Investment Policy Statement

San Francisco City and County Employees' Retirement System

Mission Statement

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

Approved by Board: June 12, 2024

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INTRODUCTION

This Investment Policy Statement ("IPS") provides the framework for the management of the assets of the San Francisco City and County Employees' Retirement System ("SFERS" or the "System") and enables the Retirement Board ("Board") to effectively supervise and monitor the assets of SFERS ("Plan"). Specifically, the IPS addresses:

- Investment program goals
- Investment beliefs for managing plan assets
- Strategic asset allocation guidelines, rebalancing guidelines, and asset class definitions
- Other investment guidelines
- Duties of responsible parties

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

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

The IPS is designed to allow for sufficient flexibility to manage assets for the long-term, to capture investment opportunities as they may occur and to establish reasonable parameters to ensure prudence and care in the execution of the investment program.

The IPS focuses on the total fund and asset class allocation and is supplemented by investment guidelines that establish the parameters for investments within each asset class.

INVESTMENT GOALS

SFERS' investment goals are:

1. To provide SFERS participants with retirement benefits as required by the City and County of San Francisco Charter and applicable laws.
2. To set the asset allocation policy in a manner that encompasses a strategic, long-term perspective of the capital markets and the nature and structure of SFERS' liabilities.
3. To generate an annualized net-of-fee basis return that:
    a. Meets the assumed actuarial rate of return over a full market cycle, subject to liquidity needs and other risk considerations
    b. Exceeds the policy benchmark return based on SFERS' asset allocation policy and respective asset class component benchmark returns over rolling five-year periods, and thereby add value at the total fund level.

INVESTMENT BELIEFS

1. Investment plan design should reflect a long-term horizon.
2. The power of compound returns and capital preservation is substantial and should be recognized.
3. Volatility in the short term can be substantial but diminishes over long periods of time.
4. Diversification of assets and investment styles enhances risk-adjusted returns over the long-term.
5. Superior returns are achieved through asset allocation, asset rebalancing, and manager and security selection.
6. Asset allocation is the primary determinant of risk and return. A strategic long-term asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Plan's investment performance.
7. Investment decisions should be made in a total portfolio context.
8. Investment decisions should reduce the potential for the permanent impairment of capital.
9. Material environmental, social, and governance (ESG) factors can affect the risk and return characteristics of investments.
10. Manager selection focused on selecting managers with identifiable investment skill, the ability to recognize and exploit less efficient market segments, and strong operational capabilities will drive stronger returns.
11. In many markets, specialist managers tend to outperform generalists over the long term.

ASSET ALLOCATION GUIDELINES

SFERS adopts and implements an asset allocation policy that includes long-term asset allocation target weights, based on Net Asset Value, and ranges for those targets. This policy is predicated on a number of factors, including:

- Actuarial projections of assets, liabilities, benefit payments, and contributions
- Historical and expected long-term capital market risk and return behavior
- An assessment of future economic conditions, including inflation, economic growth, and interest rate levels
- The current and projected funding status of the Plan
- Diversification of assets to maximize the investment return of the Plan consistent with market conditions and risk tolerance.

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

This policy also establishes the composite benchmarks for each asset class. Benchmarks are used:

- To assess the risk/return characteristics for each asset class, with performance objectives net of fees and expenses
- To estimate expected returns for each asset class
- To outline the investable universe for public markets

The following table and text describe the asset class allocation targets and ranges adopted based on the described modeling work, the benchmarks and definitions of each asset class.

Exhibit 1: SFERS' Strategic Asset Allocation

	Long-Term Target	Allowable Range	Composite Benchmark
Growth/Capital Appreciation	**52%**	45-70%	
Public Equity	*32%*	*20-45%*	*MSCI ACWI Investable Market Index ($, ND)*
Private Equity	*20%*	*15-30%*	*75% Russell 3000 / 25% MSCI ACWI ex-US Investable Market Index ($, ND)*

