

**FORT WORTH EMPLOYEES' RETIREMENT FUND**

3801 Hulen Street, Suite 101  
Fort Worth, TX 76107

**REQUEST FOR PROPOSAL (RFP)**  
**FOR**  
**INVESTMENT CONSULTING SERVICES**



March 1, 2018

---



**FORT WORTH EMPLOYEES' RETIREMENT FUND**  
**INVESTMENT CONSULTING SERVICES RFP**

**Table of Contents**

<b>I. Introduction.....</b>	<b>3</b>
<b>II. Purpose .....</b>	<b>3</b>
<b>III. Scope of Services – General Investment Consulting .....</b>	<b>4</b>
Policy:.....	4
Asset Allocation and Portfolio Design: .....	4
Investment Manager Oversight:.....	4
Performance Measurement and Reporting: .....	4
Education and Client Services:.....	5
Other Services:.....	5
<b>IV. Scope of Services – Private Asset Investment Consulting .....</b>	<b>5</b>
Private Asset Program.....	5
Manager Research and Engagement .....	6
Performance Measurement and Reporting .....	6
Education and Client Services .....	6
<b>V. Proposal Participation, Completion and Submission Procedures.....</b>	<b>6</b>
A. Minimum Qualifications and Certification.....	6
B. Confidentiality .....	7
C. Intention to Participate .....	7
D. RFP Submission .....	8
E. Number of Copies of the Response.....	9
<b>VI. Proposal Evaluation Criteria.....</b>	<b>9</b>
<b>VII. Insurance Requirements.....</b>	<b>9</b>
<b>VIII. Search Schedule (dates subsequent to March 23 are subject to change) .....</b>	<b>10</b>
<b>IX. Technical Proposal.....</b>	<b>10</b>
A. Organization.....	10
B. Assets Advised.....	13
C. Investment Consulting Philosophy and Process.....	14
D. Performance Measurement and Reporting.....	15
E. Research.....	16
F. Manager Searches and Evaluation.....	16
G. Other Information.....	17
H. Fee Proposal .....	18
<b>ATTACHMENT A .....</b>	<b>19</b>



<b>ATTACHMENT B .....</b>	<b>20</b>
<b>ATTACHMENT C .....</b>	<b>21</b>
<b>ATTACHMENT D .....</b>	<b>23</b>
<b>ATTACHMENT E .....</b>	<b>24</b>
<b>ATTACHMENT F.....</b>	<b>25</b>
<b>ATTACHMENT G.....</b>	<b>31</b>
<b>ATTACHMENT H.....</b>	<b>32</b>
<b>ATTACHMENT I.....</b>	<b>36</b>



## I. Introduction

The Fort Worth Employees' Retirement Fund ("FWERF") was established in 1945 as a defined benefit plan created for the exclusive purpose of providing retirement benefits for all full-time city employees, including general employees, police officers, and firefighters. The defined benefit pension serves approximately 6,600 active members and 4,400 retirees and beneficiaries. FWERF is qualified under Section 401(a) of the Internal Revenue Code and is subject to oversight from the Fort Worth City Council, the Texas State Legislature, and the State Pension Review Board.

The FWERF Board ("Board") is made up of thirteen Trustees, five of whom are appointed, seven are elected by the membership, and another is held by the Chief Financial Officer of the City of Fort Worth. The Board is charged with the primary responsibility of overseeing the administration of benefits and the investment of assets.

The powers and duties of the Board are set forth in state statutes, city ordinance and in the FWERF Administrative Rules. Title 109.6243i of the Texas Vernon's Civil Statutes authorizes, defines, and assigns responsibilities for operation of the municipal pension system to the City of Fort Worth, as plan sponsor, and to the FWERF Board, as plan fiduciary and administrator. The City of Fort Worth Code of Ordinances, Article VI Division I, establishes the contribution, benefits, and operational detail for the system.

## II. Purpose

The Fort Worth Employees' Retirement Fund is soliciting proposals from qualified professional investment consulting firms to assist FWERF with strategic and tactical investment planning; investment manager due diligence; research and recommendations; market research; portfolio monitoring, performance measurement; asset allocation, risk management and compliance reporting. See **ATTACHMENT A** for portfolio as of December 31, 2017.

FWERF requests proposals for the following types of Investment Consulting Services:

- A. **General Investment Consulting Services** are consulting services on the aggregate portfolio, publicly-traded investment searches; investment policy and benchmarking; asset allocation; performance reporting and compliance monitoring; and periodic asset/liability studies.
- B. **Investment Consulting Services for Private Assets** are consulting services for direct investment in private equity, real assets, and private debt; pacing and liquidity planning; and terms negotiation.

Offeror(s) are invited to submit proposals for either or both of the above-mentioned categories *but should clearly identify the intended service offering(s) on the cover page of the submission*. The Offeror(s) selected shall be a fiduciary to FWERF and shall be subject to the indemnification and other provisions of **ATTACHMENT H** (Sample Professional Services Agreement) to the RFP.



### III. Scope of Services – General Investment Consulting

FWERF's General Investment Consultant serves the Board and works closely with the staff of the Investment Team. The selected investment consultant should provide independent, objective and creative input to assist the Board in fulfilling its fiduciary responsibility as to the investing of FWERF assets and to maintain performance history for reporting and analysis. The General Investment Consultant is expected to attend one to two meetings per month in Fort Worth and one off-site Board retreat per year. See **ATTACHMENT A** for portfolio as of December 31, 2017.

The selected consulting firm is expected to provide the following services:

#### Policy:

- Provide recommendations concerning long-term investment policy and investment objectives and strategy.
- Provide annual policy review.
- Provide recommendations regarding investment guidelines on specific mandates.
- Provide recommendations concerning risk management strategies.
- Provide recommendations regarding policy benchmarks.
- Advise on rebalancing policies.

#### Asset Allocation and Portfolio Design:

- Conduct an annual asset allocation review.
- Conduct an asset/liability study at least every 4 to 5 years.
- Conduct structure studies at least every year.
- Provide asset class research, analysis and recommendations.

#### Investment Manager Oversight:

- Provide ongoing monitoring of institutional investment managers; compliance and performance.
- Provide research and analysis of FWERF's investment managers.
- Provide investment manager evaluation services and recommendations.
- Provide onsite manager due diligence for investment searches.
- Provide recommendations concerning investment manager allocation and structure, manager investment guidelines and benchmark identification.
- Provide investment manager fee negotiation services.
- Provide recommendations for investment manager transitions.

#### Performance Measurement and Reporting:

- Evaluate total portfolio investment performance to custom policy benchmark.
- Evaluate investment manager performance to policy benchmarks and appropriate peer groups.
- Provide monthly and quarterly performance measurement reporting.
- Provide quarterly performance review and commentary to the Board.
- Provide annual evaluation and attribution analysis.



- Provide benchmark evaluation, implementation and analysis.
- Provide review of portfolio risk.

#### Education and Client Services:

- Attend Board meetings and any other meetings as necessary. Participate in the annual Board Retreat when investment topics are on the agenda. See **ATTACHMENT B** for FWREF 2018 meeting dates.
- Coordinate effectively with FWREF's private asset consulting firms.
- Provide investment education to staff and the Board as needed.
- Provide assistance on special projects as needed.
- Communicate regularly with staff about workflow and any other operational issues between meetings.
- Develop educational materials.
- Respond to inquiries in an appropriate and timely manner.
- Share all firm research, including white papers, and provide access to research staff.
- Make no changes in the assigned consultant team without the explicit approval of FWREF.

#### Other Services:

- Provide access to analytical software and tools.
- Provide recommendations concerning securities lending strategies.
- Provide compliance monitoring of the securities lending program.
- Provide recommendations concerning custodial banking arrangements.

### **IV. Scope of Services – Private Asset Investment Consulting**

FWREF's Private Asset Investment Consultant serves the Board and works closely with the staff of the Investment Team. The selected investment consultant should provide independent, objective and innovative input to assist the Board in fulfilling its fiduciary responsibility as to the investing of FWREF assets, within liquidity constraints, and to maintain performance history for reporting and analysis. The Private Asset Investment Consultant is expected to attend two semi-annual performance update meetings per year and attend meetings as necessary for manager selection in Fort Worth. See **ATTACHMENT A** for portfolio as of December 31, 2017.

The selected consulting firm is expected to provide the following services:

#### Private Asset Program

- Develop and recommend an alternative asset investment plan for a diversified portfolio that complements the risk and return profile of the total FWREF fund, consistent with FWREF's Investment Policy.
- Provide access to investment research, analysis tools, and modeling systems.
- Develop a sourcing, screening, and pacing strategy for institutional quality private assets.



### Manager Research and Engagement

- Identify, analyze, and recommend direct managers (general partners) for private equity, real assets, and/or private debt investments.
- Conduct initial and on-going due diligence efforts for potential and existing private asset investments to include detailed reports, analysis, and executive summaries.
- Negotiate favorable deal terms on behalf of FWERF.
- Ensure alignment of interest between FWERF and direct managers; encourage adoption of ILPA principles for transparency and uniformity in disclosure of fees, expenses, and carried interest.

### Performance Measurement and Reporting

- Monitor, measure and report alternative asset investment performance and attribution analysis.
- Provide quarterly reporting with various rates of return such as dollar weighted averages, market rates of return, equity multiples and internal rates of return.
- Present semi-annual performance review and commentary to the Board.
- Provide relevant risk management reporting and evaluation.

### Education and Client Services

- Communicate and collaborate effectively with General Investment Consultant.
- Attend at minimum two Board meetings per year, additional attendance at meetings may be required for manager selection. See **ATTACHMENT B** for FWERF's 2018 meeting dates.
- Provide investment education to staff and Board as necessary.
- Communicate regularly with staff about workflow and other operational issues.
- Make no changes in the assigned consultant team without explicit approval from FWERF.

## **V. Proposal Participation, Completion and Submission Procedures**

### A. Minimum Qualifications and Certification

FWERF will accept proposals from firms that meet the minimum requirements listed below. The proposing firm should complete the Minimum Qualifications Certification (attached as *Attachment C*) and submit it with the cover letter.

#### **General Investment Consultant:**

1. At least 3 general investment consulting U.S. tax-exempt clients each with total defined benefit plan assets of at least \$2 billion as of 12-31-17.
2. At least 5 years of experience providing investment consulting services to U.S. tax-exempt clients each with total defined benefit plan assets of at least \$2 billion.
3. The individual(s) assigned to the FWERF account as the primary consultant must have a minimum of 10 years experience in the public/private defined benefit pension fund area.
4. Agree to act as fiduciary to the Fort Worth Employees' Retirement Fund.



5. Agree that a contract with FWERF will be governed by and construed in accordance with the laws of the State of Texas, and to be subject to the laws of the State of Texas with jurisdiction for any legal action to be brought in federal or state court of appropriate jurisdiction in the State of Texas, Tarrant County.
6. Currently registered as an investment advisor under the Investment Advisor Act of 1940.

**Private Asset Investment Consultant:**

1. At least 3 private asset consulting U.S. tax-exempt clients each with total defined benefit plan assets of at least \$2 billion as of 12-31-17.
2. At least 5 years experience providing private asset (private equity, private real assets, private debt) investment consulting to U.S. tax-exempt clients each with total defined benefit plan assets of at least \$2 billion.
3. The individual(s) assigned to the FWERF account as the primary consultant must have a minimum of 10 years experience in the public/private defined benefit pension fund area.
4. Agree to act as fiduciary to the Fort Worth Employees' Retirement Fund.
5. Agree that a contract with FWERF will be governed by and construed in accordance with the laws of the State of Texas, and to be subject to the laws of the State of Texas with jurisdiction for any legal action to be brought in federal or state court of appropriate jurisdiction in the State of Texas, Tarrant County.
6. Currently registered as an investment advisor under the Investment Advisor Act of 1940.

**PLEASE COMPLETE THE MINIMUM QUALIFICATIONS CERTIFICATION (See Attachment C) and email to [RFP@fwretirement.org](mailto:RFP@fwretirement.org) by March 9, 2018.**

**B. Confidentiality**

Information presented in this RFP, including all subsequently disclosed information about FWERF during the proposal process, is intended only for use in responding to this RFP and not for public disclosure.

**C. Intention to Participate**

Receipt by FWERF of the proposing firm's Certification of Minimum Qualifications will be accepted as the firm's intention to participate in the RFP.



#### D. RFP Submission

Please complete all questions in the order that they are presented in the Technical Proposal section of this RFP. Preface each response with the section number, question numbers and text of the question. Any additional comments or information may be provided as an Appendix.

The individual who is authorized to bind the investment consulting firm ("Proposer") contractually must sign a cover letter, which must accompany the firm's RFP response. 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 shall 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 type of investment consulting service – General, Private Assets, or both – for which the Proposer is submitting the response.
2. The Proposer's name, address, e-mail, telephone, and fax number.
3. The Proposer's Federal Employer Identification Number and Corporate Identification Number, if applicable.
4. The name, title or position, email, and telephone number of the individual signing the cover letter.
5. A statement indicating the signature is authorized to bind the Proposer contractually.
6. The name, title or position, email, and telephone number of the primary contact and/or account administrator, if different from the individual signing the cover letter.
7. A statement to the effect that the proposal is a firm and irrevocable offer, good for six (6) months. Please attach a Fee Proposal as **Exhibit L** of your RFP response (A sample is provided as *Attachment E*).
8. A statement expressing the Proposer's willingness to perform the services as described in this RFP.
9. A statement expressing the Proposer's availability of staff and other required resources for performing all services and providing all deliverables within the specified time frames as described in the RFP.



