



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM**

**REQUEST FOR PROPOSAL (RFP)  
FOR  
GENERAL INVESTMENT CONSULTANT**

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**TIMELINE**

SBCERS issues RFP	September 16, 2011
Deadline for written questions to SBCERS	September 26, 2011
Responses to questions published	September 30, 2011
Deadline for submission of Proposals	October 18, 2011
Finalist Interviews	December 14, 2011

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**Delivery of Proposals**

Deliver proposals as follows:

Six (6) Printed Copies and One (1) Electronic Version to:

Ms. Lila Deeds, Interim Chief Executive Officer  
Santa Barbara County Employees' Retirement System  
3916 State Street, Suite 210  
Santa Barbara, CA 93105  
E-mail: [ldeeds@co.santa-barbara.ca.us](mailto:ldeeds@co.santa-barbara.ca.us)

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**COMMUNICATIONS**

In accordance with the SBCERS Code of Conduct Policy, an "evaluation period" is immediately in effect which applies to any service provider of investment consulting services. During the evaluation period, staff and trustees shall not accept meals or other types of gifts from the service provider in question.

In addition, trustees shall not communicate with any investment consultant service providers on matters pertaining to the SBCERS, except during board meetings, committee meetings, or due diligence visits. All communication to SBCERS must be directed to the Interim Chief Executive Officer.

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## SECTION I: BACKGROUND & NATURE OF SERVICES REQUIRED

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### A. Santa Barbara County Employees' Retirement System (SBCERS)

SBCERS was established on January 1, 1944, and is administered by the Board of Retirement to provide service retirement, disability, death, and survivor benefits for County employees and contracting districts under the California State Government Code §31450 et seq., (County Employees' Retirement Law of 1937). Members include all permanent full and part-time employees of the County of Santa Barbara, the Santa Barbara County Courts, and the following nine districts:

- Carpinteria, Goleta, Oak Hill and Santa Maria Cemetery Districts
- Carpinteria-Summerland Fire Protection District
- Mosquito & Vector Management District of Santa Barbara County
- Santa Barbara County Air Pollution Control District
- Santa Barbara County Association of Governments
- Summerland Sanitary District

The Board of Retirement is responsible for establishing policies governing the administration of the retirement plan and managing the investment of the System's assets under authority granted by the California State Constitution.

The Board consists of nine members and two alternates. The County Board of Supervisors appoints four members of the Retirement Board; six are elected by the membership (two by general members, two by safety members including one alternate, and two by retirees including one alternate); and the County Treasurer is an ex-officio member.

### B. Investment Program

The SBCERS is governed by the County Employees' Retirement Law of 1937. It is also governed by California Government Code Sections 31594 and 31595, which provides for prudent person governance of the plan. Under this law, the type and amount of plan investments as well as the quality of securities is not specifically delineated; rather the investments made are assumed to be in the best interest of the plan.

The specific responsibilities of the Board include but are not limited to:

- establishing and implementing investment policy
- recommending employee and employer contribution rates to the Board of Supervisors based on annual actuarial studies
- establishing policy for the operation of the SBCERS

The fund has an approximate market value of \$1.9 billion and is managed by outside investment managers. The current asset allocation, consultant, and investment manager structure is shown below.

	<b>Consultant</b>	<b>Asset Class</b>	<b>Target</b>	<b>Investment Managers</b>
<b>General Consultant</b>	General Consultant	Domestic Equity	37%	DFA Eagle Asset Management Invesco Loomis Sayles Neuberger Berman Rampart (Covered Calls) State Street Global Advisors
	General Consultant	International Equity	18%	Batterymarch The Boston Company Lord Abbett PanAgora State Street
	General Consultant	Fixed Income	30%	Artio Global BlackRock Reams STW
	General Consultant	Real Return	4%	Wellington (TIPS)
	ORG	Real Estate	4%	Discretionary: Various Partnerships
	Hamilton Lane	Private Equity	5%	Discretionary: Various Partnerships
	General Consultant	Cash	2%	Treasurer-Tax Collector

The Board recently adopted a new asset allocation as shown below that will be implemented over the next three years:

<b>Asset Class</b>	<b>New Allocation</b>
Global Equities	52%
Covered Calls	7%
Fixed Income	15%
Real Return	9%
Private Equity	8%
Real Estate	8%
Cash	1%

### **C. Purpose and Scope of Services**

The SBCERS Board is seeking a qualified firm to provide comprehensive full-retainer, general investment consulting advice and services, and to work in coordination with SBCERS' specialty investment consultants (i.e. Hamilton Lane and ORG) with respect to the fund's allocation to the Real Estate and Private Equity asset classes. The selected investment consulting firm will report to the Board. The selected firm will functionally work closely with the Board of Trustees and the SBCERS Board's Executive Director and staff. The selected firm will demonstrate extensive experience and superior capability for providing those investment consulting services that are critical to the success of a large public pension system.

In general, the selected firm will assist the Board in the on-going process of investment policy development and implementation. The firm will serve in a fiduciary capacity and will acknowledge in writing the firm's fiduciary status, without qualification. In all cases, the firm and its consultants will offer advice to the Board that is solely in the interest of the plan participants and beneficiaries of SBCERS.

The services required include, but are not limited to, the following:

1. Investment Policy and Asset Allocation
  - (a) Conduct an annual comprehensive review and analysis of investment policies, objectives, asset allocation and portfolio structure, and recommend changes, if appropriate. Review and update the system's investment policy statement.
  - (b) Work with staff and the actuary to conduct an asset/liability study of the fund at least every three years, including recommending methodologies, assumptions, asset classes for consideration, and alternative asset allocations.
  - (c) Develop an appropriate investment management structure for the system and each asset class that considers the role of active versus passive strategies and investment management styles under different market conditions.
  - (d) Analyze the investment characteristics of available asset classes and the risk/return potential of alternative asset mix policies.
  - (e) Develop policies, guidelines and procedures for rebalancing the asset mix.
  - (f) Advise about new developments in investment management techniques and portfolio management strategies. Analyze how new techniques might improve the investment program and whether they should be implemented.
  - (g) Develop policies, strategies and guidelines for the management of real estate, private equity and absolute return investments.

- (h) Provide advice and recommendations on various other investment policy issues including, but not limited to: currency management, derivatives, rebalancing, use of soft dollars, securities lending, proxy voting, etc.
2. Investment Manager Search, Selection & Review (Public Markets)
- (a) Provide advice and recommendations on investment manager allocation and structure, manager mandates and guidelines, and performance benchmarks.
  - (b) Provide on-going monitoring and oversight of investment managers to ensure compliance with laws and regulations, investment policies and manager mandates, and against specified quantitative and qualitative criteria. Have periodic discussions with managers on investment performance and organizational issues (such as changes in ownership, staff, new products, etc.).
  - (c) Advise on manager retention/termination, and assist in developing a formal manager review process.
  - (d) Provide investment manager search and selection services from time to time and make recommendations as necessary, using evaluation criteria such as structural fit within SBCERS' existing portfolio; organizational stability and soundness; consistency of investment process; stability of manager staff; long-term investment performance track record; etc.
  - (e) Conduct on-site due diligence meetings with potential managers prior to hire and current managers every three years.
  - (f) Provide periodic reviews of asset classes.
  - (g) Assist with negotiating appropriate investment management fees and with monitoring and evaluating manager trading and transaction costs.
3. Performance Monitoring and Reporting
- (a) Compare the investment performance of the total fund, asset classes and investment managers to relevant benchmarks and "peer groups".
  - (b) Conduct performance attribution analysis to determine the value added by investment policy, asset allocation and security selection.
  - (c) Present performance reports including manager evaluations and economic overviews on a quarterly basis to the Board and a monthly performance summary to staff. Performance reports will cover the total fund and all asset classes, including the Real Estate and Private Equity asset classes.
  - (d) Recommend appropriate performance benchmarks for the total fund, each asset class, portfolio composite, and investment manager.
  - (e) Provide access to performance evaluation and attribution analytics, tools and software, such as eVestment Alliance, InterSec, Force/AltVest, MPI and Zephyr Style Advisor or equivalents.

