

# REQUEST FOR PROPOSALS (RFP)

FOR

Investment Consultant Firm

**FIRE AND POLICE PENSION FUND,  
SAN ANTONIO**

FIRE AND POLICE PENSION FUND, SAN ANTONIO  
11603 W. COKER LOOP; SUITE 201  
SAN ANTONIO, TX 78216  
TELEPHONE: 210-534-3262  
E-MAIL: INVESTMENT@SAFIREANDPOLICEPENSION.ORG

## PROPOSAL SUBMISSION DEADLINE:

**\*\*\*\*\*MUST BE RECEIVED NO LATER THAN 4:30 P.M., SEPTEMBER 30, 2011\*\*\*\*\***  
CENTRAL STANDARD TIME

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### NAME AND ADDRESS OF COMPANY SUBMITTING PROPOSAL ("PROPOSER"):

Meketa Investment Group, Inc.  
100 Lowder Brook Drive  
Suite 1100  
Westwood, MA 02090

Contact Person: Leandro A. Festino  
Phone: (305) 341-2900 Fax: (305) 341-2142  
E-Mail: lfestino@meketagroup.com



M E K E T A I N V E S T M E N T G R O U P

B O S T O N

M I A M I

S A N D I E G O

*VIA Electronic Mail*

September 30, 2011

Mr. Jesús R. Torres  
Investment Analyst  
Fire and Police Pension Fund, San Antonio  
311 Roosevelt Avenue  
San Antonio, TX 78210

**Re: REQUEST FOR PROPOSAL – INVESTMENT CONSULTANT FIRM**

Dear Mr. Torres:

Thank you for including Meketa Investment Group in your Investment Consultant Firm search. We respectfully submit the enclosed proposal to provide General Consulting Services for the Fire and Police Pension Fund, San Antonio. Meketa Investment Group is a full-service investment consulting firm advising 71 clients, representing over 140 funds, whose total aggregate assets exceed \$300 billion. We advise clients throughout the United States from our offices in Massachusetts, Florida, and California.

Meketa Investment Group distinguishes itself in the following primary areas:

***Experience*** - Meketa Investment Group has been advising institutional funds continuously since 1978. Our consultants have an average of seventeen years in the industry and ten years at our firm.

***Independence*** - We are independently owned by senior employees, and we do not have any financial relationships with investment managers, brokers, banks, or parent companies.

***Fiduciary Responsibility*** - We act in a Fiduciary capacity for all of the services we provide to our clients.

***Customized Service*** - With 97 employees and 71 clients, we have a high staff-to-client ratio, providing an intense level of client service and customized solutions to each client.

***Industry Thought Leaders*** - Our work goes beyond what is offered by traditional consulting firms. We have created new ways to look at asset allocation, to build customized programs and to construct public markets portfolios. We create and implement custom risk control measures for our clients, including Safety Reserve® portfolios and Crisis Response plans. We are not afraid to think independently.

***Cost Control*** - Controlling costs can save funds millions of dollars each year, but it requires a great deal of work. With our very low client-to-consultant ratio of 4 to 1, Meketa Investment Group is staffed to perform this work for our clients.

***Public Fund Experience*** - We began consulting to public funds in 1998, when we were hired by our first Massachusetts public pension fund, which remains a client today. Currently, we work with seventeen public fund clients, including some of the largest in the nation. We are committed to serving the public fund marketplace.

September 30, 2011

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*Outstanding Performance* - Our clients' success is the greatest measure of our success. We are pleased that our annual client turnover has averaged less than 3% historically. We believe this speaks to the level of satisfaction achieved by our clients.

We are excited about the opportunity to present our capabilities, and look forward to the prospect of working with Fire and Police Pension Fund, San Antonio. If you have any questions, please call our office at (305) 341-2900. Thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read 'LFestino', with a stylized, flowing script.

Leandro A. Festino, CFA, CAIA  
Managing Principal / Consultant

cc: Rafael Ramirez Jr., Investment Analyst



M E K E T A     I N V E S T M E N T     G R O U P

B O S T O N

M I A M I

S A N   D I E G O

## MEKETA INVESTMENT GROUP

PROPOSAL TO PROVIDE  
INVESTMENT CONSULTING SERVICES  
FOR THE  
FIRE AND POLICE PENSION FUND,  
SAN ANTONIO

Submitted by  
Meketa Investment Group  
September 30, 2011

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**MEKETA INVESTMENT GROUP**  
CONSULTANT QUESTIONNAIRE

### **Section III - Consultant Questionnaire**

#### **A Company Background**

- 1. Provide a brief history of the firm including year of inception, ownership, affiliated and subsidiary companies and relationships, joint ventures, and any business partners.***

Meketa Investment Group was founded in 1974 by James Meketa as an investment partnership. In 1978, the firm was incorporated under Massachusetts law and became registered with the Securities and Exchange Commission as an investment advisor. We have been in business continuously for thirty-three years.

The firm originated by providing investment strategy and systems advice to the Harvard Management Company (The Harvard University Endowment). The firm was hired by its first pension fund client in 1978, a relationship which continues to this day. Since 1978, Meketa Investment Group has grown steadily, and today consults for clients with aggregate assets of approximately \$300 billion.

Meketa Investment Group is independently owned by ten senior professionals. We have no subsidiary companies, joint ventures, or business partners.

- 2. Describe all significant developments with your firm in the last three years, such as changes in ownership, restructuring, personnel reorganization, and philosophy. Disclose any known or contemplated future changes in your organization.***

In 2010 and 2011, ownership was extended to include four senior professionals: Leandro Festino, John Manley, Fran Peters, and Kellie Coonan. At this time, we have no planned changes to our ownership structure or resources. We intend to continue to hire professional staff as our company grows and we also intend to expand ownership to other senior professionals in the future.

In 2011, Meketa Investment Group opened an office in Miami, Florida.

- 3. Provide the address of your corporate office and a description of the firm, including number and location of offices, number of professional consultants, and scope of services offered. Also indicate which office(s) would service the Retirement System.***

Meketa Investment Group's headquarters is located outside of Boston, Massachusetts. We also have a West Coast office located near San Diego, California and an office located in Miami, Florida. All of Meketa Investment Group's services are provided on a team basis from our offices. All offices perform similar functions (research, client service, investment consulting, marketing, etc). The Boston office has responsibility for certain back-office functions, the responsibility of the firm's CFO and COO. Sixty-nine of Meketa Investment Group's employees (twelve are consultants) are located in our Boston office, twenty-three employees are located in our San Diego office (five are consultants), and three employees are located in our Miami office (one is a consultant).

**MEKETA INVESTMENT GROUP**  
FIRE AND POLICE PENSION FUND,  
SAN ANTONIO

**PROPOSAL TO PROVIDE  
INVESTMENT CONSULTING SERVICES**

***Boston Office (Headquarters)***

100 Lowder Brook Drive, Suite 1100  
Westwood, MA 02090  
Telephone Number: (781) 471-3500  
Fax Number: (781) 471-3411

***Miami Office***

1001 Brickell Bay Drive, Suite 2000  
Miami, FL 33131  
Telephone Number: (305) 341-2900  
Fax Number: (305) 341-2142

***San Diego Office***

5796 Armada Drive, Suite 110  
Carlsbad, CA 92008  
Telephone Number: (760) 795-3450  
Fax Number: (760) 795-3445

If hired, professionals from our Miami and San Diego offices would serve this account.

4. *Provide an organizational chart of your firm showing functions, positions, and titles of all key personnel involved in consulting services. Provide a brief description of the relationship between each component and the consultant(s) who would service the Retirement System.*

Please refer to Appendix B for Meketa Investment Group's Organizational Chart.

Meketa Investment Group's Investment Advisory Services Department is comprised of 18 consultants, 31 investment analysts, and 10 data analysts. The Investment Advisory Services Department is responsible for developing, improving, producing, and delivering our investment services. This includes product development, on-going research, report writing, investment strategy advice, money manager monitoring services, manager and custody searches, fund coordination, and general client service.

The Marketing and Client Service Department is responsible for developing policies, procedures, and services aimed at retaining existing clients and attracting prospective clients. This department coordinates marketing and client service efforts throughout the organization.

The Operations Department oversees the internal functions of the company and is specifically responsible for overseeing the Administrative Services, Data Systems, Office Management, and Technology Departments.

The following consultants would service the Fund:

- Mr. Leandro A. Festino, CFA, CAIA, Managing Principal
- Ms. Laura Wirick, CFA, Vice President
- Mr. Stephen P. McCourt, CFA, Managing Principal



5. *Describe all of your firm's lines of business and the approximate contribution of each to the total revenue. If your firm is an affiliate or subsidiary of an organization, state percent of the parent firm's total revenue generated by your firm.*

Meketa Investment Group has only one line of business – providing investment advice to institutional funds. 100% of our firm's revenues are derived from providing investment consulting and advisory services to institutional plans sponsors. Our firm is 100% employee-owned, and is not an affiliate or subsidiary of any organization.

6. *State what you believe distinguishes your consulting services from your competitors. Describe any services of your organization that may not be offered by other consultants.*

There are many factors which are critical to consider when selecting an investment consultant. Below are examples of areas in which we believe Meketa Investment Group distinguishes itself from peers:

**Investment Consulting Focus** – Meketa Investment Group is 100% committed to providing investment advisory services. It is our only line of business and has been our only line of business since the inception of the firm over thirty years ago.

**Independent, Objective Advisors** – Consultants must be independent and objective. Meketa Investment Group is independently owned, and does not have any financial relationships with investment managers, brokers, banks, or actuaries. We do not receive soft dollars or any brokerage commissions. Unlike many other consulting firms, we do not sell any services to the investment management industry. 100% of the firm's revenues are derived from our clients. Our independence allows us to provide clients with unbiased advice.

**Fiduciary Responsibility** – Meketa Investment Group acts in a *Fiduciary* capacity for all of the services we provide to our clients. Unlike many consultants, we have been serving as a fiduciary to clients since the inception of the firm over thirty years ago. We are a fiduciary by choice.

**Experience** – Meketa Investment Group was founded in 1974 as an investment partnership. In 1978, the firm was incorporated under Massachusetts law and became registered with the Securities and Exchange Commission as an investment advisor. We have been in business continuously for over thirty years. The firm originated by providing investment strategy and systems advice to the Harvard Management Company (the Harvard University Endowment). The firm was hired by its first pension fund client in 1978, and the relationship continues to this day. Since 1978, Meketa Investment Group has grown steadily, and now consults to clients with approximately \$300 billion in institutional assets.

**Customized Service/Depth of Team** – With 97 employees, including 57 investment professionals, Meketa Investment Group has a very low client-to-consultant ratio. This allows us to offer our clients the intensive level of service that they deserve. Each of our clients is assured personal attention from one of several consultants, analysts, and support staff. We provide immediate and detailed responses to all inquiries from our clients. We attend all meetings at which our presence is requested, and our

responsibilities related to other clients will never interfere with our charge to provide our clients with the most comprehensive, personalized consulting services possible. We are committed to maintaining this high standard of service.