### E. Number of Copies of the Response

The response should be labeled “**2018 FWERF Investment Consulting Services Search.**” Please submit your proposal in the following media **one (1) full and complete electronic copy (in PDF readable format) via e-mail, four (4) complete hard copy sets (print double-sided), and one (1) DVD/CD ROM in PDF format** to:

Joelle Mevi, Executive Director and Chief Investment Officer  
Fort Worth Employees' Retirement Fund  
3801 Hulen Street, Suite 101  
Fort Worth, TX 76107  
RFP@fwretirement.org

The deadline for submission of your firm's proposal is **March 23, 2018 at 5:00 pm (CST).**

### **VI. Proposal Evaluation Criteria**

FWERF will determine the specific methodology and criteria by which submitted proposals will be evaluated. Selection of finalists and determinations of compliance with the minimum qualifications is solely and exclusively within the judgment of FWERF and may be made solely on the basis of FWERF's evaluation of a candidate's suitability.

The following is a summary of the **general** considerations that will be used to determine the firms that will be selected as finalists:

- Understanding of FWERF, the FWERF IPS, and the thematic asset allocation
- Independence, objectivity, and innovation in approach to investment advising
- Organizational stability, depth of resources, and client-relevant experience
- Analytical tools, manager research, and client-accessible technology
- Performance and risk reporting
- Proposed Consultant Team
- Client and industry feedback
- Fee Schedule

Fees will be an important factor in the evaluation of investment consulting proposals. However, FWERF is not required to choose the lowest cost bidder. FWERF will select the firm that, in the Board's sole discretion, best serves the overall needs of the plan participants and beneficiaries.

### **VII. Insurance Requirements**

The selected firm shall provide evidence of Professional Liability insurance with contractual liability coverage covering the Proposer's liability arising from errors and omissions made directly or indirectly during the duration of the contract. The selected firm shall provide coverage for the total limits actually arranged by the selected firm but not less than \$5 million combined single limit.

The selected firm shall maintain a Fidelity Bond covering employee dishonesty, in an amount arranged by the selected firm, but not less than \$3 million, per occurrence. In addition, the selected firm shall maintain workers compensation coverage.



The selected firm shall provide evidence of and maintain coverage for each of the following:

Professional Liability	≥ \$5,000,000
Commercial General Liability	
Blanket and Personal Injury	≥ \$1,000,00 per occurrence &
	≥ \$2,000,000 annual aggregate
Workers' Compensation	≥ \$1,000,000 per accident

**VIII. Search Schedule (dates subsequent to March 23 are subject to change)**

March 1, 2018	RFP released
March 9, 2018	Certification of Minimum Qualifications and Deadline for submission of questions
March 14, 2018	Responses to questions posted
March 23, 2018	Deadline for submission of proposals
April 20, 2018	Determination of semi-finalists
April 23 – 30, 2018	Conduct Semi-finalist interviews via Skype and Screen to finalists
May 14 – June 8, 2018	Due diligence visits
June 26 or 27, 2018	Finalist presentations to Board and Selection of Consultant by Board

**IX. Technical Proposal**

Please be as clear, accurate, and complete as possible in your responses. Providing incomplete or misleading data may lead to disqualification of the proposal and elimination of the firm from the search process.

A. Organization

1. Please provide a brief history of the firm including the year organized, the year the firm began providing investment consulting services to U.S. tax-exempt defined benefit clients.
2. Please provide details of the firm’s ownership (including any changes in the last five years) and specific details with regard to any affiliated companies or joint ventures.
3. Does your organization receive revenue from investment management firms? Revenues within this request would include, among others, strategic consulting fees, conference fees, education fees, or fees from research including databases. Please identify the percent of the firm’s total revenues that is received from investment management firms.



4. Provide a breakdown of revenue by line of business in the table below. If your firm is an affiliate or subsidiary of an organization, state the percent of the parent firm's total revenue generated by your firm:

	% of Firmwide Revenue in last fiscal year	# of Clients
Revenue from general investment consulting		
Revenue from discretionary consulting		
Revenue from asset class specialty consulting		
Revenue from investment management		
Revenue from risk services		
Other revenue sources (specify)		
Total	100%	

5. Please provide an organization chart and list the total number of firm professionals, broken down by consultants, research professionals, and staff.
6. Please provide the location and function of each of your firm's offices, including the number of professionals at each office and what services are provided by each office.
7. Please indicate which office would service this account, the names of the team members who would be assigned to this account and their contact information. Attach as **Exhibit A** biographies for these team members.
8. Complete the following table as it pertains to the team who would be assigned to this account:

Investment professionals assigned to team	# years general and/or private asset investment consulting experience:	# years tenure with your firm:	# of years consulting professionals have worked together as a team:

9. Please provide details on the financial condition of your firm. Most recent reports filed (for the last two years) with the SEC will be acceptable, but any recent material changes should be included.
10. Are you registered with the SEC or a state securities regulator as an investment adviser? If so, provide as **Exhibit B** all disclosures required under those laws (including Part I and II of Form ADV).



11. Has your firm ever been censured by the SEC or any regulatory body? If so, please describe.
12. Has your firm been subject to or is currently being reviewed/audited by the SEC or other regulatory agencies? If yes, please describe the nature of the investigation including any findings or recommendations.
13. Over the last five (5) years has the firm, the primary consultant being proposed for the FWERF account, or another principal or officer of the firm been involved in any business litigation, regulatory, or other legal proceedings or government investigation involving allegations of fraud, negligence, criminal activity or breach of fiduciary duty? If so, please describe.
14. Will your firm acknowledge fiduciary status and accept fiduciary responsibility for recommendations to FWERF?
15. State whether or not the employees comply with the Code of Ethics and Standards of Professional Conduct of the CFA Institute. If not, does your firm maintain a Code of Ethics? Attach as **Exhibit C** a copy of the firm's Code of Ethics.
16. Please disclose the nature of any relationship you now have or have had in the past five years with any FWERF Board member, staff member or investment manager.
17. Does your firm have a Diversity Policy? If so, please attach with **Exhibit C**.
18. List the dollar amounts of fiduciary liability insurance, errors and omissions insurance and bonding insurance carried by your firm, as follows:

Insurance carrier providing coverage	Type of coverage	Dollar amount

Please discuss the overall business objectives of your firm with respect to future growth. Comment on any present or planned areas of emphasis over the near future. Be sure to include in your response:

- a. Total assets or client relationships that will be accepted.
- b. Maximum limits on asset amounts or number of clients per consultant.
- c. Plans to develop and expand resources, merge or acquire other firms, spin off subsidiaries.

19. Please discuss your firms views on OCIO services including your views on the positive and negative aspects of this business model.



20. Complete the following table regarding consulting staff who left or joined your firm within the last three (3) years. Include anticipated personnel changes for the next year.

Name and title	Date terminated or hired	Reason
Left:		
Joined:		

21. Briefly describe your firm's compensation system for principal staff, and indicate what specific incentives are utilized to ensure key professionals do not leave the firm either as a group or individually. How does the firm tie client performance and satisfaction to a consultant's performance?

22. Describe your firm's disaster recovery plan.

**B. Assets Advised**

1. Complete the following table by providing the number of clients, assets under advisement for the firm's full-service retainer investment consulting relationships and the number of clients that have renewed their contract with your firm over each of the last three years. Please provide the data as of December 31<sup>st</sup> for all years.

	2017	2016	2015
Number of clients			
Assets under advisement			
Number of clients to renew contract			

2. Provide as **Exhibit D** a table listing the firm's current (12/31/17) investment consulting clients along with the following information:

- a. Name/Type of client (public plan, corporate plan, endowment, etc.)
- b. Total size of each relationship
- c. Assets on which you provide consulting services, by asset type and \$
- d. Length of service of the relationship
- e. One sentence description of the type of services you provide for each client
- f. Nature of the relationship (retainer or project-based)

3. Please list all clients your firm has gained in the last three (3) years and the clients who have terminated your services during that time. For those who have terminated your service, please indicate the reason for terminating service.



4. Please provide as **Exhibit E** the name, address, telephone number and contact person for three (3) current clients to serve as references for your firm, preferably public pension plans. Please detail name, primary contact, telephone number, email address, asset values, number of years the client has retained the firm and the product(s) or service(s) the client uses.

### C. Investment Consulting Philosophy and Process

1. Briefly describe your firm's philosophy with respect to investment consulting engagements, and the nature of the service that you provide. What key strengths and competitive advantages does the firm possess that generate superior performance and service for your clients?
2. Describe your firm's experience in developing and reviewing investment policies and strategies for clients.
3. How frequently does the firm recommend reviewing asset allocation, asset/liability reviews, and manager structure reviews and describe your firm's methodology. Please provide samples of an Asset Allocation Review and Asset/Liability Study as **Exhibit F**.
4. Provide your firm's most recent five (5) years of capital market assumptions (projected returns, volatilities, and correlations) in table format as **Exhibit G**.
5. What is the process your firm goes through to develop your capital market assumptions?
6. What is the range of target allocations which you are currently recommending to your public fund clients?
7. Describe your firm's views on the use of active and passive strategies.
8. Describe your firm's view on liquidity and what you recommend for a diversified public pension plan.
9. For Private Assets please detail the experience and team structure your firm has on advising distinct asset styles/structures that you advise.
10. For Private Assets, describe your firm's philosophy and experience with co-investments and secondary market transactions.
11. Describe your firm's views and experience in recommending smart beta and liquid alternatives strategies.
12. How does your firm assess risk in client's portfolios and what new methodologies are being considered? What are the appropriate metrics to review?



13. In your view, how should a client measure its investment consulting firm's performance? How does your firm measure its own performance?
14. Describe your firm's views on the structure of equity portfolios.
15. Describe your firm's views on performance-based fees.
16. Does your firm assist in fee negotiations with asset managers? Is your firm able to achieve better fee or term structures by aggregating client mandates?
17. Has your firm advised clients on thematic or roles-based asset allocation? Describe your firm's views on this approach to asset allocation.

#### D. Performance Measurement and Reporting

1. How does your firm monitor and analyze investment performance? Please describe any databases used by your firm. How do you determine appropriate benchmarks?
2. Please provide a sample performance report as **Exhibit H**. For Private Assets, please also provide sample reports for valuation, cash flow reconciliations, exposure, transparency, leverage, and fees.
3. Can the performance reports be customized? Are there charges for additional information requests?
4. What is the anticipated turnaround time to produce a performance report?
5. Describe how your firm obtains data from the client's Custodian. How does your firm verify the accuracy of the data received from the Custodian?
6. Describe the process and data needed to input historical Fund performance into your firm's system?
7. What is your firm's step by step process for manager return reconciliation? How will discrepancies be handled?
8. What process does your firm use to monitor and communicate performance issues to investment managers?
9. What are your firm's performance attribution capabilities? Can your firm generate a report containing attribution analysis at the total fund, asset class, and investment manager level?



10. Please describe your firm's risk management philosophy. How does your firm define risk(s)? What are the biggest risks your firm sees as it relates to public pension plans.
11. Please describe your firm's risk analytic platform and how clients are able to access and utilize the risk data and resources.
12. What does your firm view as the most relevant point of evaluation when analyzing total fund performance?
13. Does your firm have experience adopting oversight consulting on a legacy private asset portfolio? What challenges do you foresee in taking on advisement of a mature private asset program?

#### E. Research

1. Provide a listing of research generated during 2016 and 2017 with **Exhibit I**.
2. List notable publications that have included your firm's research.
3. Does your firm prepare white papers on relevant investment topics? Please provide a sample as **Exhibit I**.
4. Describe in detail the type and frequency of research that would be provided to FWERF. Through what media is it provided? Does the firm provide research reports other than those specifically requested by the client? If so, please describe.
5. For Private Assets, describe your firm's process for tracking the deal pipeline, program pacing, and liquidity calendaring. Please provide sample reports with **Exhibit J**.
6. What research and analytical resources (including databases) does your firm possess that would be made available to FWERF?
7. Provide a sample of your firm's annual outlook by strategic asset type (public or private), including attractive themes and "best ideas" with **Exhibit I**.

#### F. Manager Searches and Evaluation

1. Describe in detail your manager database and search process. Include the criteria used to make manager recommendations.
2. Describe your approach to working with client staff on investment manager searches, due diligence and final manager selection.
3. Describe the process how new investment managers are added into your database.



4. Please provide a sample of investment manager research or due diligence reports as **Exhibit K**.
5. How often are on-site due diligence visits conducted with your client's managers?
6. Provide as **Exhibit L** a sample of a "finals" report, or process memo, for a recently completed public markets search. For Private Assets, provide a sample limited partnership recommendation report.
7. What metrics are used to identify watch-list worthy managers? What process is employed to make specific investment hiring or firing recommendations to your clients?
8. Do you monitor your success in selecting managers? Explain how you measure the level of success of existing managers.

#### G. Other Information

1. Describe your firm's capabilities in providing educational opportunities for trustees and staff. Does your firm hold an annual investment conference for its clients? If so, describe.
2. Describe your firm's experience and ability to support client requirements relating to securities lending and custodial services.
3. Describe your custodial bank search process. Please include details such as criteria used for evaluating and ranking custodians.
4. Describe your transition manager search process. Please include details such as criteria used for evaluating and ranking transition managers.
5. Does your firm maintain an in-house database of custodial banks? How many banks are contained in the database? How often are custodial banks in the database reviewed?
6. Being effective at educating Board Trustees on new investment opportunities, products, and risk can be challenging. If your firm believed that adding a new investment idea would be beneficial to the portfolio, how would you approach getting the Board sufficiently comfortable with the investment recommendation?
7. Does your firm provide a web portal/access for clients? Please describe what functions are available via your portal including performance reporting, manager diligence, risk analytics, portfolio modeling, and exposure reporting.