			+ 300 bps
Diversifying Assets	**20%**	**15-30%**	
Real Assets	*10%*	*8-15%*	*70% NCREIF ODCE for Core and Cambridge Associates Real Estate for Non-Core / 20% Cambridge Associates Infrastructure / 10% Cambridge Associates Natural Resources;* *floating weight based on actual calendar year-end allocations for Real Estate and floating weight until target is reached or until Year 10 for Real Assets*
Absolute Return	*10%*	*5-15%*	*90 Day U.S. T-Bill + 3%*
Income/Capital Preservation	**31%**	**11-45%**	
Public Credit	*12%*	*3-15%*	*50% Bloomberg US Corporate Bond Index / 50% Bloomberg US Corporate High Yield Index*
Private Credit	*10%*	*5-15%*	*50% Credit Suisse Leveraged Loan Index / 50% BofA ML US HY BB-B constrained + 150 bps*
U.S. Treasuries	*8%*	*3-12%*	*Bloomberg Barclays Intermediate U.S. Treasury Index*
Cash	*1%*	*0-5%*	*1-Month Overnight Funding Rate (SOFR)*
Leverage	*-3%*	*-5%-0%*	*1-Month Overnight Funding Rate (SOFR) + 35 bps*
Total Fund Composite	**100%**		**Benchmarks Weighted by Strategic Allocation Targets**

Note: Targets and ranges based on percent of Net Asset Value. Asset Allocation Long-Term Targets Approved: June 12, 2024. An Interim Policy Benchmark will be established by the General Consultant. The long-term target allocation guides pacing. Given the illiquidity of private markets and valuation lags, from time-to-time the realized exposure could be outside the targeted range as a result of market and valuation moves.

Additionally, the portfolio is subject to the liquidity constraints shown in Exhibit 2.

Exhibit 2: SFERS Total Plan Liquidity Constraints

Liquidity Tier	Time to Full Redemption	Allocation Limit (% of NAV)
Tier I	< 1 month	> 20%
Tiers I & II	< 3 months	> 25%
Tiers I, II & III	< 12 months	> 35%
Tier IV	> 12 months	< 65%

Asset Class Definitions

SFERS will utilize the following portfolio components to fulfill the investment goals.

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

    - **Public Market Equity** – SFERS anticipates that long-term total returns for public equities will be higher than total returns for Fixed Income but will be subject to greater volatility. Public Market Equity strategies include both passive and active approaches. The drivers of both risk and return will be diversified among regions, sectors, capitalizations and styles.
    - **Private Equity** – The Private Equity portfolio seeks to deliver long-term, risk-adjusted returns superior to those of comparable public markets (+300bps) given the increased risk and illiquidity inherent in private investments. Private Equity investment strategies include buyout, venture capital, growth capital, and special situations. Other investment strategies that may be pursued on an opportunistic basis include co-investments, secondary transactions, and other credit-based strategies such as mezzanine financing.

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

    - **Private Credit** – The primary objective of Private Credit is to provide a return premium (150 basis points or more) over Liquid Credit. The Private Credit portfolio will invest in a variety of strategies including, but not limited to, senior debt/direct lending, mezzanine loans, specialty finance, real estate debt, distressed debt, and special situations.
    - **Public Market Fixed Income/ Liquid Credit** – The primary role of the Liquid Credit portfolio is to generate added yield compared to Treasuries over a full market cycle and provide diversification for the Plan. SFERS' Liquid Credit portfolio will be well diversified, and may include, but is not limited to, investment grade and non-investment grade corporate debt, emerging market debt, and asset-backed securities.
    - **Public Market Fixed Income/ U.S. Treasuries** – The primary role of the U.S. Treasuries portfolio is to provide capital preservation, liquidity, and to increase the diversification of the Plan as a whole.
    - **Cash** – Cash is expected to underperform other asset classes over the long term. SFERS sets Strategic Asset Allocation for Cash at -3% by targeting 3% leverage or 103% Total Fund exposure. In order to make benefit payments and meet capital calls, however, it is necessary to hold a minimal amount of cash. Over time, cash causes a drag on performance. The

process of rebalancing physically held securities to target causes additional performance drag due to transaction costs and market exposure gaps. These costs can be minimized, and liquidity and efficiency increased, by a cash overlay program that uses liquid index derivatives to maintain portfolio exposures and reduce the number of physical security transactions.

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

   - **Real Assets** – The Real Assets portfolio seeks to provide portfolio diversification, current income, and protection against inflation through alpha-generating higher-returning private markets strategies in real estate, infrastructure, and natural resources through equity and, opportunistically, debt investments secured by real assets. Other investments that may be pursued on an opportunistic basis include diversifying strategies such as shipping, aviation, royalties, intangible assets, and special situations.