4. Client Service and Education
  - (a) Attend twelve (12) regular monthly meetings of the Board including the annual investment retreat, and special Board and committee meetings pertaining to investments that may be necessary from time to time.
  - (b) Prepare and present quarterly reports on investment performance.
  - (c) Coordinate effectively with staff, the actuary and the custodian bank.
  - (d) Respond to inquiries between meetings in an appropriate and timely manner.
  - (e) Identify key individuals who are to render services to SBCERS and report any significant changes in the firm's ownership, organizational structure and personnel in a timely manner.
  - (f) Assist on special projects as needed from time to time.
  - (g) Provide all other investment advisory-related services as requested.
  - (h) Provide education to the Board, new trustees, and staff on investment issues and participate in ad hoc workshops as requested by the Board from time to time.
  - (i) Make available all firm research, including proprietary research, and provide consultation with research staff.
  
5. Review, Search and Selection of Other Investment-Related Vendors
  - (a) Provide advice and recommendations on custodial arrangements, (including custodian review and search services).
  - (b) Assist with evaluation, search and selection involving other investment-related consultants and vendors as required.

## SECTION II: PROCESS FOR SUBMITTING PROPOSAL

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### A. Minimum Qualifications for Proposal

The Proposer must meet all of the following minimum qualifications to be given further consideration. Failure to satisfy any of the minimum qualifications will result in the immediate rejection of the proposal.

1. The firm must provide investment consulting services to clients with aggregate assets totaling at least \$5 billion.
2. The primary consultant assigned to the account must have a minimum of seven (7) years experience providing domestic and international investment consulting services to public and/or private pension plans, the last three years of which must have been with present firm, or team.
3. The firm must have been in business at least five (5) years as of December 31, 2010.
4. The firm must have at least three (3) public pension fund clients, one of which must have assets in excess of one (1) billion U.S. dollars As of June 30, 2011.
5. The firm must be registered as an investment advisor under the Investment Advisor Act of 1940. It must be prepared to acknowledge in writing that it has a fiduciary obligation as an investment advisor in providing investment consulting services to SBCERS.
6. The consultant must carry errors and omissions coverage or must have applied for it by the submission date of the RFP.

### B. Preparation of Proposal

1. Format for Proposal

The proposal must be organized and indexed in the following format:

- (a) Letter of Transmittal
- (b) Answers to Questionnaire
- (c) Philosophy and Approach to Consulting
- (d) Additional Documents and Materials
- (e) Fees

Responses to items (b) and (c) above should also be sequentially page numbered.

2. Responses to Requests for Information and Questions

Please respond to all questions, and requests for information, in the order that they are presented in Section III, Parts A, B and C, of this Request for Proposal. Indicate the request or question number and restate it prior to providing your response or answer. Any additional comments or information may be provided in Section III, Part D.

3. Clarification or Rejection of Proposal

Please be clear and succinct in your responses to the questions. Please ensure that each response is specific to the question asked. Unnecessary or superfluous information will be disregarded. Incomplete or misleading responses may lead to rejection of the proposal and elimination of the firm from the search process. SBCERS reserves the right to waive or permit correction of any minor inconsistencies, errors or omissions prior to the final evaluation of the proposal, and to ask for clarification on any issues, or to take any other measures with respect to this RFP in any manner necessary to serve the best interests of the SBCERS and its beneficiaries.

4. Cancellation of RFP

SBCERS reserves the right to cancel this RFP at any time, and to reject any and all proposals submitted in response to this RFP if SBCERS determines such action or actions are in its best interest. This RFP in no manner obligates SBCERS to the eventual procurement of services until confirmed by a written contract. Progress toward this end is solely at the discretion of SBCERS and may terminate at any time prior to the signing of a contract.

This procurement and any agreement with proposers that may result shall be governed by the laws of the County of Santa Barbara and the State of California. Submission of a proposal constitutes acceptance of this condition.

5. California Public Records Act

Proposers are advised that materials contained in proposals are subject to the California Public Records Act (Cal. Gov. Code Sections 6250 et. seq., "The Act"), and, after the contract award, may be viewed and copied by any member of the public, including news agencies and competitors. If you believe that any portion of your proposal is exempt from public disclosure under the Act, you must mark such portion "TRADE SECRETS", "CONFIDENTIAL" OR "PROPRIETARY", and make it readily separable from the balance of your response. Proposals so marked in their entirety will not be honored, and SBCERS will not deny public disclosure of all or any portion of proposals. By submitting a proposal with material marked "TRADE SECRETS", "CONFIDENTIAL" OR "PROPRIETARY", you represent you have a good faith belief that the material is exempt from disclosure under the Act; however, such designations will not necessarily be conclusive, and you may be required to justify in writing why such material should not, upon request, be disclosed by SBCERS under the Act.

If SBCERS denies public disclosure of any portions so designated, you agree to reimburse SBCERS for, and to indemnify, defend and hold harmless SBCERS, its officers, fiduciaries, employees and agents from and against: (a) any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees,

expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to SBCERS' non-disclosure of any such designated portions of your proposal; and (b) any and all Claims arising from or relating to SBCERS' public disclosure of any such designated portions of your proposal if SBCERS reasonably determines disclosure is deemed required by law, or if disclosure is ordered by a court of competent jurisdiction.

### **C. Submission of Proposal**

The deadline for submission of the proposal is October 18, 2011. Please submit one (1) complete electronic copy and six (6) additional paper copies of the proposal to:

Ms. Lila Deeds  
Interim Chief Executive Officer  
Santa Barbara County Employees' Retirement System  
3916 State Street, Suite 210  
Santa Barbara, CA 93105

E-mail: [ldeeds@co.santa-barbara.ca.us](mailto:ldeeds@co.santa-barbara.ca.us)

A proposal may be withdrawn and resubmitted prior to the proposal deadline. Any cost incurred in the preparation, submission or presentation of the proposal will be borne solely by the Proposer.

### **D. Timeline for Search and Selection Process**

August 31, 2011	Board approves RFP Chair appoints ad hoc General Consultant Search Committee
September 16, 2011	RFP published and posted on website: <a href="http://www.SBCERS.org">www.SBCERS.org</a>
September 26, 2011	Deadline for submission of questions concerning the RFP
September 30, 2011	Responses to questions published
October 18, 2011	Deadline for submission of proposals
By November 30, 2011	Ad Hoc General Consultant Search Committee selects finalist. Committee may conduct telephone interviews with bidding firms prior to selecting finalist firms.
By December 5, 2011	Site visits of finalist firms

December 14, 2011      Finalist interviews and selection by SBCERS Board

Approx. January 1, 2012   Start of contract

**SBCERS will make best efforts to follow the above timeline but reserve the right to amend it as necessary.**

**E. Inquiries and Communications**

Please refrain from contacting the SBCERS staff or Board members during the search process. All questions regarding the intent or content of this RFP or the proposal process must be directed in writing to, and received by Lila Deeds, Interim Chief Executive Officer, either by fax (805) 560-1086, the address provided in this RFP, or email ([ldeeds@co.santa-barbara.ca.us](mailto:ldeeds@co.santa-barbara.ca.us)) on or before September 26, 2011. Responses to questions will be publicly published on the SBCERS website: [www.SBCERS.org](http://www.SBCERS.org).

