

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION  
REQUEST FOR PROPOSALS  
QUESTIONS AND ANSWERS**

**INVESTMENT COMMITTEE, OVERSIGHT & MEETINGS**

1. Are there any governance and/or fiduciary concerns from the Committee on their responsibility with respect to the management of the Foundation?  
**Our Committee includes volunteers who have little to no time to provide the level of oversight and due diligence that managing a portfolio of our size requires. As a result, the Committee feels it is prudent to obtain some support where investment oversight and management are concerned.**
  - a. What type of turnover has the committee experienced over time?  
**The committee has been relatively stable over time.**
  - b. How involved does the committee wish to be in the various stages or decisions in the portfolio? Is this changing?  
**The committee wants to be informed and engaged but not involved in day to day decisions. We would expect detailed quarterly reports and attendance at investment committee meetings.**
  - c. Do you have a sense of the effectiveness of their governance process? How effective at making and executing decisions have they been?  
**Our governing process has been very transparent and effective.**
2. Are there any particular educational needs of the committee?  
**Some members are quite sophisticated; others less so. Ongoing board development is expected (once or twice per year).**
3. Where does the Committee focus most of their attention/time?  
**This varies; we are concerned with our investment results, our commitment to socially responsible investing and our fiduciary responsibility.**
4. Do you use a consulting firm presently? If so, would you be willing to share the incumbent's identity? Are you currently in an advisory or OCIO relationship?  
**The Foundation does not have an OCIO or investment advisor.**
5. What characteristics are you looking for in an advisory or OCIO relationship? Why are you considering an OCIO relationship?  
**The Foundation has not yet decided whether to go with an OCIO or traditional advisor (non-discretionary advisor). With regards to characteristics, the Foundation is looking for a firm with a strong track record advising similar institutions.**

6. What do you think is the single most important characteristic of an investment consulting firm?

**We seek a firm that can give us strong risk-adjusted returns, who can explain their decision well to our committee and who can help with ESG/SRI issues.**

7. Is there currently a preference for discretionary or non-discretionary consulting by either the Investment Committee or Board?

**The Investment Committee and Board are open to both models and through this process we will determine how we want to proceed.**

8. What issues are currently under consideration by the staff and/or committee? Are there strategic decisions currently pending with staff or the committee that the selected consultant would need to address and make recommendations on?

**We divested from direct investments in coal and tar sands a few years ago and we are considering taking a stronger stance on fossil fuel.**

9. Please describe the make-up of the Investment Committee?

**The Investment Committee includes nine (9) board members, as follows:**

1. **Kimberly Brandon, Investment Committee chair (Morgan Stanley)**
2. **Leona Bridges (SF Municipal Transportation Agency)**
3. **Brent Stranathan (CBS Television)**
4. **Neda Nobari (Neda Nobari Foundation)**
5. **Taylor Safford (Pier 39)**
6. **Ron Cortez (SF State University)**
7. **Robert Nava (SF State University)**
8. **Phil King (Economics, SF State University)**
9. **Maureen Pasag (SF State University)**

**For Committee members' bios, please go to our website at: <http://sfsufdn.sfsu.edu/>**

10. What are the internal staff resources associated with the oversight and management of the portfolio?

**There are no internal staff resources with respect to oversight and management. Internal staff resources are more administrative in nature.**

11. How does the Investment Committee interact with, and make decisions with, internal staff, and your current advisor?

**Not applicable. There is currently no advisor. See #10 above.**

12. How many professionals on staff work on the investment program?

**There are no investment professionals on staff. However, the Investment Committee includes investment professionals.**

13. Are you exclusively looking for an outsourced CIO provider, or are you considering nondiscretionary providers as well?

**The RFP is open to both OCIOs and non-discretionary providers. The Investment Committee will decide on the model once all proposals are received.**

14. Are there any particular philosophical preferences amongst the Investment Committee (e.g., regarding asset allocation; use of alternative assets; direct vs. fund-of-funds; active vs. passive management; etc.)?

**No.**

15. Who is your current advisor? What is working well? Are there specific things you are looking for that you are not receiving today?