**Industry Thought Leaders** – Our work goes beyond what is offered by traditional consulting firms. We create and implement custom risk control measures for our clients, including Safety Reserve® portfolios and Crisis Response plans. Additionally, we are not afraid to think independently. For example, we have been at the forefront of infrastructure investing by institutional funds in the U.S. We have been evaluating infrastructure strategies as part of our private equity mandates for more than a decade, and as part of dedicated infrastructure portfolios since 2006. We have staffed our firm to provide high level infrastructure services, across both funds and direct project-level investments. As a result, today we are on the leading edge of institutional infrastructure investment advisory services.

**Manager Research** – Meketa Investment Group’s manager research team is comprised of senior investment professionals, including former portfolio managers and research analysts. We employ a rigorous due diligence process to identify top flight managers to meet our clients’ objectives. We intensively follow the universe of institutional quality asset classes, including domestic equity, developed foreign equity, emerging markets equity, fixed income, real assets, hedge funds, and other alternatives.

**Alternatives Investment Specialists** – Meketa Investment Group has the resources, experience, and superior track record necessary to implement custom alternatives investment programs for our clients. We advise on our clients’ portfolios, delivering expert manager selection, client service, and reporting. Our private markets research team is comprised of more than 20 investment professionals, who are dedicated to covering private equity, private debt, infrastructure, real estate, natural resources, and hedge funds. Several of our clients have delegated to us the responsibility of selecting individual partnership investments as a result of our capabilities and expertise in this area.

**National Presence** – Meketa Investment Group is a nationally recognized independent investment consulting firm. We have offices strategically based in the Northeast, Southeast, and West coast to service our clients, who are located throughout the country.

**MEKETA INVESTMENT GROUP**  
FIRE AND POLICE PENSION FUND,  
SAN ANTONIO

**PROPOSAL TO PROVIDE  
INVESTMENT CONSULTING SERVICES**

**B Clients**

1. *For all general, full-service consulting clients with which your firm has a current contractual relationship, provide the following by category:*

Size	Public Funds	All Other Funds
Less \$100M	5	17
\$100 M - \$500 M	6	21
\$500 M - \$1 B	1	4
\$1 B - \$10 B	2	12
Greater than \$10 B	2	0

2. *Provide a list of 3 current public fund general or full-service consulting clients with assets greater than \$500 million for whom work similar to that requested in this RFP has been performed by your firm. Include name, contact person, telephone number, asset value, number of years they have been a client of the firm, and the services provided. The Fund may contact any of these clients as references. If you require advance notice of the Fund's intent to make inquiries, please so indicate.*

The Fund may contact the following references. We ask that you kindly notify Meketa Investment Group prior to contacting the below mentioned references:

**Client Name:** District of Columbia Retirement Board  
**Contact Person:** Sheila Morgan-Johnson, Chief Investment Officer  
**Telephone Number:** (202) 343-3200  
**Asset Value:** \$4,909 million  
**Years as a Client:** 1  
**Services Provided:** General Consulting

**Client Name:** San Jose Federated City Employees' Retirement System  
**Contact Person:** Russell Crosby, Director  
**Telephone Number:** (408) 794-1000  
**Asset Value:** \$1,865 million  
**Years as a Client:** 2  
**Services Provided:** General Consulting

**Client Name:** Worcester Retirement System  
**Contact Person:** Mr. James DelSignore, Chairman  
**Telephone Number:** (508) 799-1053  
**Asset Value:** \$689 million  
**Years as a Client:** 11  
**Services Provided:** General Consulting

3. *State the number of accounts, and value of assets represented in those accounts, lost during the last three years. List this for each one year period ending 2008, 2009, and 2010.*

	Number of Accounts	Value of Assets Lost
2008	3	\$517 million
2009	4	\$627 million
2010	1	\$315 million

**C Standards of Conduct**

**1. Has your firm adopted the Code of Ethics and The Standards of Professional Conduct of the CFA Institute? If so, how is employee compliance monitored?**

Yes. Meketa Investment Group's Code of Ethics covers items such as: fair dealing; priority of transactions; prohibitions against the use of material nonpublic information; fiduciary responsibilities; required standards of conduct; and compliance with federal securities laws.

Alan Spatrick, CFA is the Chief Compliance Officer for Meketa Investment Group. Mr. Spatrick's responsibilities include firm-wide compliance policy implementation and monitoring. This also includes matters related to SEC and DOL regulatory requirements, ensuring compliance requirements are being followed firm-wide, testing compliance procedures, and developing disclosure statements.

We have adopted a personal security transactions policy that mandates:

- All personal trades must be reported immediately at the end of each calendar quarter.
- Meketa Investment Group prohibits trades of any company whose revenues are mostly derived from investment management.
- Meketa Investment Group prohibits trades involving any of our clients.
- Meketa Investment Group prohibits trades based on the knowledge that a client portfolio is in the process of acquiring or liquidating a security.

Please refer to Appendix C for Meketa Investment Group's Code of Ethics and Compliance Manual.

**2. Describe your expertise in assisting clients in developing their own risk management procedures. Please include names of clients and briefly describe the projects for which you have provided these services.**

Meketa Investment Group assists all clients in developing their own risk management procedures. All clients will differ in the ways they perceive risk; therefore, this process is unique for each client.

Asset allocation will be the primary determinant of the investment pool's risk and return characteristics. In recommending target asset allocations for our clients, we rely on a combination of resources. We use Ibbotson's Optimizer software to develop our efficient frontier based on the outputs from our Asset Study. Further, we utilize analytical software to examine historical asset class behavior and to evaluate optimum portfolios under various scenarios and constraints. However, we believe our value added does not stem from our ability to use computerized analytical tools, but from our ability to use qualitative research, experience, and common sense to evaluate quantitative data and apply real-world solutions. For example, the optimization output does not consider all the risks associated with various asset classes, and often calls for excessive investments in risky asset classes. We recognize these short-comings of asset allocation models and make appropriate adjustments.

We review a fund's aggregate asset allocation by utilizing a process that combines client-specific objectives with expectations for capital market behavior. The process is iterative, with a number of candidate portfolios and their expected behavior presented to the client for review. Our process provides clients with risk and return data for the candidate portfolios from a variety of perspectives, to ensure that clients can make an informed decision regarding the level of risk they are willing to accept for any given return. For example, we include worst-case expected performance over various time periods for each candidate portfolio, in addition to the probability that each portfolio will achieve certain return levels.

For many new clients, the asset allocation review includes consideration of new asset classes. Meketa Investment Group provides an overview of each of these asset classes, including characteristics, return expectations, and benefits and risks, to help clients decide whether or not each asset class is appropriate for their fund.

We help all of our clients to control investment risks. In terms of a specific example, when Meketa Investment Group was hired by the San Jose Federated City Employees' Retirement System in 2009, we performed an asset liability study in order to analyze the risks and returns associated with various possible asset allocations.

After being hired by the District of Columbia Retirement Board in 2010, Meketa Investment Group reviewed the Fund's risk and return objectives and provided a detailed document with specific recommendations, along with associated implications and tradeoffs.

In addition, Meketa Investment Group recently undertook an extensive review of the fixed income portfolio of a large public pension fund. The goal of this project was to make recommendations which would improve the risk/return profile of the Retirement System's aggregate fixed income portfolio, given the specific risks and opportunities present in the global fixed income markets today.

When performing an asset liability study, we work with the fund's members and actuary to obtain and understand the fund's liability structure. Liability estimates include both most likely expectations and one or more worst-case liability scenarios. Meketa Investment Group's asset liability study consists of five components that are necessary to reach an optimal asset allocation recommendation.

**1. Developing Economic and Capital Market Scenarios**

We develop five economic and capital market scenarios that could potentially unfold over the next twenty years. These scenarios range from very optimistic to very pessimistic. Note that none of the five scenarios are worse or better than any economic and capital market environment actually experienced over the past century. The five scenarios are based on actual historical relationships.

**2. Developing Asset Allocation Policies**

We develop five potential asset allocation policies for the fund, ranging from very conservative to very aggressive. The goal of developing the policies was not to find the exact one that is optimal for the fund but, rather, to view a mix of policies to give

us and the Board a sense of how different asset allocation policies would react to different economic and capital market environments.

**3. Determining Impact of Scenarios on the Various Asset Allocation Policies**

After developing the economic and capital market scenarios, and the asset allocation policies, we model how the five asset allocation policies will behave in each of these scenarios. In essence, we create twenty five combinations of asset allocation policies and economic environments, providing the Board with a broad array of information on potential outcomes.

**4. Determining the Impact of Scenarios on Fund Liabilities**

The complexion of the fund can change, as existing members age and retire, and new members join the fund. The fund's demographics will likely change as a result of varying economic environments. For example, a stagnant economy with high unemployment could result in declining new entrants, placing a higher cash flow burden on the fund.

**5. Developing Outputs of the Asset-Liability Study**

Meketa Investment Group will collaborate with the fund's actuary in developing the outputs of the asset liability study. We identify important elements of the fund, and then evaluate how each element would behave under the various economic scenarios and asset allocation policies. Each of the elements will be evaluated under twenty-five pre-defined conditions (five economic scenarios and five asset allocation policies). This broad perspective provides much clearer insight into the true risk inherent in the fund at the time of the study, and over the next twenty years.

**3. *Is your firm, its parent, or any affiliate a registered investment adviser with the SEC under the Investment Advisers Act of 1940? If not, state your fiduciary classification.***

Yes. Meketa Investment Group is registered under the 1940 Investment Advisor Act. Please refer to Appendix A for the firm's Form ADV, Parts 1 and 2A.

**4. *Within the last five years, has your organization or an officer or principal been involved in litigations, SEC investigations, or other legal proceedings relating to your investment consulting assignments? If so, please provide an explanation and indicate the current status or disposition.***

No.

**5. *Has your firm ever been censured by any regulatory body? If so, please describe the situation.***

No.

**D Conflicts of Interest**

1. *Explain in detail any potential for conflict of interest that may be created by your firm's providing services to the Fund.*

Meketa Investment Group does not have any potential conflict of interest that would be created by Meketa Investment Group providing services to the Fund.

2. *Does your firm or an affiliate manage money for clients? Include also whether your firm or its parent or an affiliate is a broker/dealer. Do you trade for your client accounts through your own broker/dealer? Does your firm accept soft dollars as a method of payment for services provided? Do you use soft dollars to make payment for services received? What percentage of your clients has soft dollar arrangements with your firm?*

Yes. In certain cases, Meketa Investment Group provides discretionary private and public markets advisory services, where we act as an investment manager. Meketa Investment Group is not a broker/dealer, nor do we have any affiliations with brokerage firms. Meketa Investment Group does not accept soft dollars as a method of payment for services provided.