   - **Absolute Return** – The Absolute Return portfolio seeks to generate an attractive absolute and risk-adjusted rate of return with low return volatility and low correlation to global equity and fixed income markets, over a full market cycle; preserve capital during prolonged equity market drawdowns; and enhance total Fund risk-adjusted returns. The portfolio investment strategies trade in a wide range of securities and other instruments (including, but not limited to, equities and fixed income securities, currencies, commodities, futures contracts, options and other derivative instruments). Strategies include Equity, Credit, Macro, Emerging Markets, Quantitative, Multi-Strategy, Special Situations/Other, and Commodities.

Rebalancing

Assets will be rebalanced when asset allocation ranges are breached, when cash flows occur (e.g., for benefit payments or funding new investments), or for other reasons judged to be in the best interests of the Plan and its beneficiaries. Ranges may be breached for a period of time due to the absence of an appropriate manager and/or Staff judgment that an existing manager(s) should not be allocated additional assets, or when, in the judgment of Staff, market conditions are not favorable to rebalancing activities. Given the illiquidity of Absolute Return and Private Markets and valuation lags, from time-to-time the actual exposure could be outside the targeted ranges as a result of market and valuation moves.

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

The CEO & CIO shall report to the Board monthly on the System's asset class rebalancing activities, including any exceptions to policy.

Other Total Fund Investment Related Guidelines

1. Environmental, Social, and Governance Policy

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

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

2. Fiduciary Responsibilities

All investments implemented through separately managed accounts (SMAs) where SFERS has custody of the assets must be managed by a qualified investment manager acting in a fiduciary capacity to SFERS. Once retained, an SMA investment manager must acknowledge in writing the manager's fiduciary responsibility to SFERS and acknowledge the objectives and policies contained in this Policy.

It is expected that, at all times, all managers will conduct themselves as fiduciaries in conformance with the California Constitution, Article XVI, Section 17 and Charter Section 12.100, unless a lesser standard of fiduciary duty is necessary because of generally prevailing industry standards for an investment of that type and nature.

3. Emerging Investment Manager Firms

Emerging investment firms are defined as firms that have $2 billion or less in assets at time of hire and that are independent (defined as at least 51% owned by full-time employees of the firm) ("Emerging Investment Manager Firms"). Barriers to entry for new or smaller firms launching established or new product strategies often provide opportunity to capitalize on niche management firms and/or strategies. SFERS Staff and investment consultants may consider such Emerging Investment Manager Firms when the services/products they provide are consistent with the fiduciary responsibilities of the Board.

4. Custody of Assets

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

5. Derivatives

Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices or instruments including, but not limited to futures, forwards, options, options on futures and private swaps. The purpose of derivatives shall be to control portfolio risk, aid in liquidity management, augment return, and/or execute portfolio strategies in a timely and cost-effective manner. Derivatives may be employed by SFERS' investment managers if permitted in the manager's written guidelines and/or governing documents.

No derivatives positions can be established that create portfolio characteristics outside of portfolio guidelines. Managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

6. Short Sales and Leverage

Short sales occur when a manager borrows a security and sells it on the open market, typically planning to buy it back later for less money. Leverage is an exposure to an asset class that is not fully collateralized by cash assets or exposure to an asset acquired that has not been fully funded. Short sales and leverage, used appropriately, can improve investment portfolio efficiency versus more traditional unlevered long-only approaches.

Managers may invest in short sales of securities or use leverage only if permitted in the investment manager's written guidelines and/or governing documents and shall typically be subject to expressed limits.

Total Plan leverage can be used to help build and manage the desired risk profile for the portfolio, improve portfolio returns and diversification, reduce portfolio concentration, and improve plan liquidity. Total Plan level leverage will be targeted at 3% and may vary between 0 and 5%. It can be used to meet portfolio asset allocation targets and change the asset allocation within the defined ranges.

Guidelines and Monitoring of Total Plan Leverage:

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

by adequate liquidity.

7. Credit Facilities

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

a. The facility is reviewed and approved by the Board and General Investment Consultant.
b. The total amount of all outstanding loans allowable at any given time shall not exceed the maximum amount approved by the Board.
c. The initiation of any loan through a credit facility is approved by the Chief Executive Officer & Chief Investment Officer after careful consideration of other potential sources of liquidity.
d. Detailed reporting through monthly CIO reports and annual review to the Board.

DUTIES OF RESPONSIBLE PARTIES

Duties of the Retirement Board

The Board duties with respect to the management of SFERS' assets include:

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

[1] Performance of Private Equity, Real Assets, Private Credit, and Absolute Return is reviewed annually.