**See # 4 above.**

16. What services are you receiving today? Are you considering both outsourced CIO and nondiscretionary providers, or just OCIO?

**See # 12 above.**

17. Do you currently retain an investment consultant?

**No.**

18. What are the main reasons for conducting a search at this time? What are the key challenges or concerns you are currently facing from an institutional or portfolio perspective?

**The Foundation has set a goal of increasing its endowment up to \$100 million by 2020 (the University's first fundraising campaign will help achieve this). Plans for a larger endowment require a different investment oversight/management model to achieve this goal.**

19. Given the established decision criteria as stated in the RFP, is there a driving factor(s) in the decision making process? What is most important?

**Fees, investment track record and timeliness of performance reports are the most important concerns.**

20. Section V of the RFP lists the criteria on which proposals will be evaluated. Can the criteria be ranked?

**See #19 above.**

21. Could you identify when your investment committee meetings are held, and when your board meetings are held? Do they coincide with each other on the same days?

**Our Investment Committee meets about six times per year (every other month). These are separate meetings from the board meetings. The incoming OCIO/advisor would be required to attend (either in person or via phone) investment committee meetings. As for board meetings, attendance may not be required but that would be the Investment Committee's call. Altogether, the investment and board meetings total about 10 meetings per year.**

22. Will the consultant be required to attend all meetings in person or will some meetings be conducted via conference call?

**See above**

23. Are all meetings conducted on different dates, meaning that there would be at least eight separate board/committee meetings per year?

**See above.**

24. Could you identify how many “various meetings” are typically held during the year, when the Investment Consultant would need to attend?

**See above**

25. What will be the frequency of meetings?

**See above.**

26. Can you please confirm that IC and Board meetings do not occur on the same days?

**See above.**

## **ALTERNATIVE INVESTMENTS**

27. With your recent redemptions from several alternative investment strategies, is the investment committee still open to maintaining an allocation to alternatives investments as defined in your IPS?

**Yes, we will continue to maintain an allocation to alternative investments.**

28. What % of the \$65m is in the LAIF? Will the consultant manage these as well?

**The endowment is now at \$70M. Approximately 4.3% is invested with the Local Agency Investment Fund (LAIF) and the consultant will not manage these as well.**

29. We observe how the foundation currently maintains a 5% allocation to Money Market (\$3mm). Will this be a requirement in the portfolio going forward? Is the Foundation open to maintaining short-term cash needs outside of the investment portfolio so as not to have a potential cash drag on performance?

**Yes. Also, keep in mind that the Foundation maintains funds in LAIF, which is outside of the investment portfolio.**

30. You mention you have assets in alternatives investments? What % of the \$65M are in alternatives? **Of the \$70M in assets, 20.28% is in alternative assets.**

a. What type of alternative investments i.e. hedge, private equity, real estate? **(mostly in HFRI FOF, S&P 1500 Health Care, MSCI ACWI, Bloomberg Commodity Index, S&P TSX Composite, CG Broad Bond, NAREIT).**

b. Are these investments that are proprietary UBS products? **No, these are not proprietary UBS products.**

- c. Do you still have capital calls? **We still have capital calls on a couple of alternative investments.**
31. To the extent alternative investment strategies are employed, are those invested directly or through funds of funds?  
**Please see #30 above.**
32. Does the Foundation use fund of funds or direct funds for hedge funds and private markets investments?  
**See above. However, generally, we have stayed away from funds of funds since fees are high.**
33. What is the Committee's view on alternatives (risk/performance/liquidity etc.)?  
**The Committee views alternatives as an important part of portfolio diversification and for long-term growth.**
34. What is the committee's current thinking regarding the use of alternatives in the portfolio?  
**See above.**
35. To achieve your desired 7.75% target return there will likely be the need to build out your allocation to private capital strategies (PE/VC) and private real estate. These programs are long-term illiquid strategies. Is the investment committee open to incorporating these types of strategies as a component of your long-term policy portfolio?  
**Yes.**