3. *Describe how conflicts of interest among your consulting functions are prevented if your firm also provides portfolio management or brokerage services, or if your firm also provides consulting services to investment management companies.*

Meketa Investment Group is an employee-owned, independent corporation. We have only one line of business – providing investment advice to institutional funds. 100% of our firm's revenues are derived from providing investment consulting and advisory services to institutional plans sponsors. Meketa Investment Group is an independent firm deliberately structured as such to avoid conflicts. We have no business partners, affiliates, clients, or associations that could present a conflict of interest or compromise the objectivity of our investment advice to the Fund. We do not provide consulting services to investment management companies.

4. *Describe in detail all circumstances under which your firm or any individual in your firm receives compensation, finder's fees or any other benefit from investment managers or third parties, and list all investment management firms or third parties from which your firm has received any compensation within the last five years.*

Under no circumstances does Meketa Investment Group or any individual of our firm receive direct or indirect compensation, finder's fees, or any other benefit from investment managers or third parties.



***E Staff and Consultants in the Firm***

***1. How many investment consultants does your firm have?***

Meketa Investment Group has a staff of 97 employees, 18 of whom are investment consultants.

***2. Discuss the ways you manage growth, including any limits to the client/consultant ratio.***

Meketa Investment Group has a long standing commitment to excellence. We will never compromise the quality of our work in order to grow. We accept new assignments only if we believe we can offer client services of the highest caliber. With 70 clients and 97 employees, Meketa Investment Group has a very low client-to-staff ratio which allows us to offer our clients the intensive level of customized service that they deserve.

***3. Describe your company philosophy for recruiting, hiring, and retaining senior personnel.***

At Meketa Investment Group, we strive for excellence in our hiring of investment professionals. It is our policy to recruit, hire, train, and promote only the most qualified candidates. Investment professionals at Meketa Investment Group are experienced, knowledgeable, and enthusiastic individuals with superior analytic abilities. Our investment professionals typically have a strong background in economics, finance, or statistics, and have demonstrated superior writing and presentation skills. Our consultants average ten years with the firm, seventeen years of investment experience, and generally possess a CFA charter and/or an MBA.

Compensation includes a competitive base salary, participation in one or more incentive compensation plans, and the Meketa Investment Group Profit-Sharing Plan with 401(k) provision. Our firm's incentive compensation plans are merit-based and discretionary. In addition, our senior staff of Meketa Investment Group participates in equity ownership and incentive compensation. Ten employees participate in direct ownership, while forty additional employees participate in a deferred compensation program that is linked to firm growth.

In addition to providing industry-competitive compensation to investment staff, Meketa Investment Group provides an academically-focused, team-oriented work environment, which has contributed positively to our ability to retain employees over time. We strive to provide a challenging, stimulating environment for the best and brightest in the industry, many of whom have diverse and non-traditional backgrounds.

***4. Describe how consultants and analysts in your firm are compensated.***

Compensation includes a competitive base salary, participation in one or more incentive compensation plans, and Meketa Investment Group's profit-sharing plan with 401(k) provision. Our firm's incentive compensation plans are merit-based and discretionary.

The Meketa Investment Group Profit-Sharing Plan with 401(k) provision is available to all employees following thirty days of employment and includes a company-matching provision. Additionally, Meketa Investment Group, at its discretion, may make an annual profit-sharing contribution (six-year vesting schedule: 20% per year beginning after two years). Compensation for our firm's professionals is reviewed on an annual basis.

The senior staff of Meketa Investment Group participates in equity ownership and incentive compensation. Ten employees participate in direct ownership, while forty additional employees participate in a deferred compensation program that is linked to firm growth.

**5. *List the turnover of consulting and research personnel in the last three years. State the reason of departure for each.***

Meketa Investment Group has had an extremely low turnover rate historically. This is due largely to the fact that we have established a culture of promoting from within and compensating employees above consulting industry norms.

For the last three years, our annual turnover ratio for investment professionals (including consultants, investment analysts and data analysts) has been: 2008, 9%; 2009, 3%; and 2010, 2%. We regularly evaluate our needs and opportunities, and believe turnover, in moderation, is normal and healthy for an organization of our size.

Please find below the investment professionals who have departed our firm over the last three years.

<b>Name of Professional</b>	<b>Function</b>	<b>Year Departed</b>	<b>Reason</b>
Marc C. Szigety	Senior Investment Strategist & Quantitative Analyst	2011	To pursue other opportunities
Howard A. West	Investment Analyst	2011	To pursue other opportunities
Lester P. Duke	Private Markets Consultant	2010	To pursue other opportunities
Neha Aurora	Investment Analyst	2009	To pursue other opportunities
D. Sean McDade	Consultant	2008	To pursue other opportunities
Kabral Tesfamichael	Private Markets Analyst	2008	To pursue other opportunities

**F Consulting Team**

- 1. Provide name, title, home office location, and biography of the key individual(s) who would be directly responsible for providing consulting services to the Fund, including what year the individual joined your firm, current responsibilities, areas of expertise, experience, education, professional designations, and memberships. Detail their roles and the scope of their involvement for this assignment.*

If hired by the Fund, Leandro Festino, Laura Wirick, and Stephen McCourt would serve as the consultants on the account. Mr. Festino would serve as the primary consultant while Ms. Wirick and Mr. McCourt would serve as secondary consultants. Mr. Festino is located in our Miami office and Ms. Wirick and Mr. McCourt are located in our Carlsbad, CA office.

Please find below their biographies.

**Leandro A. Festino, CFA, CAIA – Managing Principal**

Mr. Festino joined Meketa Investment Group in October, 2003. He heads the firm's Miami office, and has been involved in the investment consulting industry since 1999. A Managing Principal of the firm, Mr. Festino has served as the lead consultant on various non-profit and for profit clients, including endowment, foundation, defined benefit, and defined contribution funds. His consulting work includes investment policy design and asset allocation modeling, in addition to analysis of manager and fund performance. He supports the Private Markets team conducting due diligence on Latin American partnerships.

An avid tennis player who has competed in NCAA and professional tournaments, Mr. Festino received an MBA degree with honors from Boston College and a summa cum laude undergraduate degree in Economics and Mathematics from the University of Evansville.

A speaker at industry events, Mr. Festino holds the Chartered Financial Analyst designation, and is a member of the CFA Institute and the CFA Societies of Miami and South Florida. He also held several leadership positions at the Board of the CFA Society of San Diego between 2007 and 2011, including serving as the Society's President, overseeing eight Board Members and over 400 members. Mr. Festino also holds the Chartered Alternative Investment Analyst (CAIA) designation and is a member of the CAIA Association. He is a member of the Texas Public Employees Retirement Systems, and the Florida Public Pension Trustees Association.

**Laura B. Wirick, CFA - Vice President**

Ms. Wirick joined Meketa Investment Group in 2008. She works with Public, Endowment and Taft-Hartley clients to set investment policy and provide oversight of client portfolios, in addition to performing asset-liability modeling studies. Ms. Wirick is a member of Meketa Investment Group's public markets research team, for which she performs fixed income manager research, and is also a member of the Marketable Securities Investment Committee.

Prior to joining the firm, she was a Senior Investment Analyst for the Dartmouth College Endowment. While at Dartmouth, she participated in setting asset allocation policy, and selecting and monitoring both traditional and alternative investment managers for the Endowment. Prior to that, she worked with endowments and foundations as a Senior Consulting Associate at Cambridge Associates, where her responsibilities included both qualitative and quantitative analysis of client portfolios and research on fund governance issues.

Ms. Wirick received a bachelor's degree in Business Administration with concentrations in Finance and International Marketing from American University. She holds the Chartered Financial Analyst designation, and is a member of the CFA Society of San Diego. She is also a candidate for Level 2 of the CAIA designation.

**Stephen P. McCourt, CFA - Managing Principal**

Mr. McCourt is in his seventeenth year at Meketa Investment Group. He received his graduate degree, a Master of Liberal Arts (ALM) in History, from Harvard University, and his undergraduate degree in Economics and Political Science from the University of Vermont.

Mr. McCourt received the Chartered Financial Analyst designation from the CFA Institute and currently serves as the Vice President and Program Chair of the CFA Society of San Diego. In addition, he is a member of the CFA Institute and the International Foundation of Employee Benefit Plans.

Mr. McCourt is a Managing Principal and serves as the lead consultant for several institutional funds, with public, Taft-Hartley, endowment, non-profit, and corporate plan sponsors. His consulting work includes investment policy design, strategic and tactical asset allocation modeling, asset-liability modeling, investment education, and investment manager analysis. In addition, Mr. McCourt is a member of the firm's Private Markets Investment Committee and is integral to the development and oversight of customized private markets programs.

Mr. McCourt speaks at numerous industry events including the Investment Education Symposium, the Corporate Funds Summit, the Endowment and Foundation Forum, the Global Investing Summit, the Private Equity Summit, and the International Foundation of Employee Benefit Plans (IFEBP) Annual Employee Benefits Conference. Mr. McCourt's research papers entitled "Monitoring Investment Managers" and "Pension Fund Investing and the State of American Public Finance" have been published in the IFEBP's Employee Benefit Issues publication.

Please refer to Appendix B for biographies on all our investment professionals.

2. *State whether the individuals assigned to the work have any responsibilities other than providing consulting services, and if so, specify such responsibilities.*

In addition to providing consultant services to clients, Mr. Festino heads our Miami office. In addition to consulting to clients, Ms. Wirick also has manager due diligence responsibilities as part of the Public Markets Research team. Mr. McCourt, in addition to his consultant responsibilities, is a member of our Meketa Investment Group's Executive Committee and a member of the Private Markets Investment Committee.

3. *What are the procedures for addressing this account when the lead consultant or other assigned personnel are unavailable?*

Meketa Investment Group utilizes a team structure that provides each client with multiple investment professionals familiar with the account at all times. This team approach ensures that a number of experienced individuals are familiar with the circumstances and complexities of each client's account which results in a built-in back-up function, improved quality control, and effective and efficient client service. This team approach ensures that a member of the team is available to speak or meet with our clients on a schedule that best meets their needs. In addition, we maintain all client information, current projects, and business notes in a central database that allows other team members to assist clients in the event that a team member is temporarily unavailable. Our clients are always able to speak to a professional who is knowledgeable with their particular situation.

Furthermore, our professionals carry with them a cell phone, blackberry, or laptop, that allows them to be connected and available.

4. *Describe your firm's backup procedures in the event that key personnel in this assignment should leave the firm.*

As mentioned previously, Meketa Investment Group utilizes a team structure that provides each client with multiple investment professionals familiar with the account at all times. This results in a built-in back-up function, improved quality control, and effective and efficient client service. Each client account team includes several senior investment professionals, in addition to a number of analysts. If a transition of the account is necessary, the lead member of the team is typically replaced with another member of the client team, thus providing continuity of service and personnel.

It is important to note, that Mr. Festino, the proposed lead consultant, and Mr. McCourt are owners and managing principals of Meketa Investment Group.