## H. Fee Proposal

1. Provide a fee proposal as **Exhibit M** for the services outlined in the Expected Service Level Requirements – See *Attachment D*. A fee proposal template is attached - See *Attachment E*.
2. Are you willing to guarantee your fees for a specific period of time? If so, for six months?
3. Are your fees negotiable?
4. What other potential costs might be incurred during the term of the contract?



## ATTACHMENT A

<b>Fort Worth Employees' Retirement Fund</b>					
Theme/Asset Class	# of Mgrs	Implementation Benchmark	Target Allocation Benchmark	Target Allocation/ Sub-Alloc	Actual 12/31/2017
<b>High Growth</b>			MSCI ACW Index (net) + 3%	<b>22%</b>	
Private Equity	77	Cambridge US Privat Equity Index (1 qtr lag)		45%	\$ 267,073,263
Non-core Private Real Estate	17	NCREIF Property Index (1 qtr lag)		30%	\$ 106,436,029
High Growth Hedge Funds	3	MSCI ACW Index (net)		8%	\$ 50,412,564
Emerging Market Equity	1	MSCI Emerging Markets Index (net)		18%	\$ 61,519,799
<b>Growth</b>			MSCI ACW (net)	<b>44%</b>	
Global Equity	2	MSCI ACW IM Index and MSCI ACW Dvsfd Mult-Factor Index, (net)		48%	\$ 506,351,477
US Equity	2	Russell 2500 Growth Index and Russell 2000 Value Index, (net)		16%	\$ 164,405,557
Non-US Equity	2	MSCI ACW ExUS Index and MSCI ACW ExUS Small Cap Index, (net)		16%	\$ 173,037,926
Growth Hedge Funds	5	Growth Hedge Fund Custom Index*		8%	\$ 110,064,528
REIT	1	FTSE EPRA/NAREIT Developed Rental TR Index		4%	\$ 25,993,087
Emerging Market Debt	1	JPM EMBI Global Diversified Index (TR)		4%	\$ 41,060,356
High Yield Debt	1	HY Custom Index**		4%	\$ 47,761,282
<b>Diversification</b>			BofA ML 3 Mo US T-Bill Index + 3%	<b>15%</b>	
Diversifying Hedge Funds	9	50% HFRI Relative Value Index, 50% HFRI Macro Index		100%	\$ 218,366,959
<b>Capital Preservation</b>			Bloomberg US Agg Bond Index	<b>10%</b>	\$ 338,952,329
<b>Inflation</b>			Consumer Price Index + 4%	<b>8%</b>	
Private Core Real Estate	4	NCREIF ODCE Index (AWA) (net)		65%	\$ 108,746,503
Commodities	1	Bloomberg Commodity Index (TR)		15%	\$ 26,466,057
MLP	1	S&P MLP Index (TR)		20%	\$ 36,503,557
<b>Liquidity</b>			BofA ML 3 Mo US T-Bill Index	<b>1%</b>	\$ 37,173,035
					\$ 2,320,324,308
* Growth Hedge Fund Custom Index = 50% HFRI Equity Hedge Index + 50% HFRI Event Driven Index.					
** HY Custom Index = 100% Bloomberg US Unv Bond Index through March 2017, HY manager's actual performance during April 2017, and 100% Bloomberg US Corp Hi Yld Index thereafter.					



**ATTACHMENT B**

**FWERF 2018 Investment Committee and Board Meeting Dates**

January '18						
Su	M	Tu	W	Th	F	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February '18						
Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

March '18						
Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

April '18						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

May '18						
Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June '18						
Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

July '18						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

August '18						
Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

September '18						
Su	M	Tu	W	Th	F	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

October '18						
Su	M	Tu	W	Th	F	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

November '18						
Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

December '18						
Su	M	Tu	W	Th	F	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

<b>Monthly Board Meetings</b>
<b>Disability Committee Meetings</b>
<b>Holidays</b>
<b>Joint Meeting(s)</b>
<b>Strategic Planning Retreat</b>
<b>TEXPERS</b>



## **ATTACHMENT C**

### **MINIMUM REQUIREMENTS CERTIFICATION**

The undersigned Proposer hereby represents and warrants to FWERF as follows:

#### **General Investment Consulting**

1. Proposer is an investment advisor registered under the Investment Advisors Act of 1940.
2. Proposer has a minimum of five years experience providing investment consulting services to U.S. tax-exempt clients with total defined benefit plan assets of at least \$2 billion as of Dec. 31, 2017.
3. Proposer provides investment consulting services to at least three public retirement system defined benefit clients each with assets greater than \$2 billion as of Dec. 31, 2017.

Name(s) of client(s): \_\_\_\_\_

4. The primary consultant assigned to FWERF account has a minimum of ten years experience providing investment consulting services to public/private defined benefit pension plans.

Name of the primary consultant: \_\_\_\_\_

Number of years of experience: \_\_\_\_\_

5. The Proposer agrees to comply with all applicable Texas laws, and to be subject to the laws of Texas and the jurisdiction of its court system in the administration of the contract governing this business relationship.
6. If awarded the contract, the Proposer will serve as a "fiduciary" with respect to FWERF.

PROPOSER'S NAME: \_\_\_\_\_

Signed:

\_\_\_\_\_

Date:

\_\_\_\_\_



ATTACHMENT C (continued)

**MINIMUM REQUIREMENTS CERTIFICATION**

The undersigned Proposer hereby represents and warrants to FWERF as follows:

**Private Asset Investment Consulting**

1. Proposer is an investment advisor registered under the Investment Advisors Act of 1940.
2. Proposer has a minimum of five years experience providing private asset (private equity, private real assets, private structured debt) direct investment and due diligence consulting to a U.S. tax-exempt client with total defined benefit pension plan asset of at least \$2 billion as of Dec. 31, 2017.
3. Proposer provides investment consulting services to at least three public retirement system defined benefit clients each with assets greater than \$2 billion as of Dec. 31, 2017.

Name(s) of client(s): \_\_\_\_\_

4. The primary consultant assigned to FWERF account has a minimum of ten years experience providing investment consulting services to public/private defined benefit pension plans.

Name of the primary consultant: \_\_\_\_\_

Number of years of experience: \_\_\_\_\_

5. The Proposer agrees to comply with all applicable Texas laws, and to be subject to the laws of Texas and the jurisdiction of its court system in the administration of the contract governing this business relationship.
6. If awarded the contract, the Proposer will serve as a "fiduciary" with respect to FWERF.

PROPOSER'S NAME: \_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

***PLEASE RETURN WITH COVER LETTER***



## **ATTACHMENT D**

### **EXPECTED MINIMUM SERVICE LEVEL REQUIREMENTS**

1. For General Investment Consulting, attendance at monthly FWERF meetings; Investment Committee and/or Full Board. For Private Asset Investment Consulting, attendance at minimum of two Board meetings per year, additional attendance at meetings may be required for manager selection. A schedule of Board and Investment Committee meetings is included as ***Attachment B***.
2. Timely delivery of quarterly investment performance reports.
3. Preparation and presentation of an annual Asset Allocation study and annual Manager Structure Review (General Investment Consultant proposers only).
4. Preparation and presentation of an Asset/Liability Study at least every four to five years (General Investment Consultant proposers only).
5. Willingness to take on additional duties (i.e. City Council or State Legislature presentations, due diligence on managers outside of Consultant's database, etc).
6. Presentation and delivery of an annual commentary letter for inclusion in FWERF Comprehensive Annual Financial Report (General Investment Consultant proposers only).



## **ATTACHMENT E FEE PROPOSAL**

The contract term is expected to be eight (8) years with two (2) possible one-year extensions issued at the discretion of FWERF. Proposed fees must include travel and all expenses.

Proposer should submit an annual fee for all services - denoted by general investment consulting, private asset investment consulting, or both - as follows:

1) All-inclusive fees August 2018 – August 2026: \$ \_\_\_\_\_ per annum

2) Separately priced services (i.e. asset/liability studies, due diligence on manager outside of consultant database): \$ \_\_\_\_\_

The final contract fee should represent the only compensation received by the consultant for services provided to FWERF. There should not be any other benefit, monetary or otherwise, that results from this relationship between the consultant and FWERF.

### Applicable Contract Terms:

Consultant shall present a quarterly invoice to the Executive Director for its services performed in the previous quarter. The Executive Director shall authorize payment of such invoice according to the Board's instructions within forty-five (45) days following receipt thereof. Upon termination of this Agreement, the appropriate fee for any partial quarter will be determined by applying the ratio of days elapsed in the calendar quarter to the total number of days in the quarter multiplied by the regularly computed full quarterly fee.

***PLEASE RETURN AS EXHIBIT L***



## ATTACHMENT F

### **FWERF Placement Agent Payment Disclosure Policy**

#### **I. Purpose**

The Board of Trustees of the Fort Worth Employees' Retirement Fund recognizes that investment managers, in both the public and private markets, use placement agents and third-party marketers to assist in raising capital. In order to preserve the independence and integrity of the Fort Worth Employees' Retirement Fund, the Board of Trustees of the Fort Worth Employees' Retirement Fund has determined that it is in the best interest of the Fort Worth Employees' Retirement Fund to require that investment managers with which it does business disclose any such relationships. This Policy is designed to prevent conflicts of interest, or the appearance of conflicts of interest, in the Fort Worth Employees' Retirement Fund's investment decision-making process, and to ensure that investment decisions are made solely on the merits of the investment and in a manner consistent with the Board of Trustees' of the Fort Worth Employees' Retirement Fund fiduciary duties.

#### **II. Definitions**

**"Benefit"** means a reference to any money, thing of value, or economic benefit conferred on or received by a person or business for the purposes specified in this policy. The term does not include meals or other things of insignificant value.

**"Board"** means the Board of Trustees of the Fort Worth Employees' Retirement Fund.

**"Fund"** means the Fort Worth Employees' Retirement Fund.

**"Investment Consultant"** or **"Consultant"** means persons or firms who are contractually retained by the Fund to provide advice to the Fund on investments, Investment Manager selection and monitoring, and other services.

**"Investment Manager"** means an asset management firm that is seeking to be, or has been, retained by the Fund to manage a portfolio or assets, including limited partnership structures, for a fee.

**"Placement Agent"** means any person or entity hired, engaged, retained by, acting on behalf of an Investment Manager or third-party marketer as a finder, solicitor, marketer, consultant, broker, or other intermediary to raise money or investment from, or attain access to, the Fund directly or indirectly, including through an investment vehicle.



## **ATTACHMENT F (continued)**

“Placement Agent Disclosure Letter” or “Letter” has the meaning set forth in Exhibits A-1 and A-2.

### **III. Application**

This Policy applies to all agreements with Investment Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with Investment Managers if, after the date this Policy is adopted, the term of the agreement is extended, there is any increased commitment of funds pursuant to the existing agreement, or there is an amendment to the substantive terms of an existing agreement, including the fees or compensation payable to the Investment Manager.

### **IV. Form of Disclosure**

The Investment Manager shall provide a Placement Agent Disclosure Letter addressing all requirements specified in Exhibit A-1 and, if a General Partner of a Limited Partnership as specified in Exhibit A-2.

### **V. Notification**

Fund staff or the Investment Consultant will provide the Investment Manager with this Policy and the Placement Agent Disclosure requirements when full due-diligence review of potential investment begins and will request that a Placement Agent Disclosure Letter from the Investment Manager be submitted before the end of the screening process.

### **VI. Submission of Placement Agent Disclosure Letter**

The Investment Manager will be required to submit the Placement Agent Disclosure Letter to the Fund before the end of the screening process. In the event that due diligence is accelerated to accommodate closing timelines, the Executive Director may permit the Placement Agent Disclosure Letter to be delivered prior to the closing date of the investment transaction. The Placement Agent Disclosure Letter will be included as an essential part of the closing record.

### **VII. Failure to Comply with Placement Agent Disclosure Letter Requirement**

- A. In the event that the Investment Manager fails to comply with the Placement Agent Disclosure Letter requirement, or makes a material misstatement or omission in such Letter, the Fund shall have the option, in its sole discretion, to terminate its investment relationship with the Investment Manager in accordance with the contract terms between the Investment Manager and the Fund.
- B. In each case, termination of the relationship shall occur either immediately or on such date as the Fund shall, in its sole discretion, specify.
- C. The Fund will have the sole right to determine whether a misstatement or omission by an Investment Manager is material.



- D. Any investment management or limited partnership agreement between the Fund and an Investment Manager may be terminated by the Fund pursuant to this policy without penalty to the Fund.



## **ATTACHMENT F (continued)**

### **Exhibit A-1**

#### **Placement Agent Disclosure Letter Requirements (Investment Managers):**

The Investment Manager shall deliver a written document (the "Placement Agent Disclosure Letter") to the Fund which contains a representation that:

1. if the services of a placement agent were not used:
  - a. a representation that the Investment Manager did not use the services of a Placement Agent, registered lobbyist, or other intermediary to assist the Investment Manager in obtaining investments from the Fund, or otherwise doing business with the Fund, whether compensated on a flat fee, a contingent fee, or any other basis; and
  - b. a representation that no Benefit has been paid, given, or promised to any of the Fund's consultants or advisors (including any person reasonably believed to be an officer, director, or employee of the Fund) for the purpose, or with the effect, of obtaining (i) an introduction to the Fund or any officer or employee of the Fund, or other assistance in obtaining business from the Fund, or (ii) a favorable recommendation with respect to the investment transaction.
2. if the services of a Placement Agent were used:
  - a. a representation that a Benefit has been paid to assist the Investment Manager in obtaining investments from the Fund, or otherwise doing business with the Fund. The Investment Manager shall also disclose (i) a description of the transaction and the reason for the engagement of the Placement Agent; (ii) the purpose for the Benefit; and (iii) the amount of the Benefit or the nature of the Benefit; and
  - b. a representation that all information contained in such Letter is true, correct, and complete in all material respects.