In accordance with the SBCERS Code of Conduct Policy, an evaluation period is immediately in effect which applies to any provider of investment consulting services. During the evaluation period, staff and trustees shall not accept meals or other types of gifts from the type of service provider in question.

In addition, trustees shall not communicate with any investment consultant service providers on matters pertaining to SBCERS, except during board meetings, committee meetings, or due diligence visits. All communication to SBCERS must be directed to the Interim Chief Executive Officer.

## SECTION III: INFORMATION TO BE PROVIDED

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### Part A: Letter of Transmittal

The individual(s) who is (are) authorized to bind the Proposer contractually must sign a cover letter, which will be considered an integral part of the proposal. This cover letter must indicate the signer is so authorized and must indicate the title or position that the signer holds in the Proposer's firm. An unsigned cover letter may cause the proposal to be rejected. The cover letter must contain a statement that the firm acknowledges that all documents submitted pursuant to this request for proposal process will become a matter of public record. The letter must also contain the following:

1. The Proposer's name, address, and telephone and fax number.
2. The name, title or position, telephone number and email address of the individual signing the cover letter.
3. A statement indicating the signature is authorized to bind the Proposer contractually.
4. The name, title or position, and telephone number of the primary contact for the proposal, if different from the individual signing the cover letter.
5. A statement to the effect that the proposal is a firm and irrevocable offer good for six (6) months.
6. A statement expressing the Proposer's availability of staff and other required resources for performing all services and providing all deliverables specified within.
7. A statement to the effect that the Proposer meets the Minimum Qualifications for Proposal set out in this RFP, and accepts the terms and conditions of the draft agreement in the Appendix of this request for proposals, subject to specific written objections to the draft agreement identified by the Proposer in the letter of transmittal.

## Part B: Questionnaire

Please respond to all questions below, in the order that they are presented this section of the Request for Proposal. Indicate the question number and restate it prior to providing your response or answer. Any additional comments or information may be provided in Section III, Part D.

### Name and Contact Information

1. What is the current name of the firm?
  - (a) If the name has changed, what was the previous name?
  - (b) What was the original name of the firm when it was founded?
  
2. Please provide the following information on the firm:  
Address of head office:  
Phone Number:  
Firm's Internet (www) Address:
  
3. Please provide the following information on the primary RFP contact for the firm:  
Name:  
Title:  
Phone Number:  
Facsimile Number:  
Email Address:

### History, Ownership and Organization of the Firm

4. In what year was the firm founded or established?
  - (a) Who were the founders?
  - (b) Please indicate the names of any predecessor companies or other organizations with which the founders were previously associated.
  - (c) If the firm was subsequently acquired by another company, when did this take place? What is the name of the parent company?
  
5. Please provide the names of the current owners of the firm and indicate their percentage of ownership.
  
6. Please provide a brief description of the current ownership and corporate structure of the firm. Indicate the names of any subsidiary or affiliated companies and briefly describe the nature of their businesses and the relationship between the firm and these other companies.

7. Have there been any significant changes in the firm’s ownership, structure, or organization over the past three years? What significant changes, if any, do you anticipate in the future?
8. Please list the location of all offices and the number of professional staff in each office. Indicate the office that would service this account.

Services and Revenues

9. Is the firm registered as an investment advisor under the Investment Advisor Act of 1940?
  - (a) Since what year has the firm been providing investment consulting services to pension plans?
10. Please confirm whether or not the firm can provide all of the services listed in Section I of the RFP under “Purpose and Scope of Services.”
  - (a) Indicate any services that the firm cannot or will not provide.
  - (b) List additional services, if any, that would be included in the fee proposal in Section IV.
  - (c) List any other products or services that may be of interest to a plan sponsor and would be available at additional cost.
11. Please indicate the percentage of the firm’s investment consulting revenue received from full service clients and non-full service clients during the most recent fiscal year:

Source of Investment Consulting Revenue	Revenue
Full service clients	
Non-full service clients	
Total Assets under advisement	

12. Does the firm or any affiliate of the firm (including any subsidiary or parent company) provide any services in addition to investment consulting, such as:
  - Human resources, actuarial and benefits consulting?
  - Investment management services?
  - Broker/dealer services?
  - Fund-of funds services
  - Any other services (please specify)?

13. Please indicate the percentage of total revenue received by the firm (including any subsidiary company) from investment consulting and any additional services listed above during the most recent fiscal year:

Source of Total Firm Revenue	Percentage of Revenue
Investment consulting	
Human resources, actuarial and benefits consulting	
Investment management services	
Broker/dealer services	
Fund-of funds services	
Other services: (please specify)	

14. If applicable, please identify all affiliated institutes, conferences, symposia, foundations, or other institutions. For each, please identify related sponsors, members or other participants, and remuneration paid by them during the preceding three years.
15. If the firm has a parent company, please indicate the percentage of revenues received by the parent company from the following sources during the most recent fiscal year:

Source of Parent Company Revenue	Percent Revenue
Plan sponsor consulting clients	
Investment manager clients	
Brokerage clients	
Other clients: (please specify)	

### Independence and Objectivity

16. If the firm or any affiliate provides services other than investment consulting, please explain briefly what policies or procedures the firm has established, or what actions the firm takes, to avoid or mitigate any potential conflicts of interest that could arise in providing advice to its pension plan clients.
17. Does the firm or an affiliate provide any services to, or receive any compensation from, investment managers, including but not limited to: (i) charges for inclusion in firm's database, (ii) conference fees, (iii) brokerage commissions, etc.?

- (a) If so, please describe briefly the nature of these services and compensation.
  - (b) Does the firm or an affiliate provide any services or conduct any business with the retirement system's current investment managers?
18. Does the firm have any arrangements with broker-dealers under which it, or an affiliated company, will benefit if investment managers place trades for their clients with such broker-dealers?
19. Does the firm accept a pension plan's brokerage commissions as payment for its services? If so, please explain briefly how it ensures that the plan receives best execution in securities transactions.

Conflict of Interest

20. Please disclose any potential conflicts of interest that may arise from the firm's representation of the retirement system, including the activities of any affiliated, subsidiary, or parent company.
21. Within the last five (5) years, has your firm or an officer or principal of the firm derived any remuneration from any investment manager; and if so, please identify the manager, the amount of remuneration and the consideration provided in exchange for the remuneration.
22. Has the firm or anyone in the firm provided any gifts or other remuneration, or paid any expenses for travel, hotel, meals or entertainment for or on behalf of any SBCERS Board member or staff during the past twelve (12) months. If so, please describe the amount and purpose of the expenses.
23. Please describe the nature of any professional relationship that the firm or anyone in the firm has had with SBCERS' plan sponsors or legislative bodies during the past three years.

Institutional Clients

24. How many institutional clients on a full service consulting basis does the firm currently have? What are the total assets under advisement?
25. Please indicate the number of full service institutional consulting clients that the firm currently has by type of client and size of assets :

Type of Clients	Under \$1 billion	\$1 - 10 billion	\$10 - 25 billion	Over \$25 billion
Public Pension Plans				

Type of Clients	Under \$1 billion	\$1 - 10 billion	\$10 - 25 billion	Over \$25 billion
Corporate Plans				
Union/Taft-Hartley Plans				
Endowments, Foundations & Hospitals				
Other				
Total Number of Full Service Clients				

26. Please indicate the number of full service institutional consulting clients that the firm currently has by length of service:

Length of Service	Number of Clients
Less than 1 year	
1 - 5 years	
5 - 10 years	
Over 10 years	

27. How many full service client relationships were terminated within the last three years?

- (a) What was the total value of assets of the terminated relationships?
- (b) In how many cases of such terminations was the firm dismissed outright or the contract rebid and the firm not retained or not asked to bid?

