	2.8	1.0
Short-term Investment Grade Bonds	3.0	2.0
Investment Grade Bonds	3.5	4.0
Investment Grade Corporate Bonds	4.2	7.0
Long-term Government Bonds	3.8	12.5
TIPS	3.5	7.5
High Yield Bonds	6.0	12.5
Bank Loans	5.5	10.0
Foreign Bonds	2.4	9.0
Emerging Market Bonds (major)	5.5	12.0
Emerging Market Bonds (local)	5.9	14.5
<b>Equities</b>		
US Equity	7.5	18.0
Developed Market Equity	7.3	20.0
Emerging Market Equity	9.8	26.0
Frontier Market Equity	9.5	24.0



**CITY AND COUNTY OF SAN FRANCISCO  
RETIREE HEALTH CARE TRUST FUND**

**INVESTMENT POLICY STATEMENT  
AS OF APRIL 2018**

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Global Equity	7.9	19.0
Private Equity	9.6	27.0
Buyouts	9.6	25.0
Venture Capital	9.5	35.0
Mezzanine Debt	6.8	20.0
Distressed Debt	6.9	24.0

APPENDIX B (CONTINUED)

MEKETA INVESTMENT GROUP 2017 ANNUAL ASSET STUDY  
 TWENTY-YEAR ANNUALIZED RETURN AND VOLATILITY EXPECTATIONS  
 FOR MAJOR ASSET CLASSES

Asset Class	Expected Return (%)	Volatility (%)
<b>Real Assets</b>		
Real Estate	6.9	18.0
REITs	6.5	29.0
Core Private Real Estate	5.7	12.5
Value Added Real Estate	7.2	19.0
Opportunistic Real Estate	8.9	25.0
Natural Resources (Public)	7.0	24.0
Natural Resources (Private)	8.4	23.0
Commodities (naïve)	4.5	19.5
Infrastructure (Public)	7.8	19.0
Core Infrastructure (Private)	6.8	16.0
Non-Core Infrastructure (Private)	8.8	23.0
<b>Other</b>		
Hedge Funds	5.3	9.5
Long-Short	4.6	11.0
Event-Driven	6.0	10.0
Global Macro	5.5	8.0

**MEKETA INVESTMENT GROUP 2017 ANNUAL ASSET STUDY  
CORRELATION EXPECTATIONS FOR MAJOR ASSET CLASSES**

	TIPS	Investment Grade Bonds	High Yield Bonds	U.S. Equity	Developed Market Equity	Emerging Market Equity	Private Equity	Real Estate	Natural Resources (private)	Commodities	Core Infrastructure (private)	Hedge Funds
TIPS	1.00											
Investment Grade Bonds	0.80	1.00										
High Yield Bonds	0.30	0.20	1.00									
U.S. Equity	0.00	0.05	0.70	1.00								
Developed Market Equity	0.15	0.05	0.70	0.90	1.00							
Emerging Market Equity	0.15	0.05	0.70	0.80	0.90	1.00						
Private Equity	0.05	0.05	0.65	0.85	0.80	0.75	1.00					
Real Estate	0.10	0.20	0.50	0.50	0.45	0.40	0.45	1.00				
Natural Resources (private)	0.10	0.10	0.45	0.65	0.60	0.60	0.55	0.45	1.00			
Commodities	0.35	0.05	0.40	0.35	0.55	0.60	0.30	0.15	0.65	1.00		
Core Infrastructure (private)	0.30	0.30	0.60	0.55	0.55	0.50	0.45	0.60	0.60	0.35	1.00	
Hedge Funds	0.20	0.05	0.70	0.80	0.85	0.85	0.65	0.45	0.65	0.65	0.60	1.00

**APPENDIX C**

**ASSET ALLOCATION TARGETS**

<b>Asset Class</b>	<b>Target (%)</b>	<b>Allocation Range (%)</b>
<b>Equities</b>	<b>77.0</b>	<b>68-82</b>
US Equity	41.0	0-10
Developed Market Equity (Non-U.S.)	20.0	0-10
Emerging Market Equity	16.0	0-5
<b>Credit</b>	<b>9.0</b>	
High Yield Bonds	3.0	
Bank Loans	3.0	
Emerging Markets Bonds	2.0	
<b>Rate Sensitive</b>	<b>14.0</b>	
TIPS	5.0	
Investment Grade Bonds	9.0	

The Asset Allocation targets above have a current long-term expected return of 7.75%, with an expected standard deviation of 15.7% (As of Meketa Investment Group's 2017 Asset Study)

**APPENDIX E**

**RHCTF'S MANAGER LINEUP**

<b>Equity</b>
NTGI S&P 500 Index Fund
NTGI EAFE Index Fund
GQG Partners Emerging Markets Equity Fund
<b>Credit</b>
Payden & Rygel Emerging Markets Bond Fund
GoldenTree Opportunistic Credit Fund
<b>Rate Sensitive</b>
BlackRock US Debt Index Fund
NTGI US TIPS Fund