## **PORTFOLIO AND ASSET ALLOCATION**

36. In your IPS, under Asset Allocation, you separate the Fund into three categories (long/medium/short-term). Of the Foundation's current \$65M in assets, how much of it is currently allocated to each of these categories? Will the Foundation have a need to manage any portion of the Foundation's assets according to short or medium term allocation?  
**Most (>90%) is long term at the moment although this may change with our fundraising campaign.**
37. Do you anticipate making any changes to the asset allocation of the Foundation? Are you considering any new asset classes?  
**We are open to suggestions.**
38. What is the most important investment issue your Foundation is currently facing?  
**How we achieve our goal of being fossil free while earning a reasonable return on our investments.**
39. Can you provide a copy of your current portfolio?

**Yes. Please request this report via email, if you have not already received it.**

40. What do the staff and committee see as the primary challenge(s) with the portfolio?

- a. How do you define risk?
- b. What are your pain points?

**We use standard metrics for risk.**

41. How do you measure success? (Financial metrics, ESG metrics, Risk Metrics, Mission Metrics, Peer or constituent metrics, Qualitative metrics)?

**Financial and ESG metrics.**

42. What has been the catalyst for change in asset allocation or manager implementation over time?

- a. What has driven portfolio changes historically?

**Changes have been determined by market conditions and portfolio performance.**

43. Are there any ongoing discussions around possible changes to the current policy, managers, or asset allocation?

**Yes. We are currently reviewing our governance structure and asset allocation but no action will be taken until a consultant is on board.**

44. Are there strong views on passive vs. active managers?

**No.**

45. What is the Foundation's philosophy on the use of active versus passive strategies?

**We have tended to opt for active strategies with managers that have good long-term records and reasonable expenses, but we have also used index funds and quasi-passive investments.**

46. What is the purpose of the asset pool?

**This question is not clear.**

## **CUSTODIAN**

47. With regard to custodial relationships, is the Foundation open to changing custodians as part of working with a new provider? For example, we work with State Street Corporation as our custodian.

**Yes, the Foundation is open to changing custodian.**

48. Will UBS continue to be the custodian? Or will the new consultant provide those services?

**The Foundation is open to changing custodian. However, the Foundation would like separate third-party firms for investment advisory and custodial services.**

## **ESG/SRI**

49. As we read question #7 (page 3), you mention divesting from fossil fuel holdings. We wonder if the Investment Committee is open to considering active strategies that employ a low carbon approach and seek to screen out the following; the worst carbon offenders; companies who are large owners of carbon; or companies that are highly sensitive to carbon. This type of strategy is not a blunt divestment strategy but is a fiduciary solution that pays attention to tracking error versus a broader global equity benchmark.

**We are open to this discussion but our goal is to be free of fossil fuel in the next 3-5 years.**

50. Given your manager roster, please denote which manager you use for ESG/SRI implementation and what specifically you are excluding with each strategy (i.e., coal and/or tar sand)?

**UBS manages our Green Fund. We are currently excluding coal and tar sands, per the Foundation Resolution on Fossil Fuel.**

51. Does the Foundation seek to implement any specific mission-related or socially responsible investment objectives?

**We have designated \$5 million for a greener ESG fund, which we call the “Green Fund”.**

52. The IPS reflects the Foundation’s commitment to divesting from fossil fuel holdings. Are there other ESG/SRI initiatives the Foundation is particularly focused on going forward?

**The Foundation is working on developing a carbon footprint for our portfolio.**

53. How is this commitment intended to be applied across the portfolio? i.e. is there flexibility/room for exceptions?

**We are open to recommendation but our goal is to be free of fossil fuel in the next 3-5 years.**

## **PFM STUDY**

54. The PFM evaluation has many valuable recommendations. Which recommendations are top priorities for the Foundation?

**The top priorities for the Foundation are as laid out in the study: 1) hiring an Outsourced CIO or traditional advisor; 2) updating the investment policy statement; 3) improving portfolio diversification; 4) reducing allocation to hedge funds and other alternatives; and 5) removing expensive, underperforming active.**

55. As we prepare to answer Question 24, should we seek a sample portfolio that is similar to the current portfolio, or one of PFM’s alternative portfolios (as detailed on page 23 of the “SFSU Analysis – Final.pdf”)?