Notwithstanding anything to the contrary contained in the investment management agreement, the Investment Manager understands that the Fund may be required under the Texas Public Information Act to disclose the information contained in the Placement Agent Disclosure Letter to the public.

In the event that the Fund does not receive the Placement Agent Disclosure Letter prior to closing, the Fund has the option, in its sole discretion, not to execute the investment management agreement. If the Fund determines that the Placement Agent Disclosure Letter contains a material inaccuracy or omission, the Fund shall have the option, in its sole discretion and without liability to the Investment Manager or any third party, to terminate the investment management agreement and to pursue all remedies that may otherwise be available to the Fund without incurring any penalty under any agreement to which it is a party.



## **ATTACHMENT F (continued)**

### **Exhibit A-2**

#### **Placement Agent Disclosure Letter Requirements (Limited Partnerships):**

The General Partner of the Limited Partnership shall deliver a written document (the "Placement Agent Disclosure Letter") to the Fund which contains a representation that:

1. if the services of a Placement Agent were not used:
  - a. a representation the General Partner did not use the services of a Placement Agent, registered lobbyist, or other intermediary to assist the General Partner in obtaining investments from the Fund, or otherwise doing business with the Fund, whether compensated on a flat fee, a contingent fee, or any other basis; and
  - b. a representation that no Benefit has been paid, given, or promised to any of the Fund's consultants or advisors (including any person reasonably believed to be an officer, director, or employee of the Fund) for the purpose, or with the effect, of obtaining (i) an introduction to the Fund or any officer or employee of the Fund, or other assistance in obtaining business from the Fund, or (ii) a favorable recommendation with respect to the investment transaction.
2. if the services of a Placement Agent were used:
  - a. a representation that a Benefit has been paid to assist the General Partner in obtaining investments from the Fund, or otherwise doing business with the Fund. The General Partner shall also disclose (i) a description of the transaction and the reason for the engagement of the Placement Agent, (ii) the purpose for the Benefit; and (iii) the amount of the Benefit or the nature of the Benefit; and
  - b. a representation that all information contained in such Letter is true, correct, and complete in all material respects.

The General Partner may omit from the Placement Agent Disclosure Letter fees and expenses paid to its legal counsel and accountants in connection with the organization of any Partnership and the offering of limited partner interests therein, provided that such legal counsel and accountants have not also represented the Investor in connection with its investment in the Partnership and have not been involved in any form of solicitation relating to the Fund. The General Partner understands that the Fund may be required under the Texas Public Information Act to disclose the information contained in the Placement Agent Disclosure Letter to the public.

In the event that the Fund does not receive the Placement Agent Disclosure Letter before closing, the Fund has the option, in its sole discretion, not to close the investment transaction. If the Fund determines that the Placement Agent Disclosure Letter contains a material inaccuracy or omission, the Fund shall have the option, in its sole discretion and without liability to the Partnership, General Partner, any Limited Partner, or any third party, to cease making further capital contributions, other contributions, and/or direct payments to the Partnership and to pursue all remedies that may otherwise be available to the Fund without being deemed to be a defaulting



Limited Partner under the Partnership Agreement and without incurring any other penalty under any agreement to which it is a party.



**ATTACHMENT G**

**FWERF Investment Consulting Services Request for Proposal**

**SUBMISSION CHECKLIST**

<b>Item</b>	<b>Included in RFP Response</b>
<b>Cover Letter and Minimum Qualifications Certification</b> <i>Clearly indicate proposed consulting service: General, Private Asset, or both</i>	
<b>Answers to all Questions in Technical Proposal</b>	
<b>Exhibit A – Biographies of Proposed Team Members</b>	
<b>Exhibit B - Form ADV (Part I &amp; II)</b>	
<b>Exhibit C – Copy of Proposing Firm’s Code of Ethics and Diversity Policy</b>	
<b>Exhibit D – List of Current Clients</b>	
<b>Exhibit E – Public Fund References (three)</b>	
<b>Exhibit F - Copy of Asset Allocation Review and Asset/Liability Study</b>	
<b>Exhibit G - Five Years of Capital Market Assumptions</b>	
<b>Exhibit H – Sample Performance Report</b>	
<b>Exhibit I - Sample White Paper/Research Report &amp; List of Research Generated in 2016 &amp; 2017</b> Sample deal pipeline, pacing & liquidity calendar reports. Sample of firm’s annual outlook & best ideas.	
<b>Exhibit J – Sample of Investment Manager Research/Due Diligence Report</b>	
<b>Exhibit K – Sample of “Finals” Report/Process Memo for Recent Public Markets. AND/OR sample limited partnership recommendation memo.</b>	
<b>Exhibit L – Fee Proposal</b>	



## ATTACHMENT H

### SAMPLE Professional Services Agreement

The following Exhibit will become part of, as if in the Agreement, a broader Investment Consulting Agreement to be negotiated by both parties.

THIS IS THE EXHIBIT ("EXHIBIT") to the Investment Consulting Agreement (the "Original Agreement") by and between \_\_\_\_\_, organized as a corporation under the laws of \_\_\_\_\_ and doing business at \_\_\_\_\_ ("Consultant") and the EMPLOYEES' RETIREMENT FUND OF THE CITY OF FORT WORTH d.b.a. the FORT WORTH EMPLOYEES' RETIREMENT FUND ("Fund") entered into between the parties on \_\_\_\_\_, 2018.

#### SCOPE OF SERVICES

Subject to any written investment policy or policies established by the Board, Consultant shall provide pension consulting services, including, but not limited to, the following:

- 1) Conduct an asset /liability study every three years and annually review and make recommendations pertaining to the Fund's asset allocation. Prepare a cash flow analysis and develop a rebalancing strategy to assist staff in meeting negative monthly cash flow needs and keep asset allocation on target.
- 2) Develop long term strategic asset allocation guidelines that take into consideration the opportunities available in the capital markets, current legal constraints and the Fund's tolerance for risk. Such guidelines will be developed with staff for the review and approval of the Board, and not for automatic implementation.
- 3) Annually review and if necessary, propose revisions to the Statement of Investment Policy that defines investment guidelines (e.g. levels of risk, diversification, return targets and asset allocation) and overall investment objectives.
- 4) Annually, and otherwise as needed, evaluate the current investment portfolio structure in the context of the investment policies and objectives developed.
- 5) As part of the annual asset allocation review process, construct and propose to the Board appropriate changes to the investment portfolio model to achieve the Fund's objectives:
  - a) Evaluate "macro-management" strategies, including, but not limited to, active and passive techniques and core and specialty approaches to diversification;
  - b) Analyze alternative investment classes from the overall standpoint of asset allocation including, but not limited to, private equity, real estate, hedge funds, and portable alpha strategies;
  - c) Work with staff to recommend to the Board the investment styles and strategies to be represented and the appropriate number of investment managers to be utilized.
- 6) Review and evaluate each existing investment manager at least quarterly and work with staff on recommendations regarding retention or replacement.
- 7) Work with staff in conducting searches as needed to identify and evaluate investment managers



and make recommendations to the Board.

- 8) Annually review investment guidelines for current investment managers and prepare written guidelines for the Board's approval which include risk and return expectations for new investment managers when hired. Assist staff in ensuring that the guidelines are adequately reflected in each manager's contract, and periodically review manager holdings to ensure that guidelines are being properly followed.
- 9) Monitor the investment performance by individual investment manager, by asset class, and for the total fund, and compare to established benchmarks on a monthly basis. The total fund benchmark shall be a custom benchmark constructed of applicable asset class benchmarks weighted according to the fund's asset allocation targets. Non- publicly traded assets will be benchmarked based upon comparable proxies agreed upon between the Consultant and Executive Director.
- 10) On a quarterly basis, compare and rank total fund performance against a universe of other large pension funds (public and private) and compare and rank individual investment managers against groups of managers with similar investment styles.
- 11) Monitor the characteristics of individual investment accounts over time. Discuss any style drift or performance issues with the investment manager and staff as necessary.
- 12) Provide a detailed attribution analysis to the Board on an annual basis to assess the "value added" by investment managers in their pursuit of investment strategies including, but not limited to, strategies such as market timing, stock selection, sector allocation, interest rate anticipation, coupon, fixed income asset selection and trading. Attribution categories will vary depending on each manager's investment strategy and holdings.
- 13) On an annual basis examine and make recommendations to the Board, if necessary, regarding trading costs, soft dollars, discounted fees, commissions and similar arrangements.
- 14) Upon request, provide assistance to the staff in the preparation of periodic reports for publications authorized by the Board.
- 15) Provide reasonable access to the Consultant's employees by Board members, the Executive Director and the Fund's staff.
- 16) Appear, as necessary, before city, county, state and/or federal governmental boards or courts of law to provide expert testimony. The fees for such services are not included in this Agreement and will be subject to future agreement by both parties.
- 17) Provide an informational/research facility for the Board, the Executive Director and the Fund's staff, including "white papers" and the opportunity for attendance at Consultant's seminars.
- 18) Annually analyze the Fund's financial condition and update investment objectives to reflect changes in the capital markets and national global political and economic developments that have bearing or otherwise affect the Board's investment guide lines.
- 19) Assist staff in making on-site visits to individual investment managers as needed or as requested, and prepare a written evaluation and report for the Board pertaining to any such visits.



- 20) Conduct due diligence monitoring and/or review of investment managers. Conduct on-site visits of managers as needed. Provide periodic review of investment manager fees with recommendations for action to be taken to ensure appropriate fee structure. Provide advice in the planning, oversight and review of asset transitions among investment managers and investment vehicles.
- 21) Provide any other reports as agreed by the parties.
- 22) Recommendations and analysis upon which the Board may reasonably be expected to take action must be delivered to staff no less than one week prior to the Board meeting so that all Board members have adequate time to review the material. Recommendations will be supported by quantitative and qualitative analysis and upon request, confirmed in writing by Consultant. At no time shall certificates or any other indicia of investment ownership be transferred, routed or sent to or through Consultant by the Fund's Custodian. Any recommendations by the Consultant not to diversify investments of the Fund and the reasons therefore shall be detailed in writing to the Board by Consultant. In connection with the replacement or selection of investment managers and investment of allocations of such retirement contributions as well as undistributed income, the Consultant shall provide written documentation in summary form upon which its investment recommendations have been based, which documentation shall be given to staff at least six (6) working days prior to the meeting at which the Board will consider such recommendations. Furthermore, in connection with the selection and replacement of investment managers, Consultant shall arrange for a presentation in person by an official of such investment manager that is acceptable to the Board. Consultant shall be required to attend regular monthly meetings of the Investment Committee of the Board and at such additional times as reasonably requested by the Board.

## COMPENSATION

Subject to Section XX of this Agreement, for the term of this Agreement the Board shall pay Consultant an annual fee of \$\_\_\_\_\_ for consulting services rendered subsequent to \_\_\_\_\_, 2018. The fee shall be payable in arrears in four (4) equal quarterly installments. Other than the aforementioned annual fee, the Consultant shall not receive from any party commissions of any kind, directly or indirectly, in connection with the investment of Fund assets or any other services performed under this Agreement.

Consultant will also be paid \$\_\_\_\_\_ for (additional services as provided for in RFP).

Consultant shall present a quarterly invoice to the Executive Director for its services performed in the previous quarter. The Executive Director shall authorize payment of such invoice according to the Board's instructions within forty-five (45) days following receipt thereof. Upon termination of this Agreement, the appropriate fee for any partial quarter will be determined by applying the ratio of days elapsed in the calendar quarter to the total number of days in the quarter multiplied by the regularly computed full quarterly fee.



IN WITNESS WHEREOF, the parties hereto acknowledge that they have read and understand this EXHIBIT, and agree to be bound by all terms, conditions, and provisions of the Agreement and this EXHIBIT, as indicated by their signing of this EXHIBIT. The undersigned are the duly authorized representatives of the Fund and of the Consultant with all of the necessary authorization to execute this contract. It shall not be necessary that the signature of all persons required appear on each counterpart. All counterparts shall collectively constitute a single instrument. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the intent of the party or the signatures thereon and thereafter attached to another identical counterpart. Images of the handwritten signatures of any party on this EXHIBIT evidenced and transmitted by electronic means (including email, facsimile, or similar transmission) shall be deemed effective for all purposes. The effective date of this EXHIBIT will be the latest date affixed to the EXHIBIT by a signatory party.

FORT WORTH EMPLOYEES' RETIREMENT  
FUND

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

Print Name: \_\_\_\_\_ Print Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

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

Attest: \_\_\_\_\_  
Secretary



**ATTACHMENT I**

**STATEMENT OF INVESTMENT  
OBJECTIVES AND GUIDELINES**

**Fort Worth Employees' Retirement Fund**

**Revised January 24, 2018**



**STATEMENT OF INVESTMENT  
OBJECTIVES AND GUIDELINES**

**Fort Worth Employees' Retirement Fund**

**Revised January 24, 2018**

## **Table of Contents**

---

I. Purpose of the Investment Policy .....	3
II. Investment Philosophy .....	3
III. Duties and Responsibilities.....	4
IV. Asset Allocation Strategy .....	6
V. Investment Return Objectives and Benchmarks .....	7
VI. Responsibilities of Public Market Managers.....	10
VII. Monitoring, Evaluation and Review .....	13
VIII. Placing Managers on “Watch List” Status.....	13
IX. Use of Commingled and Mutual Fund Vehicles .....	15
X. Reporting Requirements .....	15
Appendix A: Thematic Asset Class Policy Target Allocations, Ranges and Rebalancing	
Appendix B: Real Estate Portfolio Investment Guidelines	
Appendix C: Private Equity Portfolio Investment Guidelines	
Appendix D: Absolute Return Strategy Portfolio Investment Guidelines	
Appendix E: Fund Asset Class Guidelines	
Appendix F: Investment Manager Transitions	
Appendix G: Securities Lending	

## **I. PURPOSE OF THE INVESTMENT POLICY**

The purpose of this Statement of Investment Objectives and Guidelines (“Policy”) is to assist the Fort Worth Employees’ Retirement Fund (the “Fund”) Board of Trustees (“Board” or “Trustees”) in effectively supervising and monitoring the Fund’s assets and investments.