28. Does the firm participate in any independent surveys of investment consultants' performance, expertise or service quality (e.g. Institutional Investor, Plan Sponsor, etc.)? If so, how has it ranked in each of the last three years?

Professional Staff

29. Please indicate the number of professional staff (not administrative or clerical staff) that the firm currently employs in each of the following categories. (Each person should be assigned to only one category.)

Categories of Professional Staff	Number of Staff
Lead Consultants	
Other Consultants	
Analysts	
Firm Management	

Categories of Professional Staff	Number of Staff
Economists	
Marketing	
Technical/Systems	
Total Professional Staff	

30. Please indicate the total turnover in professional staff during the last three years.

Staff Turnover	Number of Staff
Hired	
Terminated	
Resigned	
Retired	

31. Please indicate in the following table, the average number of clients per lead and support consultant, and the maximum limit, if any on the number of clients assigned per consultant.

Role as Consultant	Average No. of Clients	Limit per Consultant, if any
Lead Consultant		
Support Consultant		

32. How many professional staff have the Chartered Financial Analyst (CFA) or Chartered Alternative Investment Analyst (CAIA) designations? How many are currently enrolled in these programs?
33. Which of the following types of compensation are provided to professional staff? Please indicate whether the compensation applies to all staff, senior staff, key employees, or principals only.

Compensation	All/Senior/Key/Principals
Salary	
Bonus	
Profit Sharing	
Stock Ownership	
Stock Options	
Equity Participation	
401(k) or Other Deferred	

Compensation	All/Senior/Key/Principals
Other (please specify)	

34. Please identify any principal, agent, employee or other person acting on your behalf who has been or may be a member or employee of any board referenced in California Government Code section 31528(b) or (c).
35. How many professional staff will be assigned to this account?
36. Please provide the following information on the lead consultant and, if applicable, the support consultant to be assigned to this account:
- (a) Name
  - (b) Title
  - (c) Role
  - (d) Years of institutional investment experience
  - (e) Years of investment consulting experience
  - (f) Years with the firm
  - (g) Educational qualification
  - (h) Number of accounts as lead consultant
  - (i) Names of above accounts
  - (j) Number of accounts as support consultant
  - (k) Names of above accounts
37. Please provide the name, title and role, and/or function of the other members of the team to be assigned to this account.

Asset Allocation

38. Since what year has the firm been conducting asset allocation studies for pension plans? How many studies has the firm conducted over the past three years?
39. Are the asset allocation studies based on analysis of both assets and liabilities of the pension plan, or assets only?
- (a) Is the modeling of assets and liabilities stochastic or deterministic?
  - (b) Does the asset allocation incorporate scenario analysis?
  - (c) Please explain briefly how the modeling of the assets is integrated with or linked to the modeling of the liabilities.
40. Were the various components of the asset allocation model internally developed, or were any licensed from one or more third-party vendors? Please provide the names of the third-party vendors, if any.

41. If the asset allocation recommendation is to be based on analysis of the risk versus reward of alternative asset allocation policies, over what future time period or periods is the impact of these policies simulated and why?
  - (a) How does the asset allocation model define and measure reward for a defined benefit pension plan?
  - (b) How does the model define and measure risk?
  - (c) How does the model deal with non-normal distribution of returns or “fat tails”?
  
42. How are the assumptions or inputs to the asset allocation model determined?
  - (a) Based on historical returns, volatility and correlations.
  - (b) Historical data with adjustments to reflect current market conditions.
  - (c) Estimates of future inflation, real yields and risk premiums.
  - (d) Economic forecasts of inflation, interest rates, and economic growth.
  - (e) Other, or a combination of the above (please explain briefly).
  
43. What is the methodology for developing these assumptions?
  - (a) Who in the firm is involved in this process?
  - (b) How often are these assumptions updated or revised?
  
44. Are there any asset classes or market segments that are NOT included in the asset allocation model?
  - (a) If so, how is the allocation to these asset classes determined in the asset allocation study?
  - (b) If alternative or non-traditional asset classes (such as real estate, private equity, hedge funds, etc.) are included, how does the model deal with non-market valuation and/or non-normal distribution of returns of these asset classes? Please explain briefly.
  
45. How frequently would the firm be prepared to conduct a formal comprehensive asset allocation study within the flat fee arrangement, as proposed in Section IV of this Proposal?
  - (a) What type of follow-up analysis or review of asset allocation would the firm perform in between comprehensive asset allocation studies, and how frequently would the firm do so?
  
46. To what extent do the investment beliefs and assumptions of the Board play a role in the asset allocation process?
  
47. How does the firm recommend that its clients rebalance the asset allocation of their funds? Please explain briefly.
  
48. Does the firm advocate short-term or tactical changes in asset allocation in response to changing market-conditions? If so, what approach does it recommend to its clients?

Investment Manager Search, Selection & Review (Public and Private Markets)

49. How many investment manager searches has the firm conducted over the past three years for the following asset classes and investment strategies? What was the total value of assets involved in each type of search?

Manager Searches	Number	Value of Assets
Domestic Equities (all styles & market segments)		
Domestic Fixed Income (including high-yield bonds, mortgages, etc.)		
International and Global Equities (including emerging and frontier market equities)		
Global Bonds (including emerging market bonds)		
Alternative Investments (real estate, private equity and hedge funds)		
Synthetic Strategies (TAA, currency overlay, alpha transport, managed futures, etc.)		
Other Asset Classes (including commodities, timberland, infrastructure, etc.)		
Total Manager Searches		

50. Is there a unit or group within the firm dedicated to (i.e. spends 100% of its time on) manager research?
- If so, how many professional staff are in that group?
  - How many other professional staff, if any, are involved in manager research or due diligence? What percentage of their time on average do they spend on these activities?
  - How many staff, if any, are dedicated to research on alternative investment managers and funds (real estate, private equity, hedge funds, and other real assets)?
51. Please briefly describe the firm's search and due diligence process for selecting investment managers.
52. Does the firm maintain a list of preferred managers, and does it normally recommend managers from that list?

53. Please list and briefly describe the various databases used by your firm for manager research.
54. Please indicate for each of the above databases:
- (a) Whether it is proprietary, purchased from a third-party, or acquired as part of a consultants' network or cooperative;
  - (b) How many investment managers, portfolios/ funds and/or products/strategies are covered;
  - (c) What information (asset classes, manager profiles, performance, portfolio characteristics, etc.) is included in the database;
  - (d) How that information is entered and updated, by whom, whether the information is verified and how any discrepancies are resolved.
55. How many times did the firm formally meet with investment managers, either on-site or in the firm's offices, annually on average over the past three years? With how many different investment management firms?

#### Monitoring and Oversight

56. Please explain briefly how the firm evaluates the investment performance of a retirement system at the total fund level?
- (a) What benchmarks does it use to measure total fund performance?
  - (b) Are there any liability-related benchmarks that the firm uses to determine the impact of total fund performance on the funded position of the pension plan?
57. What benchmarks does the firm use to measure the performance of asset classes, investment managers and portfolios?
- (a) Are there any asset classes, market segments, and investment styles or strategies for which the firm does NOT have benchmarks to measure performance?
  - (b) Does the firm have the ability to develop customized benchmarks or normal portfolios for specialized investment strategies?
58. What performance measurement databases or systems does the firm use to compare the performance of the total fund as well as individual asset classes, investment managers and portfolios against their peer groups?
- (a) How many pension funds are covered in those databases? How many of them are public funds?
  - (b) How many investment managers and portfolios/products are included?
  - (c) For each database, please indicate where the data comes from, how it is verified, who calculates the investment returns, and how any discrepancies are resolved.