**G Research**

**1. Describe your firm's philosophy and resources, including history of experience in the following areas:**

- *Performance Evaluation and Reporting;*
- *Asset Allocation;*
- *Investment Policy;*
- *Manager Search (by asset class);*
- *Research.*

Since inception, Meketa Investment Group has been providing investment and consulting services to our clients. We have the experience and resources which distinguishes our firm in each of the categories above.

**Performance Evaluation and Reporting**

Meketa Investment Group's performance evaluation and reporting is executed by Meketa Investment Group's Consultants, Investment Analysts, Data Analysts, and Administrative Personnel.

Meketa Investment Group recommends a multi-tiered approach to providing performance analysis for investment portfolios. First, we recommend that the custodian bank calculate detailed rates of return, net and gross of fees, for each manager and each segment of a portfolio. As discussed above, the custody bank represents an independent third party. Second, we ask each manager to submit comparable rates of return, calculated independently and internally. And third, Meketa Investment Group internally verifies and reconciles the rates of return. Meketa Investment Group's analysis and evaluation of our clients' portfolios is a detailed and comprehensive process. Our data collection and review reconciles manager and custodian-reported performance results. By using an independent third party to measure performance, we ensure the accuracy of our clients' data.

Each quarter, Meketa Investment Group prepares a detailed written status report for each client, which includes both an Executive Summary and an Aggregate Fund Performance section. Each report is customized to fit the specific needs of the client. It is written in plain English and contains recommendations where appropriate.

**Asset Allocation/Investment Policy**

The Asset Allocation Committee is comprised four investment professionals including three of our firm's Managing Principals, including Frank Benham, Director of Research and a research analyst. Annually, Meketa Investment Group conducts an Asset Allocation Study in which we predict expected returns, volatility, and correlations for various asset classes for the next twenty years and stress test our projections. Members of this group also remain actively involved in the development and analysis of alternative policy recommendations controlled for each client. In this role, they serve to further evaluate portfolios incorporating an emphasis on risk, including quantitative risk measure analysis, scenario analysis, and risk budgeting, among others.

Annually, Meketa Investment Group develops a Pension Fund Model Portfolio. The primary objective of the Pension Fund Model Portfolio is to ensure that clients receive our best investment ideas, and to ensure that these ideas are consistent, well supported, and well articulated. Because our Pension Fund Model Portfolio must ignore many real world considerations, it focuses our analysis more purely on investment issues.

Meketa Investment Group undertakes a comprehensive Initial Fund Review of each new client. The Initial Fund Review includes an examination of the client's existing Investment Policy Statement, asset allocation policy and asset allocation structure; a review of actuarial reports; interviews with the client's investment managers and an examination of their guidelines and fees; and an assessment of the client's custody relationship(s) and fee structure, among other issues. Meketa Investment Group reports to the client its assessment of each separate issue, makes appropriate recommendations, and prioritizes these recommendations.

We believe our role with respect to investment policy development is two-fold: to assist clients in setting their objectives, and to assist clients in achieving those objectives through the development of investment policies and manager guidelines that reflect real-world experience.

### **Manager Search**

Our manager research efforts are primarily conducted by over twenty investment professionals who have direct coverage responsibilities. Mitch Dynan, CFA, oversees the firm's public market manager research group, while John Haggerty, CFA, leads the firm's private market manager research effort. Our manager research effort is further supported by the remainder of our investment staff, which is comprised of Consultants, Investment Analysts, and Investment Data Analysts.

Representatives from Meketa Investment Group perform on-site due diligence visits to current and prospective investment managers nearly every week. We meet with each manager on-site about once every year, and have regular meetings and conference calls at our offices throughout the year.

### **Research**

Our firm's senior consultants lead Meketa Investment Group's team of fifty-seven investment professionals in providing investment research, including custom research for clients. All investment consultants and investment analysts constantly analyze and review investment concepts and strategies. Our Director of Research, Frank Benham, typically assigns research on a project basis to the investment staff, ensuring broad experience and growth. Most investment professionals combine research and client service functions, as we believe that our clients are well served by investment staff involved in intensive investment research.

We frequently conduct in-depth internal research, focused on economics, capital markets, and investment strategies. Meketa Investment Group has access to a variety of databases and information sources used to support our research work, and we continuously review trends in the investment industry. Meketa Investment Group regularly provides our clients

with custom studies, reports, and memoranda to keep them informed of changes and new ideas within the industry.

2. *Describe the internal structure and organization of your research department. If no separate department exists, describe how this function is performed.*

The firm's senior consultants lead Meketa Investment Group's team of fifty-nine investment professionals in providing investment research, including custom research for clients. All investment consultants and investment analysts analyze and review investment concepts and strategies. Our Director of Research, Frank Benham, typically assigns research on a project basis to the investment staff, ensuring broad experience and growth. Most investment professionals combine research and client service functions, as we believe that our clients are well served by investment staff involved in intensive investment research.

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3. *Describe the manner in which external resources and sources of information are used in the research process. How does your firm integrate internal and external research?*

Meketa Investment Group frequently conducts in-depth internal research, focused on economics, capital markets, and investment strategies. Meketa Investment Group has access to a variety of databases and information sources used to support our research work, and we review trends in the investment industry constantly. Meketa Investment Group regularly provides our clients with custom studies, reports, and memoranda to keep them informed of changes and new ideas within the industry.

While it is crucial to be able to perform internal research, it is equally important for investment professionals to review external sources of investment research. We read and analyze numerous sources of outside investment research, including financial periodicals, journals, and books. Our staff discusses outside research frequently, to evaluate the theory behind, and the consequences of, each concept.

Integration of internal and external research reinforces our ability to serve our clients. External research can provide a useful challenge to our internal research, by testing our assumptions and conclusions. Similarly, internal research can question the outside research we read and review. Importantly, the result of combining internal and external research is more thoughtful, insightful, and useful investment research for our clients.



**4. *Describe the type, subject matter, and frequency of research provided to clients, and provide an example.***

Meketa Investment Group's senior consultants lead Meketa Investment Group's team of investment professionals in providing investment research for clients. Mr. Frank Benham, Managing Principal/Director of Research, typically assigns research on a project basis to the investment staff, ensuring broad experience and growth.

Our investment professionals are extremely knowledgeable and highly skilled in developing specialized research for our clients. We have access to a variety of databases and information sources in order to conduct client-driven research. We review market trends constantly, using data from numerous information sources, both electronic and print. Meketa Investment Group routinely provides our clients with custom studies, reports, and memoranda to keep them informed of changes and new ideas within the industry. Our research focuses on economics, capital markets, investment strategies, and investor needs. We present these reports in person to our clients as part of an ongoing education program. Our team approach helps ensure that our clients receive the best thinking of the entire organization.

We regularly prepare specialized "white papers" detailing the risks and opportunities implicit in various types of investments. We generally produce six to eight white papers per year, and each of these publications is available to our clients as part of our consulting services. Meketa Investment Group's investment professionals are constantly updating and researching new "white papers" and research reports. Please refer to Appendix D for a sample of our White Papers.

**5. *Describe your ability to provide customized computer-based analytical tools to your clients. Please describe features.***

Meketa Investment Group does not currently provide any computer-based or internet-based analytical tools to our clients. However, on behalf of our clients, Meketa Investment Group utilizes six performance measurement databases. We purchase data from FactSet, Ibbotson, eVestment Alliance, Morningstar, Investment Metrics, and we maintain our own internal database. We also have access to internal research and in-house asset allocation analytical tools; as well as Encorr Analyzer, which provides information on historical capital market returns; and Optimizer, a mean-variance optimization tool.

Additionally, we have the capabilities to create custom institutional product-only peer universes through eVestment Alliance, a web-based provider of comprehensive institutional investment manager information.

**6. *List any relevant research papers written by your firm.***

As mentioned earlier, we regularly prepare specialized "white papers" detailing the risks and opportunities implicit in various types of investments. We generally produce six to eight white papers per year that we distribute to our clients as part of our consulting services.

The table below provides a summary of our current white paper library (the firm's most recent white papers are in bold):

Meketa Investment Group's White Papers		
<ul style="list-style-type: none"> <li>• <b>A Better Way to Manage Managers</b></li> <li>• An Overview of Hedge Funds</li> <li>• Bank Loans</li> <li>• Commodities</li> <li>• Core Real Estate</li> <li>• Defined Benefit and Defined Contribution</li> <li>• Dynamic Asset Allocation</li> <li>• Emerging Markets</li> <li>• Endpoint Bias</li> <li>• Enhanced Indexing</li> <li>• Equity Index Funds</li> <li>• Equity Style</li> </ul>	<ul style="list-style-type: none"> <li>• Frontier Markets</li> <li>• High Yield Bonds</li> <li>• International Small Capitalization Equities</li> <li>• Introduction to Private Equity</li> <li>• Infrastructure</li> <li>• Investing in Foreign Bonds</li> <li>• Manager Oversight – Watch Status</li> <li>• Mezzanine Debt</li> <li>• Microcap Stocks</li> <li>• <b>Natural Resources</b></li> <li>• Non-Core Real Estate</li> <li>• Performance-Based Fees</li> </ul>	<ul style="list-style-type: none"> <li>• Portable Alpha</li> <li>• <b>Rebalancing Investments</b></li> <li>• <b>Risk Parity</b></li> <li>• <b>Searching for Manager Alpha</b></li> <li>• Securities Lending</li> <li>• Short-Term Fund Management</li> <li>• Tactical Asset Allocation</li> <li>• Stable Value</li> <li>• Transition Management</li> <li>• TIPS</li> <li>• <b>Timberland</b></li> <li>• <b>Value of Quality, Stability and Income</b></li> </ul>

## ***H Asset Allocation***

- 1. Discuss the theory, methodology, and process your firm uses in determining the investment strategy and asset allocation. Please include information about the asset allocation models your firm employs and a brief explanation of how you develop asset class assumptions.***

Our asset allocation methodology includes employing both market expectations and market history. That is, we would use both probabilistic and deterministic methods in evaluating the sensitivity of the fund's assets to different capital market environments.

Generally, Meketa Investment Group uses strict definitions in identifying investable and appropriate asset classes for long-term investment purposes. From the essentially limitless universe of assets, Meketa Investment Group identifies those assets that exhibit characteristics that make them accessible and investable to institutional investors.

From the group of asset classes that can be utilized by long-term investors, Meketa Investment Group then identifies those asset classes that we believe are appropriate for long-term allocations of client funds. Within the sub-set of asset classes that are both investable and appropriate, Meketa Investment Group further assesses whether long-term strategic exposure to the asset class is appropriate.

As markets evolve, Meketa Investment Group reviews its classification of investment assets. Within the broad equity and fixed income asset groups, Meketa Investment Group identifies investable asset classes based primarily on three considerations: "unique" return behavior, an observable historical performance record, and a robust market.

More than any other decision, the asset allocation decision will determine the risk and return behavior of a fund. Because asset allocation is crucial to a fund meeting its long-term objectives, Meketa Investment Group's consultants spend considerable time developing, implementing, monitoring, and adjusting client asset allocations.