**This is strictly up to the responder. We merely want to get a sense of how the prospective consultant would allocate our funds and why.**

56. As discussed on Page 14 of the “SFSU Analysis – Final.pdf,” PFMAM recommends either managing the Asset Allocation as a single pool (and monitoring cash needs) or separating the assets into two buckets (long and short-term). Does the Foundation have a preference here?  
**No.**

## **SPENDING & INVESTMENT POLICY**

57. Does the Foundation anticipate any changes to its spending policy?  
**Not at this time.**
58. What is your spending policy?  
**Our spending policy is up to 4.0% of a fund’s fair market value, based on the average daily balance calculated quarterly.**
59. Do you have any difficulties in staying within the current spending policy?  
**No.**
60. Are there any liquidity constraints? **No.**  
a. Borrowing activity to support spending commitments? **No.**
61. Do you have any specific liquidity preferences or constraints for the investment program?  
**We have ongoing expenditures that require some liquidity but this is small in relation to the size of the portfolio.**
62. Could you please provide a listing of your current managers, along with your current asset allocation guidelines?  
**Not at this time.**
63. Can you help us better understand the long-term return objectives, risk tolerance, liquidity needs, and any other important policy considerations for the portfolio?  
**Our long-term return objective is 7.75% (this includes our spending policy of 4%, our management and investment fee of about 2% and inflation). Our risk tolerance is somewhere in the middle (not too low or too high). Finally, there is minimal liquidity need.**
64. What are the demands on the portfolio (i.e., 5% spending, debt covenants, etc.)?  
**Just the annual 4% spending. The Foundation has no debts.**
65. Could you please share your investment policy statement?  
**The investment policy statement may be found on our website at:**  
<http://sfsufdn.sfsu.edu/content/policies>

## FEES AND FUNDING

66. Does the foundation manage the endowment to a “fee budget” in considering the implementation of investment strategies? Specifically, how will fees and the total cost of managing the portfolio be considered in your selection process versus the importance of generating performance, net of fees?

**We look at performance net of fees. Since future performance is unknown, reasonable fees are significant.**

67. Is there a preference for fee structure? (a la carte/all-inclusive, etc.)

**No.**

68. Is the Foundation facing any budget constraints, which will make price rather than quality drive the selection process?

**No, the Foundation is not facing any budget constraints at this time. Nonetheless, we want the fees to be reasonable.**

## OTHER

69. Are you entering or planning to enter into a campaign where new monies will be added to the Foundation assets? **Yes. The Foundation is currently in a 6-year fundraising campaign. The campaign should end in 2020. To date, we have raised \$50 million of our working goal of \$150 million.**

- a. Are there any large gifts you expect to receive soon that would significantly increase the Foundation assets? **The Foundation recently received a large \$5 million gift and expects future large gifts during the comprehensive campaign.**
- b. Conversely, are there any near-future payments or disbursements that will significantly reduce the Foundation assets? **None.**

70. Can you elaborate on the types of specialized studies you would be looking for?

**While there is no specific study at this time, the Foundation would like for the prospective consultant to be aware that there may be requests for information beyond the typical reporting.**

71. Are references required within the RFP submission, or can those be provided at a later time should we make it to the finalist round?

**References are required with the RFP submission as this will be part of the decision-making process.**

72. How many other firms are you considering? Types of firms?

**We expect to receive approximately 25 proposals. They are from firms and individual advisor/consultants across the country.**

73. Are there any initiatives being planned for the next 12-16 months?

**Nothing beyond the fundraising campaign mentioned above.**

74. Who else have you requested to respond? Why were they chosen to participate?

- a. Any requested providers have current personal relationships with committee members or the Foundation?

**No.**

75. What do you expect in terms of communication and education?

**In terms of communication, we expect to meet with managers (in person or via phone) as well as reasonably frequent phone calls. In terms of education, we expect to receive studies/reports/white papers on market trends or developments in the market as well as webinars, calls, invitations to seminars, etc (whether sponsored or recommended by the consultant).**