

San Diego County Employees Retirement Association
Request for Proposal
Custodial Services
Questions and Answers

Question: The nature of the proposal requires an in-depth analysis of SDCERA's separately managed accounts assets. The analysis is necessary to understand cost to provide services and to estimate securities lending revenue. Both analyses require a fair amount of time, so at this time we are respectfully requesting that SDCERA provide an excel spreadsheet with the following data:

- asset name
- asset type
- market value
- country of risk
- any foreign currency balances
- average cash balance in STIF cash sweep fund
- average number of trades by asset class and country.
- number of accounts: separately managed & single line.

Answer: The asset allocation is changing. There will not be any meaningful separately managed accounts to list. Past information would not be an accurate reflection of future investment allocations and would not provide much assistance. Please review SDCERA's new asset allocation, located on page 7 of the enclosed Investment Policy Statement, for information to assist in developing a cost estimate. In addition, please note that securities lending income will not be as much of a driver as in the past.

Questions—Securities Lending:

Would you please provide your securities lending reinvestment guidelines? They are enclosed.

What is your current fee arrangement? There is an 80/20 split.

Are you currently in a pool or custom fund? SDCERA is in a custom fund.

Please comment upon your ability to exit program participation at your incumbent should you select a different lending agent. SDCERA has full discretion to leave our securities lending agent at any time.

Question: What investment guidelines does SDCERA have around their overnight cash?

Answer: SDCERA generally has a conservative approach to cash management. SDCERA is more interested in capital preservation as opposed to price appreciation. It is likely SDCERA will utilize other external cash managers, in addition to the custodial bank.

Question: What are SDCERA's average cash balances?

Answer: Up to \$2-3 billion, SDCERA is likely to use an external cash manager for a large component of the cash

RFP Clarification Questions:

3.4 SAFEKEEPING, PROCESSING, ACCOUNTING, REPORTING AND SETTLEMENT

30. Do you time stamp tickets?

***Clarifying Q – what transactions is this in relations to?

Answer: Foreign exchanges

33. Do you reconcile to best execution?

***Clarifying Q – please confirm this is about foreign exchange transactions only

Answer: Foreign exchange transactions only

Investment Analytics & Consulting

Fund Type	# of Accounts
Separately Managed Accounts	5-10
Commingled Accounts / One-Liners	15-20
Composites	18-22

Commingled accounts excludes RE and PE

Please enter your needs for Performance Measurement, Characteristics, Attribution, and Value-at-Risk.

Scope of Services	Performance	Characteristics	Attribution	Value-at-Risk
Required? (Yes/No)	Y	Y	Y	N
Monthly or Daily?	M	M	M	M
Equity, Fixed Income, or Both?		B	B	
Include Commingled Accounts? (Yes/No)		Y		
Based on Account Returns or Holdings?			Returns	Returns
At what level? (total fund, asset class, sector, country, and/or security)	TF,AC		TF, AC	TF, AC

Plan & Manager Analysis

- Are you interested in Wilshire TUCS reporting that compares a plan's performance to the performance of similarly sized plans? If so, do you require at the plan level, asset class level, or manager level? **Yes, Plan level**
- Are you interested in reporting that shows how your investment managers stack up against their peers? **No**
- Are you interested in having access to an online Manager Universe tool that shows how various investment managers stack up against each other? **No**
- Are you interested in having access to an online tool that helps you experiment with different asset allocations and manager selections to see which ones may generate the optimal risk-adjusted returns? **No**

Indices & Classifications

- Please provide a complete list of benchmarks that you utilize.

Asset Class	Benchmark
Global Developed Equities	MSCI World Net Index
Emerging Market Equities	MSCI Emerging Markets Index
High Yield	ML High Yield Master II
Private Equity	Uninvested Portion: Russell 3000 Invested Portion: Russell 3000 + 3%
Total Growth Oriented Assets	Target Weighted Average of Subcomponents
Emerging Market Debt (Local)	JP Morgan GBI--EM Global Diversified (Unhedged)
Asset Allocation Strategies	2/3 HFRI Macro + 1/3 Barclays CTA Indices
Relative Value Strategies	Three-Month Treasury Bills + 2%
US Treasuries	Barclay's 10-year UST Futures Index*
Total Stable Value Assets	Target Weighted Average of Subcomponents
Real Estate	Uninvested Portion: DJ US Real Estate Invested Portion: NCREIF NPI
Natural Resources and Other Real Assets	1/3 GSCI + 1/3 Citi MLP + 1/6 S&P Materials Index + 1/6 S&P/TSX Materials Composite Index
Treasury Inflation Protected Securities	Barclay's Capital US TIPS
Total Inflation-Sensitive Assets	Target Weighted Average of Subcomponents
Total Fund	Target Weighted Average of Subcomponents

Also S&P 500, Russell 2500

Reporting

- Please provide your reporting deadlines following completion of accounting. 10 business days?? **It depends on the manager. In general, 5 business days and 10 business days.**

Other

- Please provide details of the requirements for FTP feeds to or from any third party systems.
Albourne, Ennis Knupp