In the various sections of this policy document, the Trustees define the Fund’s investment program by:

- documenting the Trustees’ attitudes, expectations and objectives in the investment of Fund assets;
- setting forth an investment structure for managing assets. This structure includes various asset classes, functional themes, and investment management styles that, in aggregate, are expected to produce a prudent level of diversification and investment return over time;
- providing guidelines for each investment manager portfolio that control the level of risk assumed in the portfolio and ensure that assets are managed in accordance with stated objectives; and
- setting criteria to monitor and evaluate the performance results achieved by the investment managers.

This Policy represents the Trustees’ current philosophy regarding the investment of Fund assets.

## **II. INVESTMENT PHILOSOPHY**

### **Funding Philosophy**

The Fund’s overall objective is to achieve the highest level of investment performance that is compatible with the Board’s risk tolerance and prudent investment practices. Because of the long-term nature of the Fund’s pension liabilities, the Trustees maintain a long-term perspective in formulating and implementing the Fund’s investment policies, and in evaluating its investment performance. Based on general beliefs about the long-term investment returns available from a well-diversified portfolio, the Trustees adopted the following Total Fund Investment Objectives:

- Within the framework of prudent risk limitations, the minimum investment objective is to achieve an average long-term total rate of return which satisfies the actuarial assumed rate of return. The actuarial rate of return is set at 7.75%.
- The Fund shall also strive to achieve investment performance that exceeds the rate of inflation over time thereby providing a real rate of return.

### **Risk**

The investment risk philosophy for the Fund is based on the precepts of capital market theory that are generally accepted and followed by institutional investors, who by definition are long-term oriented investors. This philosophy holds that:

- Increasing risk should be rewarded with compensating returns over time and, therefore, prudent risk taking is justifiable for long-term investors.

- Risk can be controlled through diversification of asset classes and investment approaches, as well as diversification of individual securities.
- The primary determinant of long-term investment performance is the strategic or long-term allocation of assets among various asset classes
- Relative performance of various asset classes is unpredictable in the short term and attempts to shift tactically between asset classes are unlikely to be rewarded.

Given these principles, the Fund has established a long-term asset allocation policy (specified in the Asset Allocation section of the Policy) that balances the return required to meet the Fund's objectives and the risk level that is appropriate under existing circumstances. In determining its risk posture, the Trustees have properly considered, in accordance with its fiduciary obligations and statutory requirements, the Fund's purpose and characteristics, current and projected financial condition, liquidity needs, sources of contribution, income, and general operating conditions.

### **Diversification**

In order to achieve this real rate of return, the Fund will rely on an investment strategy utilizing an appropriate long-term, diversified asset allocation model. Diversification distributes a portfolio across many investments to avoid excessive exposure to any one source of risk. The Trustees will determine the proper allocation among asset classes and investment managers, based on advice and analysis provided by the Advisory Consultant(s) with assistance from the Investment Staff.

## **III. DUTIES AND RESPONSIBILITIES**

### **Board of Trustees**

The Board is responsible for overseeing the investment of the funds supporting the City and Staff retirement plans. Its primary duty is to set the asset allocation by determining the asset classes to be used and allocating a certain percentage of funds to each class. The Board follows the Prudent Investor Act of the Texas law and diversifies investments in order to achieve an optimal rate of return for a reasonable amount of risk. It is also responsible for setting an investment policy detailing the process for hiring, evaluating, and terminating investment managers. The Board has the authority to hire investment consultants, investment managers, and custodian banks to assist in the investment and oversight responsibility.

### **Investment Committee**

The Investment Committee is established by the Board and has been delegated certain powers, duties and functions by the Board. The Investment Committee makes recommendations to the Board on investment actions; however, ultimate responsibility for investment and asset allocation decisions remains with the Board. When deemed necessary, the Investment Committee meets prior to the regular meeting of the Board to address overall investment activities. Investment Staff and the Advisory Consultant(s) brief the Committee on any topics or issues pertinent to the Fund's investment operations, and make recommendations to the Committee for appropriate courses of action.

## **Investment Staff**

The Executive Director, with the assistance of Investment Staff, has the responsibility and authority to assist the Board and the Investment Committee in establishing investment and administrative policy and to monitor the implementation of the policies and programs established by the Board. The Investment Staff also has the responsibility to work with the Advisory Consultant and make recommendations regarding the Board's investment policy, strategy, overall portfolio monitoring and composition, and diversification of Fund investments. The Investment Staff reports to the Board on the status of the Fund and the operations of the Fund.

The Executive Director, in consultation with the Executive Committee of the Board, shall have the authority to make emergency investment decisions as necessary in situations requiring immediate action to protect the assets of the Fund. Any emergency actions taken by the Executive Director shall be communicated to the Board as soon as administratively practicable and reported to both the Investment Committee and the full Board in a stated agenda item at their next regularly scheduled or special meeting(s).

## **Discretionary Investment Consultant**

The Discretionary Investment Consultant ("Discretionary Consultant") is hired by and serves at the pleasure of the Board of Trustees. The Discretionary Consultant makes investment decisions without seeking approval from the Board but with consideration of asset allocation, diversification, and current Total Fund exposures. The Discretionary Consultant, however, will operate within the parameters of this Policy and/or to any other policy set forth by the Board and will periodically report results to the Board. The Discretionary Consultant collaborates with the General Investment Advisory Consultant ("General Consultant" or "Advisory Consultant") on Total Fund recommendations.

## **Advisory Investment Consultant(s)**

The Advisory Investment Consultant(s) ("Advisory Consultant"), which include the General Consultant or Specialty Consultant(s), are hired by and reports directly to the Board of Trustees. The Advisory Consultant's duty is to work with the Board, Investment Committee, and Investment Staff in the management of the investment process. This includes regular meetings with the Board to provide an independent perspective on the Fund's goals, structure, performance and managers. The Board may elect to retain one or more Advisory Consultants that specialize in specific areas of asset consulting. The Advisory Consultant will render investment advice to the Fund based on the needs and goals of the Fund regarding such matters as the Board's investment policy, strategy, overall portfolio monitoring and composition, and diversification of Fund investments. The Advisory Consultant does not have discretionary authority with respect to investments and the Board makes all final decisions regarding investments recommended by the Advisory Consultant.

## **External Investment Managers**

The External Investment Managers ("Managers") are selected by, and serve at the pleasure of, the Board. The Board will retain Managers that specialize in the use of particular asset classes. The Investment Staff and the Advisory Consultant will provide the Managers with explicit written directions detailing their particular assignments. Managers have full discretion to select, buy, and sell securities or investments within the parameters specified in this Policy and within the investment management agreement between the Board and the Manager. Managers will construct and manage

investment portfolios that are consistent with the investment philosophy and disciplines for which they were hired.

### **Custodian**

The Custodian is selected by, and serves at the pleasure of, the Board. The Custodian(s) will collect income and safe keep all cash and securities, and will regularly summarize these holdings, along with performance, for Investment Staff's review. The Custodian will provide data and performance reports to the Investment Staff and the Advisory Consultant at intervals specified by the Fund's written policy or contract. In addition, a bank or trust depository arrangement will be utilized to accept and hold cash prior to allocating it to Managers, and to invest such cash in liquid, interest-bearing instruments.

The Custodian shall ensure that any idle cash not invested by Managers shall be invested daily via an automatic sweep to a Short Term Investment Fund (STIF) managed by the Custodian or by others on behalf of each Manager.

Each of the bodies and entities in this section are fiduciaries to the Fund and must act prudently, and in accordance with Section 802.203 of the Texas Government Code, the applicable provisions of the Texas Trust Code and any other related laws of the State of Texas as those laws apply to the fiduciary duties of municipal public pensions. These fiduciaries must also avoid conflicts of interests and may not engage in transactions on behalf of the Fund for the purpose of benefiting other parties unrelated to the Fund.

## **IV. ASSET ALLOCATION STRATEGY**

### **Asset Class Policy Targets and Ranges**

The Fund's asset allocation policy is intended to reflect and be consistent with the return objective and risk tolerance expressed in this Policy. It is designed to provide the highest probability of meeting or exceeding the Fund's objectives at a level of risk acceptable to the Board.

Specific asset class target allocations, and their acceptable allocation ranges, can be found in Appendix A to this Policy.

### **Rebalancing**

Because the asset classes do not move in concert, allocation deviations will occur through normal market activity.

Specific rebalancing procedures can be found in Appendix A to this Policy.

## **V. INVESTMENT RETURN OBJECTIVES AND BENCHMARKS**

### **Total Fund Performance Objectives<sup>1</sup>**

The Trustees adopted the following comparative objectives for the Total Fund:

- A. The Fund (gross of fees) should rank in the fiftieth (50<sup>th</sup>) percentile or better compared to a nationally recognized universe of other Public Funds of similar size measured over a minimum period of five (5) years.
- B. Short Term: The Fund's overall annualized total return (net of fees), calculated relative to an asset allocation target policy index, measured over a period of three (3) to five (5) years, should exceed the return that would have been achieved if the Fund had been fully invested according to the approved target allocation (the "Implementation Benchmark").
- C. Long Term: The Fund's overall annualized total return (net of fees), calculated relative to an asset allocation target policy index, measured over a period of five (5) years or longer, should exceed the return that would have been achieved if the Fund had been fully invested according to the approved target allocation (the "Target Benchmark").

The Trustees approved the following policy indices for calculating the Implementation Benchmark:

- High Growth Implementation Index
- Growth Implementation Index
- Capital Preservation Implementation Index
- Diversification Implementation Index
- Inflation Implementation Index
- Liquidity Implementation Index

The Trustees approved the following policy indices for calculating the Target Benchmark:

- Morgan Stanley Capital International All Country World Index (Net) + 3%
- Morgan Stanley Capital International All Country World Index (Net)
- BofA Merrill Lynch 3 Month U.S. Treasury Bill Index + 3%
- Bloomberg U.S. Aggregate Bond Index
- Consumer Price Index + 4%
- BofA Merrill Lynch 3 Month U.S. Treasury Bill Index

---

<sup>1</sup> These are only investment objectives for the Fund. Failure to meet any of the listed objectives is not an indication that the Board is not in compliance with its fiduciary duty.

## **Thematic Asset Class Objectives**

### **1. High Growth**

The following performance goals have been established for the Fund's high growth segment:

- Short Term: The high growth segment total return should exceed the total return of an implementation benchmark based on the benchmarks of the underlying managers over a period of three (3) to five (5) years.
- Long Term: The high growth segment total return should exceed the total return of the Morgan Stanley Capital International All Country World Index (Net) + 3% over a period of five (5) years or longer.
- The individual Manager's total return should perform at the fiftieth (50<sup>th</sup>) percentile or better compared to a nationally recognized universe of managers possessing a similar style over a minimum period of five (5) years.
- The individual Manager's total return should exceed the total return of an appropriate index for a specific manager mandate over a minimum period of five (5) years.
- Performance objectives for the real estate strategies included in this segment are stated in Appendix B: Real Estate Portfolio Investment Guidelines.
- Performance objectives for the private equity strategies included in this segment are stated in Appendix C: Private Equity Portfolio Investment Guidelines.
- Performance objectives for the absolute return strategies included in this segment are stated in Appendix D: Absolute Return Strategy Portfolio Investment Guidelines.

### **2. Growth**

The following performance goals have been established for the Fund's growth segment:

- Short Term: The growth segment total return should exceed the total return of an implementation benchmark based on the benchmarks of the underlying managers over a period of three (3) to five (5) years.
- Long Term: The growth segment total return should exceed the total return of the Morgan Stanley Capital International All Country World Index (Net) over a period of five (5) years or longer.
- The individual Manager's total return should perform at the fiftieth (50<sup>th</sup>) percentile or better compared to a nationally recognized universe of managers possessing a similar style measured over a minimum period of five (5) years.
- The individual Manager's total return should exceed the return of an appropriate index for a specific manager mandate over a minimum period of five (5) years.

Performance objectives for the real estate strategies included in this segment are stated in Appendix B: Real Estate Portfolio Investment Guidelines.

- Performance objectives for the absolute return strategies included in this segment are stated in Appendix D: Absolute Return Strategy Portfolio Investment Guidelines.

### **3. Diversification**

The following performance goals have been established for the Fund's diversification segment:

- **Short Term:** The diversification segment total return should exceed the total return of an implementation benchmark based on the benchmarks of the underlying managers over a period of three (3) to five (5) years.
- **Long Term:** The diversification segment total return should exceed the total return of the BofA Merrill Lynch 3 Month U.S. Treasury Bill Index + 3% over a period of five (5) years or longer.
- The individual Manager's total return should perform at the fiftieth (50<sup>th</sup>) percentile or better compared to a nationally recognized universe of managers possessing a similar style over a minimum period of five (5) years.
- The individual Manager's total return should exceed the total return of an appropriate index for a specific Manager mandate over a minimum period of five (5) years.
- Performance objectives for the absolute return strategies included in this segment are stated in Appendix D: Absolute Return Strategy Portfolio Investment Guidelines.