Our asset allocation services share the following elements:

- Identification and clarification of client objectives and constraints**

The success of any asset allocation strategy can only be judged in the context of client-specific circumstances. Meketa Investment Group works closely with our clients and their other professionals (e.g., actuaries) to define clearly, and explicitly quantify the return objectives and risk parameters governing their funds.

- **Establishment of target asset allocations and acceptable variance ranges**

In recommending target asset allocations, we rely on a combination of resources. We utilize analytical software to examine historical asset class behavior and to evaluate optimum portfolios under various scenarios and constraints. However, we believe our value added does not stem from our ability to use computerized analytical tools, but from our ability to use qualitative research, experience, and common sense to evaluate quantitative data and apply real-world solutions. Our target asset allocations typically include variance ranges designed to avoid frequent rebalancing and the associated costs.

- **Development of cost-effective transition and rebalancing plans**

Asset allocations will drift gradually over time, and may change more abruptly in certain circumstances. Meketa Investment Group works with clients to implement cost-effective, non-disruptive methods for restoring or adjusting fund asset allocations. In all cases, the specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals.

- **On-going review and monitoring of asset allocation, with recommendations as needed**

Meketa Investment Group continuously monitors client asset allocations, and addresses asset allocation explicitly each quarter in our written fund reviews.

Meketa Investment Group conducts an annual Asset Allocation Study in which we set expected returns, volatility, and correlations for various asset classes for the next three, five, and twenty years and stress-test our projections. Each year, the asset class expectations are revised and are then used as one of the bases for long-term strategic investment planning.

In order to construct the best portfolio from a risk-return standpoint, conventional financial wisdom dictates that one develops return, volatility, and correlation expectations for the relevant investing horizon. However, given the uncertainty surrounding financial and economic forecasts, we employ several methodological approaches for this complex task.

Our process relies on both quantitative and qualitative methodologies. First, we employ a large set of quantitative models to arrive at a set of baseline expected ten-year annualized returns for major asset classes. These models attempt to forecast a gross “beta” return for each asset class—that is, we explicitly do not model “alpha,” nor do we apply an estimate for management fees or other operational expenses. Our models may be econometrically derived (that is, based on a historical return relationship with current observable factors), factor-based (that is, based on a historical return relationship with predicted factors), or fundamentally based (that is, based on some theoretically defined return relationship with current observable factors). Some of these models are more predictive than others: for example, the model for U.S. investment grade bonds, which relies on yields, is much more accurate than the model for U.S. equities, which relies on fundamental valuation metrics. For this reason, we next overlay a qualitative analysis, which takes the form of a data-driven deliberation among the asset allocation team. We ask: Why are different models within the

same asset class leading to different conclusions? Are the assumptions consistent across asset classes? What are our models missing about the possible evolution of the next ten years? Naturally, return assumptions for hard-to-predict asset classes will be influenced more heavily by our qualitative analysis.

Our ten-year expectations are primarily used internally for occasional medium-term tactical recommendations, but they also serve as the primary foundation for our longer-term, twenty-year expectations. We form our twenty-year annualized return expectations by systematically considering historical performance on an asset class by asset class level. We do this by performing a weighted average of our ten-year expectations with average historical returns in each asset class, with the weights determined by a qualitative assessment of the value of the long-term historical data. Generally, if we have little confidence that the historical average return is representative<sup>1</sup>, we will weight our ten-year forecasts more heavily. If we have great confidence in the historical average, we will weight the ten-year forecasts and historical average equally. Therefore, the weight on our ten-year forecasts ranges from 0.5 to 0.9 (with an average of 0.7). Generally, the weights are similar within broad asset class categories, such as public equities, fixed income or hedge funds. Finally, we discuss the results with the wider consultant community at Meketa Investment Group, who question the asset allocation team about their models and assumptions.

We develop our twenty-year volatility and correlation expectations slightly differently. For these parameters, we do not first develop separate ten-year expectations. Instead, we rely solely on various historical averages--qualitative adjustments, when applied, usually serve to increase the correlations and volatility over and above the historical estimates (e.g., using the higher correlations usually observed during a volatile market). In the case of private markets and other illiquid assets, where historical volatility and correlations have been artificially dampened, we seek public market equivalents on which to base our estimates before applying any qualitative adjustments. These volatility and correlation expectations are then combined with our twenty-year return expectations to assist us in subsequent asset allocation work, including mean-variance optimization and scenario analyses.

Throughout the process, we remind ourselves of our overarching goals:

- Consistency of results with historical experience and fundamentals
- Consistency of results with macroeconomic reality
- Consistency of results across asset classes
- Recognition of forecasting error and its implications

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<sup>1</sup> For example, we have less confidence in historical data that do not capture many possible market scenarios or are overly polluted by survivorship bias.

**2. *What variables would your firm consider essential in reviewing and developing long-range strategies for the Fund?***

Meketa Investment Group would consider understanding the short- and long-term liabilities of the fund essential in reviewing and developing long range strategies for the Fire & Police Pension Fund. Matching investments (assets) with liabilities has long been a strength of our firm, and an area in which we have produced pioneering work. For example, for a number of clients we have created highly specialized Safety Reserve® portfolios designed to guarantee that benefit payments can be made even in a worst-case economic and market scenarios. The purpose of the Safety Reserve® portfolio is to ensure that all operating expenses and benefits will be paid on time regardless of market environments. The creation of a Safety Reserve® portfolio involves the very precise matching of assets and liabilities, and demonstrates our firm's great strength in this area.

Working with a fund's actuaries or investment office, Meketa Investment Group calculates the assets required to make all benefit payments on time even in an economic catastrophe. We assume, for example, a precipitous decline in the stock and corporate bond markets, combined with a sudden increase in early retirements and lump-sum withdrawals. We then create a special portfolio of Treasury bonds matched to the resulting worst-case liabilities, and covering a period of three to six years. This Safety Reserve® portfolio could then be used to pay benefits under the worst-case assumption without recourse to the fund's other assets. Knowing that they have a solid Safety Reserve® portfolio protecting all near term benefit payments allows clients to invest the remaining fund assets in a more aggressive manner in order to maximize long-term returns.

When performing an asset liability study, we work with the fund's members and actuary to obtain and understand the fund's liability structure. Liability estimates include both most likely expectations and one or more worst-case liability scenarios. Meketa Investment Group's asset liability study consists of five components that are necessary to reach an optimal asset allocation recommendation.

**1. Developing Economic and Capital Market Scenarios**

We develop five economic and capital market scenarios that could potentially unfold over the next twenty years. These scenarios range from very optimistic to very pessimistic. Note that none of the five scenarios are worse or better than any economic and capital market environment actually experienced over the past century. The five scenarios are based on actual historical relationships.

**2. Developing Asset Allocation Policies**

We develop five potential asset allocation policies for the fund, ranging from very conservative to very aggressive. The goal of developing the policies was not to find the exact one that is optimal for the fund but, rather, to view a mix of policies to give us and the Board a sense of how different asset allocation policies would react to different economic and capital market environments.

**3. Determining Impact of Scenarios on the Various Asset Allocation Policies**

After developing the economic and capital market scenarios, and the asset allocation policies, we model how the five asset allocation policies will behave in each of these scenarios. In essence, we create twenty five combinations of asset allocation policies and economic environments, providing the Board with a broad array of information on potential outcomes.

**4. Determining the Impact of Scenarios on Fund Liabilities**

The complexion of the fund can change, as existing members age and retire, and new members join the fund. The fund's demographics will likely change as a result of varying economic environments. For example, a stagnant economy with high unemployment could result in declining new entrants, placing a higher cash flow burden on the fund.

**5. Developing Outputs of the Asset-Liability Study**

Meketa Investment Group will collaborate with the fund's actuary in developing the outputs of the asset liability study. We identify important elements of the fund, and then evaluate how each element would behave under the various economic scenarios and asset allocation policies. Each of the elements will be evaluated under twenty-five pre-defined conditions (five economic scenarios and five asset allocation policies). This broad perspective provides much clearer insight into the true risk inherent in the fund at the time of the study, and over the next twenty years.

**3. *Describe your policy for changes to a pension system's asset allocation with changes in the market environment.***

Formally, we review a client's Investment Policy and Asset Allocation Policy at least annually to ensure that their objectives and constraints remain relevant. Further, these policies should be reviewed whenever significant developments in the circumstances of the fund occur. Specifically, the Investment Policy Statement and Asset Allocation Policy should be reviewed upon each actuarial valuation. Informally, we review our clients' Investment Policy and Asset Allocation Policy on an ongoing basis, including with our clients at their regularly scheduled meetings. In either case (that is, whether a result of formal or informal review), we will make recommendations regarding investment strategy as appropriate.

Meketa Investment Group's approach to investment consulting is based on the understanding that pension assets must keep pace with growth in living standards, and must be invested in generative assets. We believe there is no free lunch except diversification. Meketa Investment Group considers the markets reasonably efficient, such that any investment promising well-above average risk/reward ratio is approached with healthy skepticism. Our investment advice focuses on strategic (rather than tactical) advice, knowing that it is nearly impossible to "time" market turns.

Empirical evidence shows the market tends to be a reflection of human behavior and beliefs whereby investors tend to overreact to good and bad news. We are contrarians. Our analyses acknowledge market cycles and mean reversion. The value investor has been handsomely rewarded by the inherent contrarian nature of the strategy.

Meketa Investment Group takes a long term view at the big picture. We believe in providing capital where it is scarce and there is no substitute for hard work in finding good investments and identifying inefficiencies. Fundamental analysis is the most reliable method of doing this.

The inputs we use in our Asset Study are designed to take into account current market pricing. We employ a large set of quantitative models to arrive at a set of baseline expected returns for major asset classes. These models may be econometrically derived (that is, based on a historical return relationship with current observable factors), factor-based (that is, based on a historical return relationship with predicted factors), or fundamentally based (that is, based on some theoretically defined return relationship with current observable factors).

As it relates to our views regarding changing investment environments, today our recommendations are also based on our recently developed Economic Regime Management<sup>SM</sup> (ERM) methodology. ERM combines elements of traditional mean-variance optimization with a flexible but comprehensive set of economic scenarios. Though it shares many qualities with mean-variance optimization, ERM provides for more accessible debates around risk exposures and economic expectations. We utilize ERM as an additional method of helping clients see the “full picture” of the risks associated with their investment portfolio, in the context of the potential for different economic scenarios, such as low or high inflation, and low or high GDP growth. By combining these two methods, we feel we are better able to assist clients in creating well-structured, diversified portfolios designed for long-term success.

For example, an ERM analysis would suggest that one could benefit from adjusting the asset allocation of their portfolio based on the current economic environment. For example, many MVO-based portfolios are ill-prepared for a period of higher inflation. A portfolio that includes more assets that have historically acted as inflation hedges, such as TIPS, commodities, natural resources, and infrastructure, would do well in such an environment, while holding up better than a public equity-oriented portfolio in a recessionary environment.