59. Does the firm provide performance attribution analysis at the total fund level as well as for individual asset class portfolios? Which asset classes?
60. How does the firm monitor or track the investment style of client portfolios?
- (a) What style analysis software or model does it use?
  - (b) Is the style analysis based on returns or on portfolio holdings?
  - (c) What asset classes are covered in the style analysis? Which asset classes are NOT covered?
61. Can the firm monitor or track the compliance of the client's investments with the items listed below? If so, please explain briefly how it does this.
- (a) Policies and guidelines of the plan?
  - (b) Investment manager mandates, agreements or contracts?
  - (c) Laws and regulations?
62. Does the firm periodically undertake a formal and comprehensive review and evaluation of its clients' investment managers?
- (a) How often does it recommend that such an evaluation be done for each manager?
  - (b) In addition to investment performance, what other aspects or features of a manager's service or organization would be covered in such an evaluation?

### Research and Education

63. Does the firm undertake any research on general investment and pension-related issues?
- (a) Please list the broad topics or areas on which such research was conducted over the past three years?
  - (b) What types of publications are made available to clients – e.g. research reports, newsletters, client memos, capital market reviews, etc.? Please list these publications. How frequently are these publications produced?
64. What percentage of total revenue did the firm spend on such research on average over the past three years?
65. How does the firm provide education to board members and staff?
- (a) At regular board meetings
  - (b) Half or one-day seminars or workshops at client offices
  - (c) Board retreats
  - (d) Annual client conference
  - (e) All of the above

## Litigation and Insurance

66. Has the firm, or any officer, principal, or employee of the firm or an affiliated company, ever been investigated and/or charged by the Securities and Exchange Commission (“SEC”), the U.S. Department of Labor (“DOL”), or any other regulatory authority for violation of applicable laws? If so, please explain.
67. Has the firm, or any officer, principal, or employee of the firm, ever been involved in any business litigation or other legal proceeding? If so, please explain and indicate the current status of the litigation.
68. Does the firm, or any officer, principal, or employee of the firm, have any lawsuits pending against it concerning the delivery of investment consulting or related services for any client? If yes, please explain.
69. Please provide the level of insurance coverage that the firm carries for professional or fiduciary liability and for errors and omissions. For each type of insurance, please indicate:
- (a) The name of the insurance carrier; and
  - (b) The annual aggregate coverage as well as the coverage per claim.

## Performance

70. Please provide the following performance-related information for the 5-year period ending June 30, 2011 in connection with your institutional clients (public, corporate, Taft-Hartley) similar in size to SBCERS (i.e. \$1-10 billion). **Please note that we are asking for the average performance of these funds as a group (simple average, unweighted), not the performance of each individual fund.**

Number of Funds (as defined above):

Average (Mean) Total Fund Return:

Average Asset Mix Policy Return:

Average Excess Return (Total Fund Return – Policy Return):

Average Volatility (Standard Deviation) of Total Fund Return:

### **Part C: Philosophy and Approach to Consulting**

1. What is the general philosophy of the firm regarding an investment consultant's relationship with the board of trustees, staff, and investment managers?
2. State as clearly as possible the firm's investment philosophy. Are there any fundamental beliefs about capital markets which underpin the firm's investment advice to its pension plan clients?
3. What are the most crucial issues to consider in establishing investment policy for a public sector pension plan?
4. Please summarize, in one page or less, the firm's investment consulting capabilities and expertise. What are the firm's major strengths and limitations? Do you provide any services which are not provided by other investment consultants? Why should the retirement system engage you as its investment consultant?
5. Describe the plans for managing the future growth of the firm, including limitations, if any, on the number of clients that the firm intends to accept.
6. Explain how the consulting team assigned to this account would function, including lead consultant, back-up, quality control and support services.
7. How would you suggest that we measure and evaluate the performance of your firm as an investment consultant?

### **Part D: Additional Materials and Documents**

In addition to the information requested in the RFP, please submit a copy of the following additional materials and documents:

1. An organization chart of the firm, parent and all subsidiary and affiliated companies.
2. Biographies of the firm's professional staff to be assigned to this account.
3. A list of the firm's current full service institutional clients, including the year they retained the firm, fund size, and plan type (i.e., DB, DC, other).
4. The latest Annual Report or Statement of Financial Condition.
5. The most recently filed SEC Form ADV, Parts I and II.

6. A copy of the firm's policies and procedures relating to Conflict of Interest.
7. A sample of the firm's Quarterly Performance Report, both in executive summary form and in full detail.
8. A sample of the firm's due diligence reports on investment managers.
9. A sample Investment Policy Statement the firm has developed for a pension plan client.
10. Three sample research reports on different investment topics.
11. A sample presentation on investment education provided to a pension plan client.
12. The firm's standard marketing brochure that describes the firm's products and services.
13. As reference, the names of three (3) pension plans, one of whom must be a public plan with assets of at least \$1 billion, for which the firm has provided general investment consulting services. For each reference, please provide the following information:
  - (a) Name of Plan:
  - (b) Contact Person:
  - (c) Address:
  - (d) Phone Number:
  - (e) Email Address:
14. Any other information you feel would be necessary to gain a complete understanding of the firm and the services it provides.

## SECTION IV: FEES

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The proposed fees shall be guaranteed for the duration of the contract which shall be a period of five (5) years from the effective date of the contract.

**The services listed in Section I under “Purpose and Scope of Services” should form the basis for the proposed fees.**

The method of payment will be set forth in the contract. Once the consultant is selected, the fee may be negotiated further depending on the variance from other proposals received. In no case will the negotiated fee be higher than the fee contained in this proposal.

Please use the following template as a guide in presenting your fee proposal:

### A. All-Inclusive Flat Fee:

All-Inclusive Flat Fee - Year 1	\$ _____
All-Inclusive Flat Fee - Year 2	\$ _____
All-Inclusive Flat Fee - Year 3	\$ _____
All-Inclusive Flat Fee - Year 4 (optional)	\$ _____
All-Inclusive Flat Fee - Year 5 (optional)	\$ _____
TOTAL FEES (Years 1-5)	\$ _____

### B. Additional Fees or Costs:

Please provide a fee quote for any services or expenses, including any additional fees associated with alternative asset classes, that would not be covered in the fees proposed in part A above. Please list fees as flat fees or hourly rates per consultant, as appropriate.

Service/expense _____	\$ _____
Service/expense _____	\$ _____
Service/expense _____	\$ _____
Service/expense _____	\$ _____
Service/expense _____	\$ _____

**C. Additional Information:**

Please provide any additional information that may assist us in more clearly understanding your fee proposal:

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Name of Firm

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By

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Title

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Signature

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Date

## **APPENDIX: SBCERS MODEL AGREEMENT**

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**[PROPOSED]**  
**CONSULTING AGREEMENT**  
**FOR**  
**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
  
**PROFESSIONAL INVESTMENT CONSULTANT SERVICES**

This Agreement ("Agreement") is made and entered into as of the Effective Date as defined herein, by and between SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM, a public employees' retirement system organized under the laws of California, ("SBCERS") and \_\_\_\_\_, a \_\_\_\_\_ organized under the laws of the state of \_\_\_\_\_ ("CONSULTANT").