### **4. Capital Preservation**

The following performance goals have been established for the Fund's capital preservation segment:

- **Short Term:** The capital preservation segment total return should exceed the total return of an implementation benchmark based on the benchmarks of the underlying managers over a period of three (3) to five (5) years.
- **Long Term:** The capital preservation segment total return should exceed the total return of the Bloomberg U.S. Aggregate Bond Index over a period of five (5) years or longer.
- The individual Manager's total return should perform at the fiftieth (50<sup>th</sup>) percentile or better compared to a nationally recognized universe of managers possessing a similar style over a minimum period of five (5) years.
- The individual Manager's total return should exceed the total return of an appropriate index for a specific Manager mandate over a minimum period of five (5) years.

## 5. Inflation

The following performance goals have been established for the Fund's inflation segment:

- Short Term: The inflation segment total return should exceed the total return of an implementation benchmark based on the benchmarks of the underlying managers over a period of three (3) to five (5) years.
- Long Term: The inflation segment total return should exceed the total return of the Consumer Price Index + 4% over a period of five (5) years or longer.
- The individual Manager's total return should perform at the fiftieth (50<sup>th</sup>) percentile or better compared to a nationally recognized universe of managers possessing a similar style over a minimum period of five (5) years.
- The individual Manager's total return should exceed the total return of an appropriate index for a specific Manager mandate over a minimum period of five (5) years.
- Performance objectives for the real estate strategies included in this segment are stated in Appendix B: Real Estate Portfolio Investment Guidelines.

## 6. Liquidity

The total cash and equivalents return should exceed the total return of the BofA Merrill Lynch 3 Month U.S. Treasury Bill Index over a period of five (5) years or longer.

## **VI. RESPONSIBILITIES OF PUBLIC MARKET MANAGERS**

The duties and responsibilities of each of the Managers retained by the Trustees include:

1. Registration as an investment advisor under the Investment Advisers Act of 1940. The Manager must remain a registered investment advisor throughout the contractual term.
2. Managing the assets in accordance with the Policy guidelines and objectives as set forth in the investment management agreement between the Manager and the Fund.
3. Acknowledging in writing to the Trustees the Manager's intention to comply with this Policy as it currently exists or as modified in the future.
4. Exercising full investment discretion within the guidelines and objectives stated herein. Such discretion includes decisions to buy, hold or sell securities in amounts and proportions reflective of the Manager's current investment strategy and compatible with investment objectives.
5. Promptly informing Investment Staff and Consultant regarding all significant matters pertaining to the investment of the plan assets, for example:
  - changes in investment strategy, portfolio structure and market value of managed assets;

- the Manager's progress in meeting the investment objectives set forth in this document; and,
  - significant changes in the ownership, affiliations, organizational structure, financial condition, professional personnel staffing and clientele of the investment management organizations.
6. Initiating written communication with the Trustees whenever the Manager believes that this Policy should be altered. No deviation from guidelines and objectives should take place until after such communication has occurred and the Trustees have approved such deviation in writing. Managers are expected to be familiar with the holdings guidelines expressed in Appendix F of this document.
  7. The Trustees formally delegate full authority to each Manager for exercising all proxy and related actions of the assets assigned. Each Manager shall promptly vote all proxies and related actions in a manner consistent with the long-term interests of the Fund and its Participants and Beneficiaries. Each Manager shall keep detailed records of all said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
  8. Each Manager shall utilize the same due care, skill, prudence and diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity, as a fiduciary, and fully familiar with such matters would use in like activities for like plans with like aims, while maintaining appropriate diversification to avoid the risks of large losses, in accordance and compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as pertaining to fiduciary duties and responsibilities.
  9. Periodic presentations to the Trustees (and its designated Advisory Consultant) that include exhibits, written material, etc. Please refer to Section X for a description of the presentation and reporting requirements.
  10. The Trustees shall use the Advisory Consultant to: (1) assist in appraising performance, (2) to provide performance comparison data with other retirement plans, several capital market indices, and to other Managers, (3) assist in evaluating Manager style discipline and peer comparisons, (4) assist in strategic planning and management of the plan, and (5) other factors the Trustees deem appropriate. Managers are required to support and assist the Advisory Consultant with their fullest cooperation.

#### 11. Authorized Uses of Derivatives

Investment managers shall not purchase securities on margin, sell short, use individual stock options, puts, calls, or trade in futures contracts, unless specified in the investment management agreement entered into by the Fund and the investment manager.

## 12. Authorized Uses of Cryptocurrencies

Investment managers shall not purchase cryptocurrencies on margin, sell short, use individual options, puts, calls, or trade in future contracts, unless specified in the investment management agreement entered into by the Fund and the investment manager.

## 13. Liquidity and Marketability Restrictions

From the Fund's perspective, liquidity and marketability are a function of a Manager's aggregate holdings in a particular security. A Manager shall not buy or hold a security for the Fund portfolio if the aggregate holdings among all of that Manager's other accounts in that same security would restrict the Manager's ability to expeditiously liquidate the position at any time.

If, from a Total Fund perspective, the collective holdings among all Fund Managers accounts in the same security would restrict all Managers' collective ability to expeditiously liquidate their respective positions in that security, the Fund retains the sole right to limit any Manager's holding of any security in the Fund in order to prevent the potential for the Fund's collective liquidation and market risk.

## 14. Usage of Cross Asset Segment Investment Guideline Restrictions

When a Manager's holdings include Fund assets outside of their primary assigned asset segment assignment (e.g.: a primary domestic equity manager also holds some cash equivalents or fixed income securities), the guidelines stated herein for the non-primary asset segment shall fully apply to the Manager, in addition to the primary assigned asset segment guidelines.

## 15. Diversification Restrictions

Except for criteria noted elsewhere in this Policy and in specific written contracts with each Manager, the appropriate and reasonable diversification of securities by such factors as geography, region, sovereign risk, native currency, quality, coupon, country, maturity, industry, duration, and sector is within the full discretion and responsibility of the Managers.

## 16. Fund Asset Utilization Restrictions

All Fund assets, in any form, shall be solely and exclusively: (a) settled, (b) held in custody, and (c) safe kept only with custodians designated by the Trustees at their sole discretion. To the extent that the Trustees invest a portion of the Fund's assets in commingled vehicles or institutional mutual funds, then the investment guidelines of the fund will be adopted as the Fund's guidelines.

## 17. Transaction Agent Assignment Restrictions

Assignment of specific brokerage firms, dealers, financial institutions, and other transaction execution agents to all Managers shall be the sole responsibility of the Fund. From time to time, the Trustees at their sole discretion may specify certain broker/dealers with which to execute investment transactions.

## **VII. MONITORING, EVALUATION AND REVIEW**

On a timely basis, but not less than four times a year, the Trustees will review actual investment results achieved by each Manager (with a perspective toward rolling three-year and five-year time horizons) to determine whether:

- the Managers performed in adherence to the investment philosophy and policy guidelines set forth herein,
- the Managers performed satisfactorily when compared with:
  - the objectives set forth in Appendix A, as a primary consideration;
  - their own previously stated investment style;
  - other investment managers, both in asset class and in style group;
  - several different market indices.

The Trustees may appoint investment consultants to assist in the on-going evaluation process. The consultants selected by the Trustees are expected to be familiar with the investment practices of other similar retirement plans and will be responsible for suggesting appropriate changes in the Fund's investment program over time.

## **VIII. PLACING MANAGERS ON "WATCH LIST" STATUS**

A manager retention decision is very important to the continued success of a pension fund's investment strategy. The Watch List Policy applies to liquid Managers in the following asset classes: high growth, growth, diversification, capital preservation, and inflation. The watch list should not necessarily lead to any needed action but rather is intended to place a manager under increased scrutiny based on failure to meet quantitative or qualitative standards.

### **Quantitative Factors Resulting in Watch List Additions**

A number of factors may contribute to a Manager's over- or under-performance at any given time such as - market dynamics, investment skill, and/or pure chance. Given this uncertainty, it is unwise to mandate termination purely for lagging performance at any specific point. The following represent guidelines to be used in making a recommendation to the Investment Committee or Board with regard to placing a public market asset Manager on the Watch List:

- Test 1 If the Manager's rolling, five-year return (net of fees) falls below the rolling, five-year benchmark return for three (3) consecutive quarters.
- Test 2 If the Manager's rolling, five-year return (net of fees) for three (3) consecutive quarters ranks in the bottom third of the Advisory Consultant's peer group universe.

At the discretion of the Investment Committee or Board, a Manager may be included on the Watch List based on these criteria and placed on the Watch List at any time.

Once a Manager is placed on the Watch List for performance reasons, the Investment Committee will be notified by the Advisory Consultant and/or Investment Staff and performance will be closely monitored and scrutinized. All of the qualitative criteria will be reviewed and an explanation of the underperformance will be required from the Manager. Additional actions could include Investment Staff meetings with the Manager and a formal re-interview of the Manager by the Board.

The manager will be closely monitored during the Watch List period and remain under close scrutiny until the Advisory Consultant, Investment Staff, and Investment Committee or Board agree that the quantitative and qualitative criteria for removal from the Watch List have been satisfied. Generally, one period of a rolling, five (5) year return above the benchmark or above the bottom third of the Advisory Consultant's peer group universe following placement on the Watch List will be required for a Manager's removal from the Watch List for performance reasons. The observation process will at this point begin again.

### **Qualitative Factors Resulting in Watch List Additions**

A significant and potentially adverse event related, but not limited, to any of the following qualitative issues or events, will be considered a reason to add the Manager to the Watch List. Examples include, but are not limited to, these events:

- Violation of investment guidelines
- Deviation from stated investment style and/ or shifts in the firm's philosophy or process
- Turnover of one or more key personnel
- Change in firm ownership or structure
- Significant loss of clients and/or assets under management
- Significant and persistent lack of responsiveness to client requests
- Litigation
- Failure to disclose significant information, including potential conflicts of interest
- Chronic violations of the Fund's Investment Policy
- Any other issue or situation of which the Investment Staff, the Advisory Consultant and/or Committee/Trustees become aware that is deemed material.

Should any of these events occur, the recommended courses of action are similar to those contained in the preceding section (Quantitative Factors Resulting in Watch List Additions). After an assessment of the nature of the problem or potential problem, the Investment Committee should then make a determination as to the appropriate course of action at the meeting after notification.

Because of the subjective nature of qualitative analysis, both additions and removals should be handled by the Advisory Consultant, Investment Staff and the Board on a case-by-case basis.

## **IX. USE OF COMMINGLED AND MUTUAL FUND VEHICLES**

The Trustees may choose to invest in mutual funds, commingled funds, partnerships, exchange-traded funds, or other pooled vehicles if they are invested substantially in a manner consistent with guidelines stated in this Policy. However, the Trustees recognize that such investments will be ultimately governed by the vehicle's established guidelines and restrictions, as outlined in the prospectus, subscription agreements, or other offering documents prepared by the investment manager.

## **X. REPORTING REQUIREMENTS**

### **General Consultant Reporting**

The Fund's General Consultant will provide quarterly reports to the Trustees which, at a minimum, will review the following information about each Manager and the Total Fund:

- Overview of the most recent quarter and year-to-date investment indicators;
- Total Fund asset allocation;
- Attribution of investment return (income, capital appreciation or loss);
- Performance results by individual manager and Total Fund compared to appropriate benchmarks.

### **Specialized Consultant Reporting**

The Fund's Specialized Consultant(s) will provide at least semi-annual reports to the Trustees, which at a minimum, will review the following information about each Manager and the Total Program:

- Overview of the most recent quarter and year-to date investment indicators;
- Performance results by individual manager and Total Program compared to appropriate benchmarks.

### **Investment Manager Reporting**

Each Manager will provide the Investment Staff and the Advisory Consultant with a quarterly report of their activity no later than thirty (30) days after the end of a quarter. Each report will contain the following information:

- Beginning asset value at cost and market.
- Ending asset value at cost and market. New contributions should be separately identified. Asset listings should include appropriate information on each equity security position to include name, number of shares, dividend yield, cost, market, current gain or loss and industry or sector. Debt security information should include name, position size, cost, market, coupon, maturity, rating, yield, current gain or loss. (The Global REIT manager report will include a country allocation breakdown rather than an industry/sector summary.)
- Securities sold and purchased during the quarter.
- Quarterly, year-to-date, and since-inception performance results.
- Written discussion of most recent quarterly results and near-term investment strategy.
- Brokerage fees for the quarter and year-to-date by brokerage firm utilized, including average cents-per-share and total commission dollars expended.

- The name and responsibility of key personnel, if any, who have been hired or terminated from the organization. The Manager is to provide verbal and written notice to Investment Staff within ten days from the date a key person is hired or terminated.

**APPENDIX A: THEMATIC ASSET CLASS POLICY TARGET ALLOCATIONS,  
RANGES AND REBALANCING**

The Fund’s asset allocation policy is intended to reflect, and be consistent with, the return objective and risk tolerance expressed in this Policy. It is designed to provide the highest probability of meeting or exceeding the Fund’s objectives at a controlled level of risk that is acceptable to the Board.

The Trustees have reviewed the investment program for the Fund and have developed a long-term strategic asset allocation plan. The review included projections that were based on long-term capital market behavior and the Fund’s financial and demographic characteristics. The financial implications of a wide range of investment alternatives (conservative to aggressive) were evaluated.

The Trustees elected to employ six broad and distinct thematic asset classes in the portfolio:

High Growth	Capital Preservation
Growth	Inflation
Diversification	Liquidity

Return, risk and diversification assumptions were established for each, and efficient portfolios of the six asset classes were identified. As a result, commitment to the thematic asset classes listed in the table below will be made to ensure diversification. Based on its determination of the appropriate risk tolerance for the Fund, and its long-term return expectations, the Board has chosen the following Strategic Asset Allocation Policy:

<u>Asset Class</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
High Growth	22.0%	15.0%	29.0%
Growth	44.0%	35.0%	53.0%
Diversification	10.0%	5.0%	15.0%
Capital Preservation	15.0%	13.0%	17.0%
Inflation	8.0%	5.0%	11.0%
Liquidity	1.0%	0.0%	2.0%

The target allocation will be reviewed annually for reasonableness relative to significant economic and market changes or to changes in the Fund’s long-term goals and objectives. A formal asset allocation study should be conducted at least every three years to verify or amend the targets.