**4. *Discuss your firm's view on risk management from an asset allocation perspective. Describe the tools you use here.***

Meketa Investment Group assists all clients in developing their own risk management procedures. All clients will differ in the ways they perceive risk; therefore, this process is unique for each client.

There are as many ways to evaluate risk as there are different risks that an investor faces. We believe that a comprehensive risk program should evaluate risk both from the top down and from the bottom up.



Asset allocation will be the primary determinant of the investment pool's risk and return characteristics. When conducting an Asset Allocation Study, we incorporate many of the same tools that other investment consultants use. This includes traditional mean variance optimization software that evaluates the opportunity set based on expected returns, standard deviation, and correlations. These tools can also be used to conduct Monte Carlo simulations and risk budgeting analysis, though we recognize that they all rely on the same underlying assumptions about how risk is defined and do a poor job of accounting for tail risks.

Therefore, we also conduct extensive scenario analysis when performing an Asset Study. One aspect of our scenario analysis is based on historical capital market events that were generally unfavorable. This might include market downturns such as 2008 or a sudden and unexpected rise in interest rates such as 1994. In addition, conduct scenario analysis based on historical economic regimes, focusing on the "extremes" such as a low growth-low inflation environment.

We have developed the ability to conduct single-factor and multi-factor regression analysis on portfolios. This can be done at the aggregate pension fund level as well as at the asset class level. It allows us to determine what the key drivers of risk, both volatility and active risk (i.e., tracking error), are in a portfolio. These might include capital market factors (e.g., changes in market liquidity) and/or macroeconomic factors (e.g., changes in GDP growth). We can also use this analysis to conduct scenario analysis that predicts how the fund would react to various "shocks" based on the relationship between the portfolio and the factors being shocked.

In a similar manner, we can use information about the fund's existing holdings and exposures to predict how specific components would respond to very specific shocks. For example, we could evaluate the direct impact of various levels of changes in currency valuations, credit spreads, and interest rates.

Our reports are designed to provide an overview of holdings and exposure at the asset allocation, asset class, and individual portfolio levels. For example, we examine style biases, capitalization exposure, quality exposure, sector weightings, and individual portfolios positions at the aggregate equity level, while performing similar reporting at the individual portfolio level.

We recognize that many risks are inter-related and that there is no single answer to developing and implement a risk management program. We also recognize that a program of risk management does not necessarily imply a program of risk avoidance. Indeed, there are certain risks that a pension should willingly incur, to a degree. For example, the ability to invest in illiquid assets is one of the primary advantages that large institutional investors possess, and we believe taking on liquidity risk should not be dismissed. A thorough analysis of a fund's risks can help the Trustees understand how it can best invest given its competitive advantages and these risks.

**5. *Does your firm have a process to allow the Fund to review alternative market conditions? If so, briefly describe.***

Yes. Meketa Investment Group believes that as public equity market returns fluctuate, and fixed income returns prove insufficient to meet the goals of our clients, alternative asset classes are being relied upon to a greater extent to help our clients meet their investment goals.

Determining which investments are appropriate is largely a function of factors such as the client's risk tolerance, liquidity constraints, and time horizon. It also depends on how an investment would complement the existing portfolio (e.g., does it provide diversification or merely add exposure to factors such as credit risk or interest rate risk). While we are not inclined to favor certain strategies (e.g., those that combine volatile, potentially illiquid assets with leverage), ultimately we customize our recommendations to each client's specific needs. The firm's philosophy for each of the alternative asset classes noted is nuanced, but similar to our overarching investment philosophy. As a firm, we seek out managers in these spaces where the team, process and strategy are additive to the overall portfolio of our clients.

We realize the continuing importance of non-traditional assets and are focusing our efforts to remain among the leaders in the space. Our alternatives staff has grown substantially since 2000 and has become increasingly specialized. While originating with Private Equity, Meketa Investment Group has established separate teams for Private Debt, Infrastructure, Natural Resources, Real Estate and Hedge Funds with each team is comprised of full-time research analysts and members of the Private Markets Investment Committee. These teams have been established to seek out and evaluate the highest quality managers in their sector. The teams are cross fertilized to ensure consistency and adherence to best practices. Several of our clients have delegated to us the responsibility of selecting individual partnership investments as a result of our capabilities and expertise in this area.

**6. *Describe your firm's philosophy regarding strategic versus tactical asset allocation.***

From an investment policy standpoint, at the plan sponsor level, we believe strategic asset allocation is the most appropriate approach to use when determining the long-term target asset allocation for pension funds.

However, tactical asset allocation strategies, employed on a stand-alone basis, can provide plan sponsors with an additional opportunity set when constructing diversified manager rosters. The appropriateness of tactical asset allocation strategies will vary by client.

Tactical asset allocation draws its fundamental traits from market timing, as it depends on forecasts to determine which assets currently appear favorable, as well as unfavorable. Such strategies rely on changing market conditions to exploit short-term opportunities in the hope of producing alpha in various market conditions.

To avoid hasty judgments and expensive tactical reversals, we recommend that all investment decisions be made within the framework of a carefully considered investment policy. A disciplined approach reduces the tendency to "time the markets," adopt

investment fads, or terminate managers after a short interval of poor performance. Therefore, we generally do not advocate a tactical asset allocation approach.

That said, we do incorporate our views regarding changing investment environments into asset allocation analysis. Today our recommendations are based in part on our recently developed Economic Regime Management<sup>SM</sup> (ERM) methodology. ERM combines elements of traditional mean-variance optimization with a flexible but comprehensive set of economic scenarios. Though it shares many qualities with mean-variance optimization, ERM provides for more accessible debates around risk exposures and economic expectations. We utilize ERM as an additional method of helping clients see the “full picture” of the risks associated with their investment portfolio, in the context of the potential for different economic scenarios, such as low or high inflation, and low or high GDP growth. By combining these two methods, we feel we are better able to assist clients in creating well-structured, diversified portfolios designed for long-term success.

For example, an ERM analysis would suggest that one could benefit from adjusting the asset allocation of their portfolio based on the current economic environment. For example, many MVO-based portfolios are ill-prepared for a period of higher inflation. A portfolio that includes more assets that have historically acted as inflation hedges, such as TIPS, commodities, natural resources, and infrastructure, would do well in such an environment, while holding up better than a public equity-oriented portfolio in a recessionary environment.

**7. *Is your firm capable of performing asset/liability modeling studies? How many certified actuaries does your firm employ that work in this area of your firm's research?***

Yes. Meketa Investment Group is capable of performing asset/liability modeling studies. Our asset and liability studies involve several steps. First, we fully evaluate the fund's current status, which includes interfacing frequently with the fund's actuary. In this step we strive to understand the overall goal of the fund, how it is invested, and what its liabilities are.

Second, we analyze both assets and liabilities through the lens of a constrained mean variance optimization (MVO). Though imperfect, MVO presents a rough picture of the portfolios that will provide the best return for the funding risk.

Third, we view our proposed allocations through the lens of economic regime allocation. In this analysis, we identify how the portfolio will perform (from a liability standpoint) in common economic environments, such as below trend growth and below trend inflation. This analysis provides added perspective about the economic risks the fund may be assuming.

Fourth, we stress test our proposed portfolios using a variety of relevant historical scenarios. These scenario analyses reveal the best and the worst possible performance the fund could reasonably expect based on history, both in terms of both asset levels and liabilities.

Meketa Investment Group does not employ dedicated actuaries. We work with our clients' individual actuaries on asset liability studies and other projects that depend on actuarial data.

**I Investment Policy Development and Review**

**1. Describe your philosophy and process for development of:**

- *overall investment policy as well as investment policy for specific asset classes;*
- *client investment objectives, especially public pension clients.*

Meketa Investment Group undertakes a comprehensive Initial Fund Review of each new client. The Initial Fund Review includes an examination of the client's existing Investment Policy Statement, asset allocation policy and asset allocation structure; a review of actuarial reports; interviews with the client's investment managers and an examination of their guidelines and fees; and an assessment of the client's custody relationship(s) and fee structure, among other issues. Meketa Investment Group reports to the Board its assessment of each separate issue, makes appropriate recommendations, and prioritizes these recommendations within a timeframe of six to thirty-six months for implementation. The resulting Initial Fund Review document is typically in excess of sixty pages in length and becomes a useful guide for framing discussions and decision-making for the trustees and consultant.

We believe our role with respect to investment policy development is two-fold: to assist clients in setting their objectives, and to assist clients in achieving those objectives through the development of investment policies and manager guidelines that reflect real-world experience.

The identification and clarification of client objectives includes:

- explicit statement of the purposes of the assets,
- definition of the appropriate time horizon for the assets,
- identification of the degree of liquidity necessary and the funding patterns of the asset pool, and
- review of any legal, tax or special circumstances that affect the investment of the assets.

Once the client's objectives and constraints are identified, a relevant investment policy can be developed. Given that the asset allocation will be the primary determinant of the investment pool's risk and return characteristics, our investment policies focus on that area.

Investment policy development includes:

- extensive evaluation of risk and return attributes for various asset allocations,
- identification of a target asset allocation that best achieves the client's objectives, given their constraints,
- identification of appropriate ranges around which the long-term asset allocation may fluctuate, and
- description of the procedures for monitoring and adjusting the asset allocation over time.

The result of this process is a statement of Investment Policy that describes the fund's return expectations, the types of investment risks that can be assumed, and the rules used to measure these returns and risks. Most importantly, this document includes our recommendations for a long-term asset mix for the fund.

Following the Initial Fund Review and Investment Policy development, Meketa Investment Group works with clients on how best to implement long-term strategy, addressing specialist manager roles, use of passive management, and active manager guidelines. The written Manager Guidelines describe in detail the type of investment services that the fund needs to meet its investment objectives. These manager guidelines list the types of investments to be made and the degree of risk that is acceptable.

The Investment Policy Statement and all manager guidelines will be reviewed at least annually to ensure that their objectives and constraints remain relevant. Further, these documents will be reviewed whenever significant developments in the circumstances of one of the Funds occur. Specifically, the Investment Policy Statement will be reviewed upon each actuarial valuation, and manager guidelines will be updated whenever a new manager is hired or the mandate changes for an existing manager. Finally, our quarterly fund evaluation will include an asset summary page that compares each fund's actual asset allocation to its target allocation.

Meketa Investment Group's Initial Fund Review process has been continuously refined over the last thirty-three years and is consistently applied for all of our clients, including public pension funds.

**2. *Outline your process for analyzing a client's investment portfolio structure.***

As a part of our comprehensive Initial Fund Review, we conduct a thorough review of our client's investment portfolio structure. In performing our investment structure analysis, we evaluate the actual investments of all investment managers. Equity manager portfolios are analyzed from the perspective of company size, fundamental characteristics (price-earnings ratio, price-book value ratio, dividend yield, historical and projected earnings growth rates), industry concentration, and individual stock concentration. Fixed income manager portfolios are analyzed from the perspective of interest-rate sensitivity (duration), credit quality, and sector diversification.