### **WITNESSETH**

WHEREAS, SBCERS requires expert consulting services to assist the Board of Retirement of SBCERS ("Board") in prudently diversifying and investing the assets of the retirement system; and

WHEREAS, CONSULTANT has submitted a proposal to provide investment consulting services to SBCERS and CONSULTANT represents that it has the experience, licenses, qualifications, staff and expertise to perform said services in a professional and competent manner; and

WHEREAS, following an open and competitive bid process the Board selected CONSULTANT at its regular public meeting held on \_\_\_\_\_ to serve as SBCERS' Investment Consultant on a non-exclusive basis, subject to satisfactory negotiation of the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is mutually agreed by and between SBCERS and CONSULTANT that CONSULTANT shall provide the services to SBCERS as set forth in greater detail herein.

### **ARTICLE 1 - SCOPE OF WORK AND PERFORMANCE OF SERVICES**

- 1.1 CONSULTANT agrees to furnish the services set forth in Exhibit A, Scope of Services, attached hereto and incorporated herein by this reference and any other services to which the parties agree (collectively, the "Services"). Services shall include all documents, materials, reports, manuals, plans, and specifications related to the Services.

1.2 CONSULTANT's Services shall be completed and submitted in accordance with SBCERS' standards specified, and according to the schedule listed, in Exhibit A. The completion dates specified herein may be modified by mutual agreement between SBCERS and CONSULTANT provided that SBCERS' notifies CONSULTANT of modified completion dates in writing. CONSULTANT agrees to diligently perform the services to be provided under this Agreement. In the performance of this Agreement, time is of the essence.

1.3 CONSULTANT represents, warrants and agrees as follows:

- (a) It is duly organized and in good standing in all jurisdictions in which it conducts its business.
- (b) It has the professional skills and expertise necessary to perform the services to be performed under this Agreement and will provide SBCERS with expert advice and recommendations concerning the prudent administration and investment of the assets of the retirement system.
- (c) It has all the appropriate licenses and professional certifications necessary to perform the services and shall maintain them during the term of this Agreement.
- (d) It will perform the Services in accordance with the highest standards of skill and expertise prevailing in the business and profession of providing investment consulting services to public employee pension funds in the United States.
- (e) It acknowledges that SBCERS is relying upon the professional skill and expertise of CONSULTANT to do and perform the Services.
- (f) Acceptance by SBCERS of the Services shall not operate as a release of CONSULTANT from its professional responsibility for the Services.

1.4 CONSULTANT is an independent contractor and not an employee of SBCERS. CONSULTANT expressly warrants that it will not represent to any third party for any reason that it is an employee of SBCERS.

1.5 CONSULTANT agrees to maintain in confidence and not disclose to any person or entity, without SBCERS' prior written consent, any confidential information, knowledge or data relating to the services, processes, or operations of SBCERS, including without limitation investment, financial, accounting, member and statistical information pertaining to SBCERS. CONSULTANT further agrees to maintain in confidence and not to disclose to any person or entity, any data, information, technology, or material developed or obtained by CONSULTANT on behalf of SBCERS during the term of this Agreement.

1.6 The originals of all computations, drawings, designs, graphics, studies, reports, manuals, photographs, videotapes, data, computer files, and other documents prepared or caused to be prepared by CONSULTANT or others acting on its behalf

in connection with performing the Services (collectively, "Documents") shall be delivered to and shall become the exclusive property of SBCERS. To the extent necessary, CONSULTANT hereby conveys a non-exclusive, irrevocable license to SBCERS in perpetuity to utilize the Documents for SBCERS' use, at its own risk. CONSULTANT may retain and use copies of such Documents, with written approval of SBCERS.

- 1.7 At all times during the Term of this Agreement, as herein defined, the Services shall be performed under the direct supervision of \_\_\_\_\_ (the "Primary Consultant"). It is understood that no substitution for the Primary Consultant will be permitted without the express prior written consent of SBCERS, upon action of its Board of Retirement. In the event the Primary Consultant is absented from SBCERS' account for any reason during the Term, and the Board has not approved a qualified substitute for in writing, the Board may terminate this Agreement upon one day written notice to CONSULTANT.
- 1.8 CONSULTANT shall meet with the SBCERS' Board monthly at the time and place designated by the Board. CONSULTANT agrees that the Services include required attendance at not less than fifteen (15) meetings of the Board in Santa Barbara, California, as requested by the Board, as part of the Services. If required to attend more than fifteen (15) Board meetings in any calendar year during the Term, CONSULTANT shall be entitled to additional compensation on a time and expense basis not to exceed \_\_\_\_\_ per meeting. CONSULTANT shall not be entitled to additional compensation for meetings held by conference call, regardless of number.

## **ARTICLE 2 - COMPENSATION**

- 2.1 For the performance of all Services described in the Scope of Services contained in Exhibit A, SBCERS agrees to pay CONSULTANT actual costs incurred, subject to compensation for services in accordance with the method and amounts described in Exhibit B, attached hereto and incorporated herein. CONSULTANT certifies that the proposed cost and pricing data used herein are complete, current, and accurate.
- 2.2 In the event of any changes affecting the Scope of Services resulting from new findings, unanticipated conditions, or other conflicts or discrepancies, CONSULTANT shall promptly notify SBCERS of the identified changes and advise SBCERS of the recommended solution. Work shall not be performed on such changes without SBCERS' prior written authorization.

### **ARTICLE 3 – TERM AND EFFECTIVE DATE; NOTICE TO PROCEED**

- 3.1 Unless sooner terminated in accordance with this Agreement, the term of this Agreement shall commence on the Effective Date, as defined herein, and continue through and including \_\_\_\_\_ and any extensions thereof (“Term”). The Term may be extended by the parties by mutual agreement, for not more than two successive twelve (12) month periods following the end of the initial Term.
- 3.2 This Agreement shall become effective on the date on which all parties hereto have executed the Agreement as indicated below (“Effective Date”). CONSULTANT shall commence work upon receipt of SBCERS' Notice to Proceed, which shall be in the form of a letter signed by SBCERS' Chief Executive Officer as authorized by SBCERS' Board. No work shall commence until the Notice to Proceed has been issued and received.
- 3.3 Following the Effective Date, SBCERS may elect to issue a Partial Notice to Proceed in order to cause CONSULTANT to commence some but not all of the Services.

### **ARTICLE 4 - TERMINATION**

- 4.1 This Agreement may be terminated by SBCERS for cause upon one-day's written notice to CONSULTANT. “Cause” shall include, but not be limited to, CONSULTANT's breach of this Agreement or tortious conduct in connection with the performance of this Agreement or any Services; the material unavailability of the Primary Consultant; and any adverse action taken against CONSULTANT by any state or federal regulatory agency or by any party in connection with CONSULTANT's professional activities. This Agreement may be terminated by SBCERS without cause for any reason upon 30 days written notice to CONSULTANT. Prior to terminating the Agreement without cause, SBCERS shall endeavor informally to resolve any issue or dispute with CONSULTANT.
- 4.2 If this Agreement is terminated CONSULTANT shall be entitled to compensation for Services satisfactorily performed to the effective date of termination; provided however, that SBCERS may condition payment of such compensation upon CONSULTANT's delivery to SBCERS of any and all Documents provided to CONSULTANT or prepared by or on behalf of CONSULTANT for SBCERS in connection with this Agreement. Payment by SBCERS for the Services satisfactorily performed to the effective date of termination shall be the sole and exclusive remedy to which CONSULTANT is entitled in the event of termination of the Agreement and CONSULTANT shall be entitled to no other compensation or damages and expressly waives same.
- 4.3 This Agreement may be terminated by CONSULTANT upon 30 days written notice to SBCERS only in the event of substantial failure by SBCERS to fulfill its obligations under this Agreement through no fault of the CONSULTANT. Prior to terminating the Agreement, CONSULTANT shall endeavor informally to resolve any issue or dispute with SBCERS. Following termination and upon request, CONSULTANT

agrees to cooperate with SBCERS in arranging a satisfactory transition of investment consulting services to another consultant.