Because the thematic asset classes do not move in concert, allocation deviations will occur through normal market activity. The implementation of a rebalancing policy is delegated to the Fund's Investment Staff, with the expectation that it will be assessed no less frequently than quarterly and will make allowances for illiquid investments that cannot reasonably be rebalanced on a regular basis.

When close to target, cash flows will be deployed in a manner that returns the portfolio to its target commitments.

## APPENDIX B: REAL ESTATE PORTFOLIO INVESTMENT GUIDELINES

### 1. Investment Guidelines

It is the Trustees' objective that the Real Estate Investment allocation should be strategic in nature and that, over the long term, inclusion of real estate investments should provide the following benefits to the total portfolio:

- Lower total portfolio risk through greater diversification;
- Provide cash flow through distributed income;
- Provide growth through appreciation;
- Serve as a hedge against unanticipated inflation; and
- Provide an opportunity to enhance total portfolio returns through higher total return investments.

Due to the illiquid nature of private real estate and the resulting unpredictability of cash flows, there may be times when the Real Estate Investment allocation is above or below its target weighting, which will cause the other asset classes to be over or under-weighted versus their targets.

Diversification by investment style is desired with an objective to allocate according to the following targets:

<b>Investment Style</b>	<b>Lower Range</b>	<b>Target</b>	<b>Upper Range</b>
Core	20%	30%	50%
Non-Core	35%	60%	75%
Public Real Estate Securities	0%	10%	15%

Given the illiquid nature of private real estate, unfunded capital commitments should be taken into account when reviewing the Real Estate Investments portfolio relative to the above-stated target allocations and ranges.

With regard to the **Private Real Estate** allocation, global diversification is desired. The guidelines for diversification between United States located real estate and internationally located real estate are as follows:

<b>Region</b>	<b>Policy Range</b>
United States	At least 50%
International	Up to 50%

Diversification by property type is also desired. The guidelines for **Private Real Estate** property type diversification are as follows:

<b>Property Type</b>	<b>Policy Range</b>
Office*	Up to 50%
Retail	Up to 50%
Industrial	Up to 50%
Multifamily**	Up to 50%
Hotel	Up to 30%
Other	Up to 50% (in aggregate)

\*Inclusive of specialty office investment types (e.g. medical office)

\*\*Inclusive of specialty multifamily investment types (e.g. student housing and seniors housing)

The Trustees desire to maintain a moderately-leveraged real estate portfolio in order to maximize returns to the total portfolio over the long term. The Trustees have approved a target leverage profile of less than fifty percent (50%) for the Real Estate Investment allocation, calculated on a loan-to-value (LTV) basis.

## 2. Portfolio Objectives

The Real Estate Investment portfolio returns shall be calculated adding realized and unrealized capital appreciation gains and losses plus income. The performance objective of the real estate portfolio is to achieve a total return, on a net-of-fees basis, over rolling ten-year periods in excess of the weighted average of the NCREIF Fund Index-Open Diversified Core Equity (“NCREIF-ODCE”) and the FTSE EPRA/NAREIT Developed Rental Index, for the private real estate portfolio and public real estate portfolio, respectively, provided that the real estate portfolio maintains an acceptable level of risk.

The Real Estate Investment portfolio shall be measured utilizing an internal rate of return (“IRR”), multiple of invested equity, and a time-weighted rate of return calculations.

It is expected that the Real Estate Investment portfolio will employ multiple strategies. Some real estate investments will have dual investment objectives of capital appreciation and income generation, while other real estate investments may focus primarily on income generation. Other real estate investments may not provide any meaningful predictable cash flow and will be dependent upon non-recurring events, such as the disposition of assets, to generate realized capital appreciation returns.

Each investment in the Real Estate portfolio will be assigned to one of the following Total Fund thematic asset classes: high growth, growth, or inflation. The purpose of bucketing the Real Estate portfolio into different thematic asset classes is to better align the role of each investment with the objective of the respective thematic asset class. It is expected that each investment in the Real Estate portfolio will adhere to the same objective as the thematic asset class to which it has been assigned.

## **APPENDIX C: PRIVATE EQUITY PORTFOLIO INVESTMENT GUIDELINES**

### 1. Objective

The Discretionary Consultant will develop and maintain a private equity portfolio that will seek to generate attractive risk adjusted returns.

### 2. Benchmark

The Fund's public benchmark for private equity is the Wilshire 5000, plus 300 basis points.

### 3. Investment Guidelines

#### A. Private Equity Allocation Target

The Discretionary Consultant will manage the private equity portfolio in a reasonable manner to reach and maintain the Fund's targeted private equity allocation. The Fund is working towards the targeted allocation and expects to do so in a reasonable and disciplined manner over time.

#### B. Eligible Investments

The portfolio will be comprised of interests in pooled investment vehicles (typically limited partnerships) covering the broad spectrum of private equity investments including:

- Corporate Finance / Buyout
- Special Situations (including Mezzanine, Distressed Debt and Secondaries)
- Venture Capital (including Multi-stage, Early, Late and Growth)

On behalf of the portfolio, the Discretionary Consultant may acquire a portion of the interests in the secondary market from original investors who seek liquidity prior to the scheduled maturity of the partnership investment.

The Discretionary Consultant may not invest in the following areas:

- Real Estate focused funds

The Discretionary Consultant will not invest the portfolio in any partnership managed by or affiliated with the Discretionary Consultant without the prior consent of the Fund.

The Discretionary Consultant will keep the Fund's Investment Staff apprised of all potential and current investments in the private equity portfolio.

Fund's Legal Requirements. Due to the unique nature of private equity investments, all private equity entry documents and any accompanying side letters will be reviewed by the General Counsel to determine if the entry documents are sufficient for the Fund's legal requirements and needs. A private equity investment may not be made if certain legal requirements cannot be satisfied and the Fund is not willing to assume the legal exposure.

### C. Investment Categories

The Discretionary Consultant will seek to prudently diversify the portfolio across sub-sectors, in keeping with the broad ranges as outlined below. As the Fund rebalances the portfolio, the Discretionary Consultant will work towards compliance with these targeted ranges over the long-term.

<u>Sub-Sector</u>	<u>Target Range</u>
Corporate Finance/Buyout	40% - 80%
Special Situations	10% - 40%
Venture Capital	5% - 20%

### D. Geographic Focus

The Discretionary Consultant will seek to build a geographically diverse portfolio by investing in partnerships globally. The broad geographic diversification limits are set forth below:

<u>Geography</u>	<u>Target Range</u>
North America	40% - 80%
Western Europe	20% - 50%
Asia/Rest of World	5% - 20%

### E. Exposure Limits

Single Partnership:

- Minimum commitment of \$5 million
- Maximum commitment of \$25 million
- Maximum exposure of 20% of partnership's total commitments
- Maximum of 40% of total annual commitments to any one partnership

Commitments outside these ranges are permitted with prior Fund approval.

## 4. Annual Plan

The Discretionary Consultant will maintain an Annual Plan, which will be reviewed and updated each year, as appropriate. The Annual Plan reviews the Fund's progress towards reaching and/or maintaining the private equity allocation target. The Annual Plan also outlines the annual commitment pace and may provide detailed sub-sector and geographic targets, as well as any other relevant portfolio developments or information deemed necessary.

The Annual Plan will be reviewed with and approved by the Fund's Investment Staff each year, as part of the annual strategic planning process.

## **APPENDIX D: ABSOLUTE RETURN STRATEGY PORTFOLIO INVESTMENT GUIDELINES**

### 1. Purpose

The purpose of the Fund's Absolute Return Strategy Program ("Program") is to provide general guidelines to assist the Advisory Consultant(s) retained by the Fund and the Investment Staff in carrying out the goals and objectives set forth herein.

This document outlines policies to be used in the evaluation of the Fund's investments in the Program Strategies, as defined below, and in the identification and selection of Program Managers.

The Program is designed to enable the Fund to achieve the highest competitive risk-adjusted returns. Recognizing that capital markets change over time, this document will be revised and updated periodically to reflect these changes. Amendments to the Program must be approved by the Board.

Each Fund/Manager in the Program will be assigned to one of the following Total Fund thematic asset classes: high growth, growth, or diversification. The purpose of bucketing the Program into different thematic asset classes is to better align the role of each Fund/Manager with the objective of the respective thematic asset class.

### 2. Definitions

Program Strategies - Program strategies differ from traditional investment strategies in that the former derive a particular return from the skill of the Program Manager, whereas the latter derive a return that captures a risk premium associated with a particular asset class/sub-class (e.g. Domestic Large Cap Equities). While there are many different Program strategies available, the Fund categorizes the various Program strategies into four broad classes defined below (section 3).

Program Fund - any commingled investment vehicle organized to implement the Program Strategies of a Program Manager. Such commingled vehicle may be organized as either a US-based or foreign-based limited liability vehicle such as a Limited Partnership (LP), Limited Liability Company (LLC), Public Limited Company (PLC), Corporation, etc.

Program Manager - any company or individual which, by contractual agreement, the Fund allocates capital to be invested in Program Strategies. The capital invested in Program Strategies will typically be invested via a commingled fund investment structure, but may also be invested via a separate or managed account. The Fund shall not retain authority over the particular investment decisions of individual managers.

### 3. Program Strategy Classes

The Program will be composed of strategies broadly grouped into four categories, as follows:

#### A. Relative Value Strategies

Relative Value strategies seek to earn excess returns by identifying mispricing in particular securities without taking broad asset class directional risk, i.e. “market risk”. Representative strategies would include convertible arbitrage, fixed income arbitrage and equity market neutral strategies.

B. Event Driven Strategies

Event Driven strategies identify securities that can benefit from extraordinary transactions or events such as restructurings, takeovers, mergers, spin-offs, and bankruptcies. Representative strategies would include merger arbitrage and distressed investing.

C. Long/Short Equity Strategies

Long/Short Equity strategies attempt to earn excess returns through selected net market exposures, long or short, and security selection. Representative strategies would include regional and global long/short and sector specialists.

D. Opportunistic and Directional Strategies

Such strategies include shifting from directionally biased to non-directionally biased portfolios. Representative strategies would include Global Tactical Asset Allocation (GTAA), CTA and Global Macro.

It is expected that the Fund will access and diversify among these strategies directly and through multi-strategy fund vehicles employing a combination of strategies across the classes.

4. Goals and Objectives

A. General

The Program is composed of diverse alternative strategies which are intended to contribute to long-term investment performance, diversify the broad asset class base of the portfolio and reduce overall portfolio volatility. It is expected that the Program will produce excess returns or alpha compared to a cash benchmark and that the Program will compare favorably to returns earned from tactical alternatives to direct implementation. It is expected that each Fund/Manager in the Program will adhere to the same objective as the thematic asset class to which it has been assigned. The Program should also have constrained moderate exposure to equity and bonds.

The Advisory Consultant, with input from Investment Staff, is to maintain flexibility in creating the Program in order to capitalize on changes in the markets and newer, emerging opportunities. The Fund Investment Staff will control allocations to Program strategies, styles, managers and Program Funds, according to a rebalancing discipline (see below) taking into account current conditions and anticipated changes in the markets.

B. Diversification

It is expected that the Program investments will be diversified, as possible, by strategy, style, manager type, as well as geographic and economic regions, in order to avoid undue concentration in any one category or exposure. However, in constructing the portfolio, consideration will also be given to minimizing the potential impact on the Program of cyclical changes in the economy and capital markets.

#### C. Risk Management

The Advisory Consultant and Investment Staff will emphasize the evaluation of risk and return in the analysis of appropriate Program strategies and the managers of such strategies.

Portfolio performance and composition will be monitored and managed such that additional active strategies may be implemented and/or existing strategies terminated from time to time in order to improve the overall risk-adjusted performance of the Program.

The Advisory Consultant will recognize the role of manager selection in creating risk in the Program and shall perform due diligence in making initial selections.

#### D. Liquidity Management

The Program will not generally be considered as a short term liquidity source. However investment guidelines may stipulate certain criteria in relation to the liquidity profile.

#### E. Rebalancing

The Advisory Consultant and Investment Staff will regularly monitor the strategy exposures, manager weightings and net systematic exposures of the Program. A rebalancing of the Program is dependent upon current market conditions and expectations for the future and is therefore fundamentally discretionary.

### 5. Responsibility of the Advisory Consultant

The Board may retain an Advisory Consultant to assist the Investment Staff with the investments in the Program Strategies. The Advisory Consultant shall perform the functions and duties as set forth in the contractual agreement with the Fund. Such duties may include, but are not limited to:

- Recommending strategic and tactical allocation ranges to implement the Program Strategies approved by the Board;
- Initial due diligence on Program Funds identified by the Investment Staff or the Advisory Consultant for potential investment;
- Recommending underlying Program Funds following such due diligence;
- Risk evaluation and portfolio risk exposure reporting on potential and existing Program Funds;
- The monitoring of qualitative information relevant to the markets, the managers or the funds of the Program;
- The monitoring of existing investments in Program Strategies through continued due

- diligence and/or other means; and
- Assistance with any and all performance and other reporting required or requested by the Fund.

#### 6. Program Strategic Guidelines

The Advisory Consultant, with assistance from Investment Staff, shall formulate Strategic Guidelines setting forth the objectives of the Program with respect to annualized return, risk, and diversification. These guidelines will include broad target ranges for the allocations to the four strategy classes. The Strategic Guidelines will be approved by the Board. The Advisory Consultant and Investment Staff may, from time to time, recommend revisions to the Strategic Guidelines based upon an evaluation of existing and emerging market conditions and expectations for performance.