Manager portfolios should be structured to minimize overlap and cross-trading among managers, to provide broad diversification, and to capitalize on the experience and expertise of management firms. Specialized manager roles should complement one another; duplication of investment strategy or assignment increases costs and risks, while reducing efficiency. It is essential to review manager roles regularly to ensure that the roles remain relevant and consistent with a fund's objectives. A structure in which each manager fulfills a distinct and necessary role increases efficiency. It also ensures that fund policies are not reversed by the actions of individual managers.

On a quarterly basis, Meketa Investment Group reviews the holdings of each of its clients' managers and performs portfolio analytics to evaluate overlap and ensure that they fulfill their specific mandates. In cases where potential overlap exists, Meketa Investment Group

works to ensure that both risks and costs are minimized. When conducting a manager search, we also evaluate the returns to determine the “fit” of the particular strategy within the existing investment plan.

Meketa Investment Group’s reports provide structure analyses at the aggregate and manager-specific level. For example, for equity portfolios these analyses include the following data for the portfolio and the appropriate indices: capitalization structure (number of holdings, weighted average market capitalization, allocations to large, mid, and small cap securities); fundamental structure (price-earnings ratio, price-book ratio, dividend yield, historical earnings growth rate, projected earnings growth rate); industry allocations; largest holdings; and, equity risk characteristics (arithmetic mean return, standard deviation, best monthly return, worst monthly return, beta, correlation to index, correlation to total fund return, Sharpe measure, information ratio).

**J Investment Manager Database & Research (Traditional and Alternative)**

1. *Does your firm maintain an in-house database of investment managers? If not, from what vendor do you purchase the database?*

Meketa Investment Group maintains two in-house proprietary manager databases. Our traditional manager database includes approximately 2,000 traditional investment managers and over 3,500 of their respective investment products and our alternatives databases includes approximately 1,000 alternative funds/managers

In addition, we utilize two third-party investment manager databases that include over 3,000 managers and over 10,000 investment products (including mutual funds). These third-party databases are updated at least quarterly and include both performance and data concerning the managers' operations. The two third-party databases are Morningstar and eVestment Alliance which are described briefly below.

**Morningstar** – Morningstar information provides the basis for Meketa Investment Group's custom peer indices, which unlike market indices, have the advantage of including real-world transaction costs and fees. In addition to information on approximately 6,000 mutual funds, Morningstar provides us with detailed information on approximately 500 closed-end funds.

**eVestment Alliance** – Meketa Investment Group has purchased a customized database from eVestment Alliance that includes in-depth profiles of virtually the entire universe of institutional investment managers, plus the range of products they offer.

2. *How many traditional managers and how many products are included in the database your firm uses?*

As mentioned above, Meketa Investment Group utilizes three distinct investment manager databases. Two are third-party databases (Morningstar and eVestment Alliance) that include over 3,000 managers and over 10,000 investment products (including mutual funds). Our internal proprietary manager database has approximately 2,000 investment managers and over 3,500 of their respective investment strategies.

3. *If the database you use is proprietary, describe the risk management procedures that have been implemented to protect it.*

Because safekeeping of the database is extremely important, Meketa Investment Group uses industry best practices for backup solutions employing a grandfather/father/son tape backup and rotation methodology via LTO Library Tape solutions. Tape media is stored in UL approved media safes and are stored offsite in a regularly scheduled rotation with Iron Mountain. Business critical data is replicated to our geographically diverse location in San Diego, CA real-time via Double-Take replication Solutions.

Because performance analysis is central to the prudent management of investment portfolios, Meketa Investment Group recommends a multi-tiered approach to verify the performance. First, we recommend that the custodian bank calculate detailed rates of return for each manager and each segment of a portfolio. Second, we ask each manager to submit comparable rates of return, calculated independently and internally. And third, Meketa Investment Group internally verifies and reconciles the rates of return.

For all managers, Meketa Investment Group uses various third-party sources to verify the accuracy of a manager's performance history. Specifically, when conducting investment manager searches, Meketa Investment Group requires that firms submit performance that is CFA Institute compliant. We carefully scrutinize the performance records that are provided to us by investment managers, including the performance calculation methodology they use.

We look closely at the integrity of the composite that a manager presents to ensure that it is representative of the strategy we are evaluating. This includes looking for dispersion of account returns within the composite, significant deviations in performance from the benchmark, and any considerable changes in the structure of the composite. Lastly, where appropriate, we will call a manager's clients to inquire about the returns that they have achieved with the strategy under consideration.

4. *Describe how your firm gathers, verifies, updates, and maintains the data collected on managers for the database. Please include how often the databases are updated, how often staff visits managers and the nature of the visits, and whether your firm uses surveys in evaluating managers in the database.*

For both our clients' managers and prospective managers, Meketa Investment Group uses various third-party sources to verify the accuracy of a manager's performance history. Specifically, when conducting investment manager searches, Meketa Investment Group requires that firms submit performance that is CFA Institute GIPS compliant. We carefully scrutinize the performance records that are provided to us by investment managers, including the performance calculation methodology they use. We look closely at the integrity of the composite that a manager presents to ensure that it is representative of the strategy we are evaluating. This includes looking for dispersion of account returns within the composite, significant deviations in performance from the benchmark, and any considerable changes in the structure of the composite. Lastly, where appropriate, we will call a manager's clients to inquire about the returns that they have achieved with the strategy under consideration.



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In addition to quantitative data, Meketa Investment Group's investment professionals share qualitative information collected from meetings with managers by emailing Manager Meeting Notes to the entire investment staff. These internal correspondences provide an assessment of the manager's strengths and weaknesses, processes, structure, performance, and recent changes. This data, combined with the third-party databases the firm subscribes to, gives Meketa Investment Group a distinct competitive advantage in investment manager research versus our competitors.

Every quarter we send a detailed questionnaire to all of our clients' managers. The purpose of this questionnaire is to determine for each manager if any significant changes have occurred in their firm or among their investment personnel. Further, the questionnaire inquires about regulatory violations, lawsuits, or investigations. We notify the Board immediately upon learning of a breach of any guidelines.

5. *Do you or the vendor you use charge direct or indirect fees for investment managers to be included in the database? If so, describe the fees.*

No. Meketa Investment Group does not charge investment managers direct or indirect fees to be included in our firm's database.

6. *With regard to "Alternative Assets" (broadly defined as Real Estate, Private Equity, and Hedge Funds), describe your firm's research facility for each area.*

Meketa Investment Group has the resources, experience, and superior track record necessary to implement custom alternative assets investment programs for our clients. Our private markets staff has grown substantially since 2000 and has become increasingly specialized. John A. Haggerty, CFA, Director of Private Markets Investment, oversees our all private markets investment and research. Our Private Markets Group includes 23 investment professionals, and 6 individuals contributing legal and administrative support. While originating with Private Equity, Meketa Investment Group has established separate teams for Private Debt, Infrastructure, Natural Resources, and Real Estate with each team comprised of full-time research analysts and members of the Private Markets Investment Committee. These teams have been established to seek out and evaluate the highest quality managers in their sector. The teams are cross fertilized to ensure consistency and adherence to best practices.

In addition, our hedge fund team which is part of our Marketable Securities group consists of five investment professionals responsible for due diligence and monitoring on hedge fund opportunities. Mr. Brian Dana, Senior Vice President and Hedge Fund Practice Leader, oversees our hedge fund research effort.

7. *How many searches did you conduct in each area in 2010? List this by asset class for traditional managers and for Alternatives, list by Real Estate, Private Equity, Hedge Funds, and (including fund of funds).*

Asset Class	Number of Searches
Equity	81
Fixed Income	47
Real Estate	8*
Private Equity	8*
Hedge Funds	13

\* We have conducted approximately 8-10 real estate manager searches across various strategies (Core, REITs, Value-added, Opportunistic, Debt). In addition, for our discretionary clients we have invested with several managers across different strategies through our proactive due diligence process, where formal searches were not conducted.

\*\* On average, we have invested in between 8-10 partnerships per year or approximately \$500 million per year in private equity commitments. Our private equity program reviews approximately 400 partnerships each year and, thus, our ratio of funds reviewed to invested is less than 3%.

8. *List your firm's Alternative Asset Research organizational chart.*

Please refer to Appendix E for an organizational chart of our Private Markets Team (alternative asset research group).

***K Investment Manager Searches***

***1. Describe your philosophy and methodology used in evaluating and selecting investment managers.***

Meketa Investment Group has over thirty years of experience in selecting investment managers on behalf of our clients. As with all of our consulting services, our manager search process is differentiated by the resources that we are able to commit to evaluating managers fully. In addition to extensive quantitative analysis, Meketa Investment Group looks closely at the personnel, strategy, and resources provided by each candidate manager. In most cases, we will not recommend a candidate manager without a comprehensive review and an on-site visit, including meetings with the senior investment professionals responsible for the product under consideration.

It has been our experience while performing investment manager searches that history is not a perfect guide. Things change such as markets and firms, and it is important to use forward thinking analysis. Our manager search process begins with defining the client's needs and then casting a wide net. It is a collaborative process, wherein we listen to suggestions from the Board members, often having up to six investment professionals working internally on a search. All resulting finalists are appropriate for the fund, and often represent a broad spectrum of potential candidates. Every manager selected should be assigned a specific, non-overlapping role within the fund. Our goal is to structure a finely crafted team of professionals.

Meketa Investment Group utilizes a three-phase manager search and selection process when evaluating public markets managers.

**Phase One**

During the first phase, we gather information and perform our initial analysis. We cast a wide net and review multiples databases (in-house proprietary and third-party databases) to screen for managers. In addition, our research staff meets with investment managers on an on-going basis, both in-house and on-site. We document all meetings in our internal, proprietary research system. We also leverage the institutional knowledge of our consultants, some of whom have been working in the industry for twenty or thirty years, and research managers our clients suggest.

Every "search" we do for a client is customized. However, we do have a "bullpen" of public market managers in each asset class who have gone through our multi-stage research process. These managers have been fully researched and vetted by our senior investment professionals. If appropriate, they can be considered in new searches. Despite the existence of this bullpen, we still include a wide variety of other managers in the "search" process.

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### **Phase Two**

Once we have defined the relevant manager universe and selected a set of managers that we believe are appropriate for the client, the second phase of the research process begins. In many instances, we have previously met with some of the managers and have some knowledge of the firm. In order to really understand the firm and the manager's capabilities, we believe it is very important to do at least one on-site visit. These visits will be very in-depth and may last for several hours. Depending on the firm's structure, our research staff will meet with the portfolio managers, multiple analysts, senior management, and members of the operations staff.