- 4.4 If this Agreement is terminated, payment to CONSULTANT for Services rendered shall be in proportion to the percentage of work that SBCERS judges satisfactorily performed up to the effective date of termination.

## **ARTICLE 5 - INDEMNIFICATION AND INSURANCE**

### 5.1 Indemnification

CONSULTANT expressly agrees to indemnify, defend and hold harmless SBCERS and its Board members, officers, directors, agents and employees, from and against any and all loss, liability, expense, claims, demands, suits, and damages, including attorneys' fees, arising out of or resulting from the negligent or intentional acts, errors or omissions, violation of applicable law, willful misconduct, breach of this Agreement, or any failure to perform in accordance with the standard required of a fiduciary as provided herein, in the operation and/or performance under this Agreement, by CONSULTANT and anyone acting on its behalf.

### 5.2 Insurance Requirements

Prior to the Effective Date, CONSULTANT shall have obtained, and thereafter shall maintain during the Term of this Agreement, and for so long thereafter as claims may be brought for acts or omissions occurring during the Term of this Agreement, all the insurance required in this Par. 5.2, and shall submit certificates for review and approval by SBCERS not less than annually. Each certificate of insurance shall list SBCERS as a loss payee under the policy. The Notice to Proceed shall not be issued, and CONSULTANT shall not commence work until such insurance has been reviewed and approved by SBCERS. The certificates shall be on forms provided by SBCERS.

Acceptance of any such certificate shall not relieve CONSULTANT of any of the insurance requirements, nor limit the liability of CONSULTANT. CONSULTANT'S LIABILITY UNDER PARAGRAPH 5.1 IS NOT LIMITED TO THE POLICY LIMITS OF ANY INSURANCE COVERAGE. SBCERS reserves the right to require CONSULTANT to provide insurance policies for review by SBCERS.

#### (a) Workers' Compensation Insurance

CONSULTANT shall obtain and maintain during the Term of this Agreement and as extended, Workers' Compensation Insurance, providing coverage for all of its employees and others acting on its behalf working in connection with performing the Services. In lieu of evidence of Workers' Compensation Insurance, SBCERS will accept a Self-Insured Certificate from the State of California.

#### (b) Commercial General Liability Insurance

CONSULTANT shall obtain and maintain during the Term of this Agreement and as extended, Automobile and General Liability Insurance providing coverage for all of its employees and others acting on its behalf working in connection with performing the Services. The amounts of such insurance coverage shall not be less than \$1,000,000/Occurrence, Bodily Injury, Property Damage – Automobile, \$1,000,000/Occurrence, Bodily Injury, Property Damage - General Liability.

(c) Professional Liability Insurance

CONSULTANT shall obtain and maintain during the Term of this Agreement and as extended, professional liability insurance (Errors and Omissions) with a minimum of \$10,000,000 of liability coverage. A deductible may be acceptable upon approval of the SBCERS. The policy shall provide 30 days advance written notice to SBCERS for cancellation or reduction in coverage.

**ARTICLE 6 - NOTICES**

6.1 Any notice which SBCERS may desire or is required at any time to give or serve CONSULTANT may be delivered personally, or be sent by express delivery or United States mail, postage prepaid, addressed to \_\_\_\_\_, or at such other address as shall have been last furnished in writing by CONSULTANT to SBCERS.

Any notice which CONSULTANT may desire or is required at any time to give or serve upon SBCERS may be delivered personally, or be sent by express delivery or United States mail, postage prepaid, addressed to Santa Barbara County Employees Retirement System, 3916 State St, Ste 210, Santa Barbara, CA 93105 Attn: CEO, or at such other address as shall have been last furnished in writing by SBCERS to CONSULTANT.

Such personal delivery, express delivery or mailing in such manner shall constitute a good, sufficient and lawful notice and service thereof in all such cases. Notice and service shall be deemed effective upon actual receipt.

**ARTICLE 7 – LEGAL COMPLIANCE**

7.1 CONSULTANT agrees that it is a fiduciary to SBCERS and will perform all of its duties under this Agreement in accordance with the same fiduciary standards as are applied to members of SBCERS' Board pursuant to Article XVI sec. 17 of the California Constitution and Section 31595 of the California Government Code.

7.2 CONSULTANT agrees that it will perform Services subject to and in furtherance of SBCERS' Investment Policies and Guidelines, as amended from time to time.

7.3 CONSULTANT agrees to observe and comply with all applicable Santa Barbara County, State of California and federal laws, ordinances, rules, regulations and policies now in effect or hereinafter enacted or issued, each of which are hereby made a part hereof and incorporated herein by reference.

- 7.4 CONSULTANT has read and is aware of the provisions of Section 1090 et seq. and Section 8170 et seq. of the California Government Code relating to conflict of interest of public officers and employees. Consultant agrees that it is unaware of any financial or economic interest or any public officer or employee of SBCERS relating to this Agreement. It is further understood and agreed that if such a financial interest does exist at the inception of this Agreement, it shall constitute “cause” for termination of this Agreement. CONSULTANT and its officers, agents and employees shall comply with the requirements of Government Code Section 87100 et seq. during the term of this Agreement and understands, acknowledges and agrees that CONSULTANT's staff providing services pursuant to this Agreement are required to file and shall timely file annual statements of economic interest pursuant to California law and SBCERS' Conflict of Interest Code.
- 7.5 CONSULTANT agrees that all of its directors, officers, employees and agents who provide services with respect to SBCERS shall comply with applicable federal, state and SBCERS' Conflict of Interest Code disclosure requirements. CONSULTANT shall immediately notify SBCERS in writing of any violation of the SBCERS' Conflict of Interest Code.
- 7.6 CONSULTANT shall not directly or indirectly receive any benefit from recommendations or advice made to SBCERS and shall immediately disclose in writing to SBCERS any investment or economic interest of CONSULTANT, or any of its officers, directors, agents or employees or affiliates, that may be enhanced by the recommendations made to SBCERS.
- 7.7 CONSULTANT agrees to disclose to SBCERS as soon as possible after the happening of such event, (a) the existence of any action, including investigations, initiated by any state or regulatory agency in connection with the conduct of CONSULTANT's business, (b) the existence of any material claims by any party arising out of the conduct of CONSULTANT's business and (c) any material change of circumstances affecting the conduct of CONSULTANT's business.

## **ARTICLE 8 - MISCELLANEOUS**

- 8.1 This Agreement represents the entire understanding of SBCERS and CONSULTANT as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may only be modified by amendment in writing signed by each party.

Notwithstanding the foregoing, the terms and conditions of this Agreement incorporate by this reference any and all other non-conflicting terms and conditions of the SBCERS' Request for Proposal re Investment Consulting Services, dated \_\_\_\_\_, (the “RFP”) and the terms and conditions of CONSULTANT's Response to the RFP, dated \_\_\_\_\_. In the event of any conflict between the terms and conditions of this Agreement, the RFP and/or the Response to the

RFP, first the terms and conditions of this Agreement, then the RFP, then the Response to RFP shall prevail, in that order.