#### 7. Program Annual Tactical Plan

With the assistance of the Advisory Consultant, Investment Staff shall formulate an annual work plan aimed at achieving program objectives (the “Tactical Plan”). This plan is an implementation vehicle and will be presented to the Board.

The objectives for the Program form the basis for annual tactical allocations among Program funds. The allocations in the Tactical Plan shall consist of percentage allotments, within the Strategic Guideline ranges, to each of the four strategy classes. Acceptable ranges will be specified around each tactical allocation. The Advisory Consultant and Investment Staff will consider performance expectations, compliance with guidelines and anticipated market conditions in determining the optimal allocations to each Strategy for the current period.

The actual allocation to a Strategy may deviate from the targeted range as a result of changes in investment circumstances and performance. Investment Staff shall review such deviations and determine whether the current weighting is advantageous or the allocation needs to be adjusted to target.

#### 8. Program Fund Selection

The Advisory Consultant shall screen the relevant universe of Program Funds for potential investments, creating a list of such candidates for due diligence. The Advisory Consultant shall perform due diligence on candidate Program Funds with assistance from the Investment Staff, and the Advisory Consultant and Investment Staff will provide the Board with a finalist candidate for investment. The Advisory Consultant will provide Investment Staff with appropriate documentation reflecting the Advisory Consultant’s due diligence with respect to each finalist Program Fund.

In recommending an approved candidate to the Board, the Advisory Consultant, with assistance from Investment Staff, will provide the Board with a summary of the due diligence materials and recommendations prepared by Investment Staff and the Advisory Consultant. The Fund’s legal counsel shall review the potential investment for compliance with the laws, statutes, rules and regulations governing the Fund. The Fund’s legal counsel

shall examine all the Program Fund's offering documents, subscription agreement and side letter agreements, if any.

The Board will review and evaluate all materials provided by the Advisory Consultant and Investment Staff regarding a recommended Program Fund and will approve the appointment of the Program Fund subject to this review.

Investment Staff will negotiate the terms of the investment to be undertaken.

#### 9. Program Monitoring

Investment Staff will meet on-site with all current Program Funds on an "as needed" basis. Investment Staff will update its due diligence reports as a result of these meetings. Accordingly, Investment Staff shall review the Program Fund regarding the monitoring, controls, and procedures employed to limit the risks associated with the particular strategy. Following such visit, Investment Staff shall prepare a written report to the Board highlighting the Program Fund's performance and any changes in strategy, organization or investment outlook since the investment was approved. Investment Staff will also discuss investment performance and other issues with each Program Fund periodically via telephone during the course of the year. These conversations will be appropriately documented. Adverse developments within a Program Fund will be communicated to the Board promptly along with Investment Staff and the Advisory Consultant recommendations for corrective action.

The Advisory Consultant shall perform on-site visits on each existing Program Fund on an annual basis at least. The Advisory Consultant shall provide a detailed written report on the outcome of the due diligence meeting to Investment Staff within a reasonable time frame following the due diligence visit. The Advisory Consultant shall also provide written quarterly reports on each current Program Fund. These quarterly reports will include information on the aggregate performance of the Program Strategies in which the Fund is invested, individual performance for each Program Fund, the current economic environment impacting Program Strategies, economic forecast and outlook for the particular strategies, and any recommendations for specific action.

Each Program Fund shall provide the following reports to Investment Staff and the Advisory Consultant in connection with the investments made by the Fund in the particular investment vehicle:

- A. Monthly Net Asset Value (NAV) for the investment reflecting the number of units held by the Fund and the value of such units;
- B. Open Protocol Report provided to Advisory Consultant and the Fund;
- C. Performance Letter - on at least a semi-annual basis -- the Program Fund must provide a letter that discusses the performance of the Fund's investment during the preceding months;
- D. Annual Audited Financial Statements for the investment; and
- E. Report, in a timely manner, on material developments in the Program Fund which may impact the Fund's relationship and/or investment performance. Examples of such material impacts might include, but are not limited to, regulatory actions and investigations, loss of key investment personnel and other executive personnel

including personnel responsible for finances of the organization, changes in ownership structure, changes in investment processes, unusual client losses in type or magnitude, involvement in “incompatible” activities, changes in the direct investments of Principals, and changes in compensation structure or changes in the estimated capacity for the particular strategy or strategies.

A Program Fund that does not provide the required reports set forth shall be subject to redemption.

#### 10. Termination of a Program Fund

Based upon information gathered regarding a particular Program Fund, Investment Staff and the Advisory Consultant may determine that the investment is no longer appropriate for the Program. Termination may be indicated by shortfalls in any material item as listed in 9 above or by unusual style drift, underperformance or excessive draw-downs, or other analytical considerations with respect to the strategy or Fund. Investment Staff and the Advisory Consultant shall provide the board with a written analysis supporting termination in a timely manner.

#### 11. Program Watch List (Watch List)

Whilst not an absolute requirement, prior to termination a Program Fund may be put on a ‘Watch List.’ A Fund may be added to the Watch List for shortfalls in any material item as listed in 9 above or by unusual style drift, underperformance or excessive drawdowns, or other analytical considerations with respect to the strategy or Fund. In such cases, Investment Staff will document the reasons for concern. Such funds will receive greater scrutiny which may at Investment Staff’s discretion include requests for further information, conference calls and onsite visits with the manager. A manager may stay on the Watch List for any period of time until the documented reasons for concern have been reconciled or corrected or the Fund is terminated.

#### 12. Program Strategies: Scheduled Reports

##### Performance Benchmarks

The performance of individual Program Funds may be benchmarked against a series of benchmarks including cash benchmarks (i.e. T-Bills or LIBOR), selected market indexes, as indicated, and, where appropriate, a style index (e.g. HFRI Equity Market Neutral Index.)

##### Performance Reporting

Each quarter, the Advisory Consultant, in collaboration with Investment Staff, will prepare a report that compares the performance of the Program Funds against the benchmarks for the preceding quarter, year-to-date and annualized periods. The report shall provide the current allocation to each strategy and to each Program Fund. The report will also provide a synopsis of the performance of each active Program Fund and a list of Program Funds currently schedule for subscription or redemption, if any, as well as such subscription/redemption activity in the preceding quarter.

## **APPENDIX E: FUND ASSET CLASS GUIDELINES**

### **Fund Asset Class Guidelines**

Following are general guidelines and objectives established for the Fund asset classes and for each Manager retained by the Board. Individual Manager guidelines are designed to be consistent, in aggregate, with the Total Fund asset allocation guidelines and investment objectives set forth in this Policy. Each Manager will operate under a formal contract that delineates its responsibilities and appropriate performance expectations, and that includes a formal set of investment guidelines and administrative requirements for management of each portfolio.

#### **A. Domestic Equity**

Each equity Manager is expected to adhere to the following general guidelines:

- Equity holdings in any one company (including common and preferred stock, convertible securities and debt) should not exceed ten (10%) of the market value of the manager's allocation without the consent of the Trustees.
- Equity holdings in any one industry (as defined by manager's respective style and capitalization benchmark) should not exceed fifty percent (50%) of the market value of the manager's allocation. **The exception to this policy is any sector specific strategy approved by the Board.**
- Cash and cash equivalents should not exceed ten percent (10%) of the Manager's allocation of assets.
- No purchase shall be made by Manager which would cause a holding to exceed 5% of the issue outstanding.

#### **B. International Equity**

Each international equity Manager is expected to adhere to the following minimum guidelines:

- Equity holdings in any one company and all of its subsidiaries and affiliates (including equities, convertible securities and debt) should not exceed ten percent (10%) of the market value of the manager's allocation without the prior written consent of the Trustees.
- Equity holdings in any one industry should not exceed fifty percent (50%) of the market value of the Manager's allocation. **The exception to this policy is any sector specific strategy approved by the Board.**
- Cash and cash equivalents should not exceed ten percent (10%) of the Manager's allocation.

- The Manager may enter into foreign exchange contracts on currency provided that: (a) such contracts have a maturity of one year or less, and (b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within the Manager's portfolio. The intent is to dampen portfolio volatility and prevent currency loss. There shall be no direct foreign currency speculation or any related investment activity.
- The Manager may purchase or sell currency on a spot basis to accommodate specific securities settlements.

**C. Fixed Income**

Each fixed income Manager is expected to adhere to the following guidelines:

- The diversification of securities by maturity, quality, sector, coupon and geography is the responsibility of the Manager.
- The exposure of each Manager's portfolio to any single security other than a security backed by the full faith and credit of the U.S. Government or any of its instrumentalities should be limited to 10% of the Manager's allocation measured at market value.
- No purchase shall be made by a fixed income Manager which would cause a holding, excepting securities backed by the full faith and credit of the U.S. Government or any of its instrumentalities, to exceed 5% of the issue outstanding.
- Futures, and options, and/or swaps are permitted for purposes of managing duration, yield curve, and sector risk, and as a substitute for cash securities.
- Not more than 5% of a Manager's portfolio, valued at market, shall be invested in certificates of deposit, time deposits, bankers acceptances, commercial paper, or related investments of a single issuer financial institution or financial institution holding company family.
- Managers may enter into currency forward contracts with counterparties that have a short-term credit rating of at least A-1 or P-1. Managers may enter into netting agreements with these counterparties.
- Counterparties for other OTC derivatives (e.g., swaps and repos) must have a long-term rating from S&P of at least BBB.

**D. Cash and Equivalents**

Although Managers will be retained for their expertise in a certain investment segment, it is expected that from time-to-time each will have some cash and equivalents in their portfolios as a result of discretionary asset allocation decisions. Any idle cash not invested by the Managers shall be invested daily via an automatic

sweep STIF managed by the custodian. It is the Fund's objective to have no idle cash at any time in any Manager's portfolio.

**E. Pooled Vehicles**

The Trustees may invest a portion of the Fund's assets in commingled vehicles or institutional mutual funds if those investments are invested substantially in a manner consistent with the guidelines stated within this Policy. However, the Trustees recognize that such investments will be ultimately governed by the vehicle's established guidelines and restrictions, as outlined in the prospectus, subscription agreements, or other offering documents prepared by the investment manager.

## **APPENDIX F: INVESTMENT MANAGER TRANSITIONS**

In the event of the need to perform transition management activities (including, but not limited to, the transfer of the management of assets from one investment management firm to another, exposure management during funding or de-funding of an investment management mandate, or the like), Investment Staff, with advice from the General Consultant, will determine the most efficient and prudent manner to perform such transition, including determining whether to use a Transition Manager, the legacy Investment Manager(s) or the target Investment Manager(s) to effect the contemplated asset restructuring.

1. If it is determined the Fund will use a Transition Manager, Investment Staff will select a Transition Manager from the Board's pre-approved list of Transition Managers after review of pre-trade analysis submitted by the Transition Managers, as well as each Transition Manager's pre-trade fee estimate and expertise for the asset class(es) to be transitioned.
2. Investment Staff is authorized to engage a Transition Manager on the Board's pre-approved list of Transition Managers under the terms of a master agreement executed with each Transition Manager.
3. Following the completion of each transition event, Investment Staff will report to the Board on the results of the selection process, the estimated costs of the transition, and the actual costs of the transition.
4. On a periodic and as-needed basis, Investment Staff and General Consultant will provide analysis and a written opinion to the Board as to the status of the Board's preapproved list of Transition Managers, the qualifications and performance of its members, and other relevant information.

## **APPENDIX G: SECURITIES LENDING**

### **A. Objective**

The objective of the securities lending program is to generate incremental income from overnight and certain term loans of securities in the portfolio, subject to guidelines described herein, utilizing a high-quality and reasonably conservative cash collateral re-investment program that safeguards the return of principal and maintains adequate daily liquidity to support trade settlement activity and portfolio restructuring activities.

### **B. Lending Agent**

The Fund may contract with a securities lending agent (“the Agent”) to establish, manage and administer a securities lending program. The Agent or its parent organization must be experienced in the operation of a fully secured securities lending program. The Agent facilitates lending the Fund’s domestic and international equity and fixed income securities in return for collateral consisting of cash, U.S. government securities and irrevocable letters of credit issued by banks independent of the borrower.

### **C. Program Guidelines**

#### **1. Collateralization and Eligible Collateral**

Cash collateral is to be invested in government securities, bank and corporate notes, bank certificates of deposit, time deposits, bankers’ acceptances, repurchase agreements, commercial paper and asset backed securities. The contract with the Agent specifies guidelines for allowable investments, maturities, and diversification. The Fund does not have the ability to pledge or sell collateral securities without borrower default. The Agent will collect and maintain proper overcollateralization as follows:

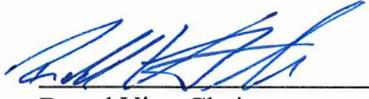
- a. Domestic (United States domiciled and Non-US domiciled issued in US dollars) securities: Initial Margin of 102%
- b. International (non-United States domiciled) securities: Initial Margin of 105%

#### **2. Cash Collateral Reinvestment Guidelines**

Cash collateral may be reinvested through a pooled fund managed by the Agent or through a separately managed account structure. Investment Staff will evaluate and may recommend the use of a commingled pool considering the benefits of liquidity that a pool structure offers in conjunction with its investment objectives, guidelines, restrictions, and strategy. Such analysis will also consider transparency of the investment process and internal controls.

**FORT WORTH EMPLOYEES' RETIREMENT FUND  
STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES**

**Approval:**

  
\_\_\_\_\_  
Board Vice-Chair

January 24, 2018  
\_\_\_\_\_  
Date