Duties of the CEO & CIO

The Board delegates to the CEO & CIO the authority to select and terminate investment managers and make investment decisions:

- Within Board approved asset allocation, investment guidelines and reporting requirements, as outlined in this Investment Policy Statement, Asset Class Guidelines and Manager Selection and Monitoring Policies
- With written concurrence of the investment consultant
- In accordance with the Monitoring and Reporting Policy and the Service Provider Selection Policy
- Subject to the following constraints[2]:
    - Public markets (Global Equity and Fixed Income):
        - Allocate capital to a new investment manager up to a maximum of 1.50% of Trust assets
        - Allocate additional capital to an existing (funded and approved) investment not to exceed 1.50% of Trust assets per investment over any 12-month period[3]
        - Amend account guidelines as needed when manager has demonstrated ability to manage assets under existing guidelines
    - Absolute Return:
        - Allocate capital to a new investment manager up to a maximum of 0.75% of Trust assets
        - Allocate additional capital to an existing (funded and approved) investment not to exceed 0.75% of Trust assets per investment over any 12-month period
        - Amend account guidelines as needed when manager has demonstrated ability to manage assets under existing guidelines
    - Private Markets (Private Equity, Real Assets and Private Credit)
        - Invest in commingled funds, separately managed accounts and side cars up to a maximum of 0.50% of Trust assets per investment[4]
        - Acquire secondary interests in Private Market investments up to 0.50% of Trust assets in purchase value at the time of investment per investment, which

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[2] Trust Asset value, used for the purpose of setting dollar threshold values, will be established using Plan NAV as of the prior calendar year end. When allocating additional capital to existing investments, the limits will include investments in any new strategy within the first 12 months of initial funding.
[3] Excludes allocation of additional capital to cash accounts and leverage manager. These allocations are governed by asset allocation ranges.
[4] The allocation of additional capital through new tranches in an existing separate account will be subject to the limit.

includes the purchase price plus any remaining unfunded commitment

  - Make investment decisions in the existing, Board-approved Private Markets investments (e.g., equity roll-overs of existing investments), including decisions that may require additional equity commitments

- Co-investments: Commit to Co-investments up to a maximum of 0.15% per investment, and in any calendar year total co-investment capital committed shall not exceed 2.0% of Trust assets as of the beginning of the calendar year
- Termination: Termination of investment management agreements and complete redemptions from commingled funds

The CEO & CIO may develop internal procedures for manager selection and monitoring to document the implementation procedures of the Board approved Manager Selection and Monitoring Policies.

The Board maintains authority to approve investments that do not meet the above described criteria, including, but not limited to, investments that exceed the designated maximum of Trust assets.

Duties of the Investment Staff

SFERS' Investment Staff plays a significant role in the management and oversight of the Plan and is responsible for the timely implementation and administration of the Board's policy decisions. Staff duties include:

- Manage Plan assets according to written investment policies and guidelines as directed by the Board.
- Carry out rebalancing activity within and across asset classes, including leverage, to reduce risk, generate return, add value and/or maintain allocations within guardrails, all in accordance with the policy stated in this document.
- Monitor external managers for adherence to SFERS' written policies and guidelines, and in accordance with respective asset class guidelines. Reviews for portfolios managed by external managers will focus on:
  1. Compliance with the investment guidelines.
  2. Compliance with the terms of the contracts, and the manager's ability to provide the System with timely, accurate and useful information.
  3. Manager's ability to continue to achieve its objectives given its investment process and resources.
  4. Material changes in a manager's organization. This may include, but is not limited to changes in investment philosophy, personnel or ownership, acquisitions or losses of major accounts, etc.
  5. Investment performance relative to each manager's stated performance benchmark(s)

as set forth in the manager's investment guidelines as well as the manager's rankings in an appropriate peer group comparison.