- 8.2 This Agreement is binding on the successors and assigns of the parties hereto. This Agreement is personal to the parties hereto and the Services to be provided are unique. Neither party may assign, transfer or otherwise substitute its interest in this Agreement or any of its obligations hereunder except with the parties' mutual written consent, which consent may be withheld for any reason whatsoever.
- 8.3 If any part of this Agreement is declared by a final decision of a court or tribunal of competent jurisdiction to be unlawful, invalid or beyond the authority of either party to enter into or carry out, such decision shall not affect the validity of the remainder of this Agreement, which shall continue in full force and effect, provided that the remainder of this Agreement can be interpreted to give effect to the intentions of the parties.
- 8.4 Multiple counterparts of this Agreement may be executed by the parties but together they shall constitute one agreement. The parties agree that the executed Agreement in the possession of SBCERS shall be the version of the Agreement that shall take precedence should any differences exist among counterparts of the Agreement.
- 8.5 This Agreement shall be deemed to have been entered into and performed in Santa Barbara County, California. All matters relating to this Agreement shall be governed by the laws of the State of California, without regard to its conflict of interest provisions. In the event of any dispute between the parties, any legal action commenced in any forum shall be brought only in the California state courts located in and for Santa Barbara County, and the parties hereby consent to personal and subject matter jurisdiction in, and the proper venue of those courts.
- 8.6 SBCERS' waiver of the performance of any covenant, condition, obligation, representation, warranty or promise in this agreement shall not invalidate this Agreement or be deemed a waiver of any other covenant, condition, obligation, representation, warranty or promise. SBCERS' waiver of the time for performing any act or condition hereunder does not constitute a waiver of the act or condition itself.
- 8.7 There shall be no discrimination against any person or group of persons, on account of race, color, religion, creed, national origin, ancestry, gender, age, marital status, disability, or sexual orientation in the performance of this Agreement. CONSULTANT shall not establish or permit any such practice(s) of discrimination with reference to the Agreement or the performance of any Services. CONSULTANT's violation of this section shall be deemed to be a material breach of this Agreement
- 8.8 CONSULTANT affirms that it does not have any financial interest or conflict of interest that would prevent CONSULTANT from providing unbiased, impartial service to SBCERS under this Agreement.
- 8.9 This Agreement may be modified or amended only in a writing signed by both parties, specifically referring to this Agreement.

8.10 The provisions of Paragraphs 1.5, 1.6, 5.1, 6.1, 8.5 and 8.6 shall survive termination of this Agreement for whatever reason.

IN WITNESS WHEREOF, the parties hereto each herewith subscribe the same in duplicate.

**SANTA BARBARA COUNTY  
EMPLOYEES' RETIREMENT  
SYSTEM**

**CONSULTANT**

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

By:  
\_\_\_\_\_

By:  
\_\_\_\_\_

Its:  
\_\_\_\_\_

Its:  
\_\_\_\_\_

# EXHIBIT A

## SCOPE OF SERVICES

### Purpose and Scope of Services

Consultant shall provide comprehensive full-retainer, general investment consulting advice and services. Consultant will report to the Board. Consultant will functionally work closely with the Board of Retirement and SBCERS' CEO and staff.

In general, the Consultant will assist the Board in the ongoing process of investment policy development and implementation. Consultant will serve in a fiduciary capacity and will acknowledge in writing its fiduciary status, without qualification. In all cases, Consultant and its representatives will offer advice to the Board that is solely in the interest of the plan participants and beneficiaries of SBCERS. The services required include, but are not limited to, the following:

### Investment Policy and Asset Allocation

- (a) Conduct an annual comprehensive review and analysis of investment policies, objectives, asset allocation and portfolio structure, and recommend changes, if appropriate. Review and update SBCERS' investment policy statement.
- (b) Work with staff and the actuary to conduct an asset/liability study of the fund at least every three years, including recommending methodologies, assumptions, asset classes for consideration, and alternative asset allocations.
- (c) Develop an appropriate investment management structure for SBCERS and each asset class that considers the role of active versus passive strategies and investment management styles under different market conditions.
- (d) Analyze the investment characteristics of available asset classes and the risk/return potential of alternative asset mix policies.
- (e) Develop policies, guidelines and procedures for rebalancing the asset mix.
- (f) Advise SBCERS about new developments in investment management techniques and portfolio management strategies. Analyze how new techniques might improve the investment program and whether they should be implemented.

- (g) Provide advice and recommendations on various other investment policy issues including, but not limited to: currency management, derivatives, rebalancing, use of soft dollars, securities lending, proxy voting, etc.

### **Investment Manager Search, Selection and Review**

- (a) Provide advice and recommendations on investment manager allocation and structure, manager mandates and performance benchmarks.
- (b) Provide ongoing monitoring and oversight of investment managers to ensure compliance with laws and regulations, investment policies and manager mandates. Have periodic discussions with managers on investment performance and organizational issues (such as changes in ownership, staff, new products, etc.).
- (c) Advise on manager retention/termination and assist in developing a formal manager review process.
- (d) Provide investment manager search and selection services from time to time and make recommendations as necessary.
- (e) Assist with negotiating appropriate investment management fees and with monitoring and evaluating manager trading and transaction costs.

### **Performance Monitoring and Reporting**

- (a) Compare the investment performance of the total fund, asset classes and investment managers to relevant benchmarks and "peer group" samples.
- (b) Conduct performance attribution analysis to determine the value added by investment policy, asset allocation and security selection.
- (c) Present performance reports on a quarterly basis to the Board and a monthly performance summary to staff.
- (d) Recommend appropriate performance benchmarks for the total fund, each asset class, portfolio composite and investment manager.
- (e) Provide access to performance evaluation and attribution analytics, tools and software.

### **Client Service and Education**

- (a) Attend 12 regular monthly meetings of the Board, as well as special meetings pertaining to investments that may be necessary from time to time.
- (b) Prepare and present quarterly reports on investment performance.
- (c) Assist actuary in developing projected capital markets performance.

- (d) Coordinate effectively with staff, the actuary and the custodian bank.
- (e) Respond to inquiries between meetings in an appropriate and prompt manner.
- (f) Report any significant changes in the firm's ownership, organizational structure and personnel in a timely manner.
- (g) Assist on special projects as needed.
- (h) Provide all other investment advisory-related services as requested.
- (i) Provide education to Board and staff on investment issues and participate in ad hoc workshops as requested by the Board from time to time.
- (j) Make available all firm research, including proprietary research, and provide consultation with research staff.

**Review, Search and Selection of Other Investment-Related Vendors**

- (a) Provide advice and recommendations on custodial arrangements, (including custodian review and search services).
- (b) Assist with evaluation, search and selection involving other investment- related consultants and vendors as required.

## EXHIBIT B COMPENSATION

Compensation for services provided in Exhibit A, SCOPE OF SERVICES, shall be in accordance with the methods and specific amounts described in this Exhibit.

1. SBCERS shall pay CONSULTANT for performance of the Services set forth in Exhibit A an annual basic retainer fee. The annual basic retainer fee is as follows:
2. For other services or projects not included in Exhibit A , SBCERS and CONSULTANT will negotiate the fee.
3. Billing and Payment

CONSULTANT shall invoice SBCERS on a quarterly basis, in arrears, for 1/4<sup>th</sup> of the above annual basic retainer fee. Invoices shall set forth a detailed itemization of the services performed and any related costs, including supporting documentation if SBCERS requests.

For services or projects in Item 2 above, supporting documentation for the invoice shall be organized to clearly identify the project or service performed, the individual performing the services, the fees and costs associated with each such service, and such further supporting documentation and information as SBCERS may request. SBCERS shall pay CONSULTANT within thirty (30) days, upon receipt of a CONSULTANT invoice and supporting documentation reasonably acceptable to SBCERS.