- Provide due diligence, oversight, and investment recommendations regarding all investment portfolios with assistance from the respective Consultant(s).
- Identify, measure and evaluate risk in SFERS' holdings across all asset classes.
- Evaluate and manage relationships with the Consultant(s) to the Plan to ensure that the Consultant(s) are providing all the necessary assistance to Staff and the Board as set forth in their service contracts and meeting the needs of the System.
- Make recommendations to the Board regarding retention of Consultant(s).
- Conduct manager searches with assistance from Consultant(s).
- Manage portfolio restructurings resulting from manager terminations with the assistance of Consultants, managers, or other parties, as needed.
- Conduct, direct Consultants and/or managers to conduct, or participate in any special research required to manage the Plan more effectively and in response to any questions or issues raised by the Retirement Board.
    - Review the effectiveness and performance of the custodian on a regular basis (at least every five years), with input from SFERS' Consultants as needed or as directed by the Board.
- Monitor and review the System's securities lending program (if any) on an ongoing basis in accordance with SFERS' processes and procedures including annual update to the Board of program's performance, activity, and initiatives.
- Monitor and review the System's credit facilities (if any) on an ongoing basis in accordance with SFERS' processes and procedures including an annual update to the Board of program's cost, utilization, and initiatives.
- In collaboration with the General Investment Consultant and Custodian, monitor and report on the utilization and results of the Plan Leverage program.
- In collaboration with SFERS' Consultants, present to the Board annual updates for Asset Allocation and Risk Management, ESG, Public Fixed Income, Public Equity, Absolute Return, Private Credit, Real Assets, and Private Equity. Updates will provide an overview of each area's strategic plan, co-investment and direct investment programs, performance (as appropriate), activity, and initiatives.
- Negotiating investment agreements in consultation with legal counsel, consistent with the criteria established herein and the Board governance policies.

Duties of Investment Managers

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

The duties of SMA Investment Managers where SFERS has custody of the assets include:

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

Duties of the Master Custodian

The Master Custodian is responsible for the following actions:

- Provide complete global custody and depository services for the designated accounts.
- Manage, if directed by the Board, a Short-Term Investment Fund for investment of any cash not invested by managers, and to ensure that all available cash is invested in this or other fixed income vehicles approved by the Board for this purpose. If the cash reserves are managed externally, full cooperation must be provided to the external cash manager.
- Provide in a timely and effective manner a monthly report of the investment activities implemented by the investment managers and the performance of each portfolio.
- Collect all income and principal realizable, including timely processing and collection of tax reclaims, and properly report its regular accounting statements.
- Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These reports should be provided within acceptable time frames.
- Report to SFERS' Staff situations where accurate security pricing, valuation and accrued income is either not possible or subject to considerable uncertainty.
- Provide regular performance reports including performance attribution of SFERS' asset class composites and total assets, and a check on guideline compliance and adherence to investment style and discipline; performance calculations shall conform to the CFA Institute's Global Investment Performance Standards.
- Reconcile monthly with SFERS investment managers on price variance and portfolio valuation.
- Provide assistance to the Plan to complete such activities as the annual audit, proxy voting, transaction verification or other unique issues as required by the Board.
- Manage a securities lending program to enhance income if directed to do so by the Board. The custodian may also be called upon to manage the cash collateral associated with the securities lending program. If a securities lending program is managed externally, full cooperation must be provided to the external securities lending agent.
- Provide credit facilities options to enhance liquidity management if directed to do so by the Board.

Duties of the Investment Consultants

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

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

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

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

- Assist SFERS Staff in making recommendations to the Board regarding investment policy and strategic asset allocation, including sub-asset class structure.
- Assist Staff in the selection of a qualified custodian (including a securities lending agent and/or a cash manager) if directed by the Board and Staff.
- Assist Staff in the evaluation and selection of appropriate credit facilities if directed by the Board and Staff.
- Monitor and prepare quarterly report on Plan’s Total Leverage including leverage utilization and compliance with strategic allocation ranges, cost, and performance.
- Monitor and prepare annual report on Plan’s co-investments and direct investments including activities summary, audit of transactions with Staff’s delegation authority, performance, and benchmarking.
- Prepare quarterly performance summaries regarding SFERS’ manager, composite, and total Plan results and make recommendations addressing any performance issues.
- Provide topical research and education on investment subjects that are relevant to SFERS.
- Other tasks as requested by the Board or Staff consistent with the function served by the General Investment Consultant.

SFERS may engage additional Investment Consultants that shall:

- Assist SFERS Staff in making recommendations to the Board regarding asset class investment policies and strategies for implementation.
- Assist SFERS Staff in the selection of qualified investment managers, provide investment recommendation concurrence memos and make recommendations to the Board and Staff on manager selection and manager guidelines (as necessary).
- Assist Staff in the oversight of existing managers, including monitoring changes in personnel, organization, ownership, the investment process, compliance with guidelines, and other issues likely to affect performance.
- Provide operational due diligence on investment managers and strategies.
- Assist SFERS Staff in preparing annual asset class updates that will provide an overview of performance, activity, private market pacing plans, and initiatives.
- Provide topical research and education on market investment subjects that are relevant to SFERS.
- Other tasks as requested by the Board or Staff consistent with the function served by Investment Consultant.