When we analyze a manager, we want to:

- Understand what the investment team really does and how they do their work
- Determine if their investment approach makes sense and whether it has been effective
- Develop a high degree of confidence that the manager will be successful in the future

During the course of our manager due diligence process, Meketa Investment Group evaluates five important elements. These are:

- Organization
- Investment Team
- Investment Philosophy
- Investment Process and Risk Management
- Performance and Fees

### **Phase Three**

During the final phase of the manager search and due diligence process, the investment analyst presents the manager to the Marketable Securities Investment Committee (MSIC). Presentation materials will include the analyst's manager analysis, the manager's presentation, a request for proposal (RFP) completed by the manager and other relevant supporting documentation. The MSIC consists of four senior members of Meketa Investment Group. This weekly meeting is a forum for the final vetting of managers. Once the presentation has been completed and all questions have been answered, the committee members will vote on whether the manager should be added to the MSIC bullpen in the appropriate asset class.

After our thorough due diligence process is conducted on a wide range of potential managers, we recommend two to three managers for finalist presentations. All recommendation decisions are made by committees, comprised of senior investment professionals at the firm. For each search, a comprehensive manager search document is constructed which details our evaluation process and the key attributes of each finalist, including strengths and weaknesses. Each manager then presents its

capabilities in person to the Board, who selects the most appropriate manager. All managers are evaluated within the context of a client's overall investment policy.

We present our comprehensive search documents to our clients in person. When asked, we do not hesitate to make specific recommendations. That is our job. Because Meketa Investment Group customizes each document to meet our clients' needs, the content and presentation will vary.

2. *Describe your firm's methodology and source of data for analyzing and evaluating a potential manager's performance. Describe how risk is factored into this analysis. Discuss any attribution analysis that is performed.*

For prospective managers, Meketa Investment Group uses various third-party sources to verify the accuracy of a manager's performance history. Specifically, when conducting investment manager searches, Meketa Investment Group requires that firms submit performance that is CFA Institute compliant. We carefully scrutinize the performance records that are provided to us by investment managers, including the performance calculation methodology they use. We look closely at the integrity of the composite that a manager presents to ensure that it is representative of the strategy we are evaluating. This includes looking for dispersion of account returns within the composite, significant deviations in performance from the benchmark, and any considerable changes in the structure of the composite. Lastly, where appropriate, we will call a manager's clients to inquire about the returns that they have achieved with the strategy under consideration.

For prospective managers, we evaluate the performance record of each manager, including relative and absolute total returns. Also, returns are evaluated to determine the risk inherent in the investment strategy and the "fit" of the particular strategy within the existing investment plan.

Meketa Investment Group compares managers to three types of benchmarks. The first benchmark is a broad market index (e.g., the S&P 500 index for equity managers). This comparison gives information about the broad market conditions under which the manager was operating.

Our second comparison is to a style-specific benchmark matched to the portfolio's investment style. For example, a small capitalization value manager would be compared to the Russell 2000 Value index. This comparison refines the analysis provided by the broad market index by focusing more exclusively on the area of the manager's expertise. And finally, we compare managers to carefully crafted benchmarks of their peers.

3. *What qualitative factors do you evaluate when researching investment management organizations? How does your firm identify qualitative problems at investment organizations? How is historical performance used in your evaluation?*

Some of the important qualitative factors we look closely at include organizational or strategic changes, events such as changes in the personnel selecting securities, a change in the security evaluation process, or a material change in a firm's ownership structure. We take time at on-site manager meetings to evaluate these qualitative factors. We also monitor news and seek to keep aware of developments at various managers through frequent communication with appropriate parties.

Every quarter, we send a detailed questionnaire to all of our clients' managers. The purpose of this questionnaire is to determine for each manager if any significant changes have occurred in their firm or among their investment personnel. Further, the questionnaire inquires about regulatory violations, lawsuits, or investigations.

Monthly, Meketa Investment Group collects client information from a variety of sources including custody banks, investment managers, database providers, and news services. We purchase data from FactSet, Ibbotson, eVestment Alliance, Morningstar and Thomson Reuters. This data is used to audit, reconcile, and number check our clients' portfolio performance and holdings. At the aggregate level, we then evaluate performance relative to appropriate benchmarks, both industry and peer. The appropriate use of benchmarks is crucial in the analysis and evaluation of both current and prospective investment managers.

Meketa Investment Group is committed to ensuring accuracy of the data in our reports to clients. We recommend that clients utilize the performance calculation services of their custodian bank when possible, because the custodian represents an independent third-party with immediate and comprehensive access to all portfolio activity.

We collect performance from a client's investment managers as well, and compare performance figures for consistency. When discrepancies are discovered, Meketa Investment Group works with the investment manager and the custodian to determine the source of the differential and to make any necessary adjustments.

***L Performance Review, Analysis, and Reporting***

- 1. Describe your firm's performance analysis philosophy and discuss the portfolio analytics your firm is capable of providing, including factors you consider to be critical in reporting performance and give reasons why this approach is superior to others. Is this service performed by your firm or through an outside vendor and can we access the information via the web? If you outsource, please identify the vendor and detail all quality controls in place.*

Timely performance analysis is central to the prudent management of investment portfolios. The evaluation of performance, at the investment manager and total Fund level, is one of the most important aspects of our work as investment consultants.

Meketa Investment Group, on a quarterly basis, prepares a detailed written status report for each Fund, which includes both an Executive Summary and an Aggregate Fund Performance section. This report, often near seventy pages in length, is not a simple, computerized scorecard. Instead, the report is a thorough summary of all of the important information Trustees need to evaluate performance as a part of their fiduciary duty. It is written in plain English and contains recommendations where appropriate.

On a monthly basis, Meketa Investment Group supplements the quarterly reports with Interim Updates on the Fund's investments. These reports provide accurate market values and performance data for recent and historical periods for each manager and the Fund in aggregate. Comparisons to relevant benchmarks are shown for each manager to put its performance in the proper context.

Meketa Investment Group produces all client reports internally using the fore mentioned databases, Microsoft Office 2003/2007 programs and proprietary quantitative analysis programs. We do not use subcontractors in relation to production of our client reports. All reports are produced, printed, and distributed by Meketa Investment Group's administrative staff. We currently do not offer online access to our clients.

- 2. Does your firm meet the requirement that all performance reporting complies with CFA Institute Performance Reporting Standards?*

Meketa Investment Group uses the Global Investment Performance Standards (GIPS) developed by the CFA Institute as a guide to calculating performance.

- 3. Do you reconcile your calculated performance with investment managers' and custodians' reports? If yes, please describe.*

Yes. Performance reported by investment managers and custodians is calculated and reconciled on a regular basis. Monthly, Meketa Investment Group collects client information from a variety of sources including custody banks, investment managers, database providers, and news services. We purchase data from FactSet, Ibbotson, eVestment Alliance, Morningstar and Thomson Reuters.

Meketa Investment Group is committed to ensuring accuracy of the data in our reports to clients. We recommend that clients utilize the performance calculation services of their custodian bank when possible, because the custodian represents an independent third party with immediate and comprehensive access to all portfolio activity.

We collect performance from a client's investment managers as well, and compare performance figures for consistency. When discrepancies are discovered, Meketa Investment Group works with the investment manager and the custodian to determine the source of the differential and to make any necessary adjustments.

4. *What amount of input may the client have in the content and format of an investment performance evaluation report? Do you have the ability to customize reports for your clients?*

Meketa Investment Group customizes each of our client reports to some extent. Most quarterly reports produced by Meketa Investment Group take on the same general structure. However, we have the ability to customize our quarterly reports to meet the needs of a specific client. We are happy to work with our clients to ensure our reports meet their needs.

5. *Who will be responsible for working with the Fund to design the standard performance evaluation report and for compiling the report each quarter?*

The proposed consulting team of Leandro Festino, Laura Wirick, and Stephen McCourt would be responsible for working with the Fund and the Board to customize the performance reports. They are supported by a team of investment analysts, data analysts and client service administrative personnel who assist in the compiling the report.

Most performance reports address the following areas:

**Aggregate Fund Performance** — For both recent and historical periods, we evaluate the Fund's total performance relative to a number of indices, including peer indices and those customized by Meketa Investment Group to reflect the Fund's asset allocation and structure.

**Aggregate Asset Allocation** — Each report reviews the Fund's asset allocation relative to its target and makes explicit recommendations for adjustments if appropriate.

**Aggregate Fund Structure** — We review the investment structure of the Fund as a whole, evaluating the overall quality and diversification of the Fund's investments and any apparent risks that need to be addressed. In particular, we focus on how well the current managers work together as a coherent team, identifying redundancies or overlap, and offering recommendations for improvements.

**Individual Manager Reviews** — For many clients, we perform either summarized or detailed evaluations of each manager's portfolio. Our analysis compares the manager's actual investment posture with their assigned role for the Fund, examines



their performance relative to market and peer indices, and ensures their compliance with all investment guidelines and restrictions.

**Executive Summary** – Unlike many consultants, Meketa Investment Group does not shrink from providing explicit recommendations when we identify areas for improvement.

We present our reports to the client in person. When asked, we do not hesitate to make specific recommendations, as that is our job.

**6. What asset classes are tracked in your performance measuring system? How many managers are included within each asset category?**

Our databases cover all the major and minor asset classes. The following table details these asset classes.

Asset Classes	
<ul style="list-style-type: none"> <li>Domestic Equities <ul style="list-style-type: none"> <li>Passive (various)</li> <li>Enhanced Index</li> <li>Large Cap Growth</li> <li>Large Cap Value</li> <li>Large Cap Core</li> <li>Midcap Growth</li> <li>Midcap Value</li> <li>Midcap Core</li> <li>Small Cap Growth</li> <li>Small Cap Value</li> <li>Small Cap Core</li> <li>Microcap</li> </ul> </li> <li>International Equities <ul style="list-style-type: none"> <li>International Core</li> <li>International Value</li> <li>International Growth</li> <li>International Small Cap</li> <li>Emerging Markets</li> </ul> </li> <li>Hedge Funds</li> </ul>	<ul style="list-style-type: none"> <li>Fixed Income <ul style="list-style-type: none"> <li>Short-term Government &amp; Corporate</li> <li>TIPS</li> <li>Short-term Core</li> <li>Core &amp; Core Plus</li> <li>Core Plus</li> <li>High Yield</li> <li>Global</li> <li>Emerging Markets</li> </ul> </li> <li>Private Equity <ul style="list-style-type: none"> <li>Buyouts</li> <li>Venture Capital</li> </ul> </li> <li>Real Assets <ul style="list-style-type: none"> <li>Public REITs</li> <li>Global REITs</li> <li>International REITs</li> <li>Core</li> <li>Value Added</li> <li>Opportunistic</li> <li>Infrastructure</li> <li>Commodities</li> </ul> </li> </ul>

The following table shows the total number of managers within these databases.

<b>Asset Class</b>	<b>Number of Managers</b>
Equity	2,072
Fixed Income	664
Real Estate	316
Private Equity	700
Hedge Funds	2,500
<i>Total Number of Managers</i>	6,252

7. *Describe the database/universe used by your firm for performance reporting. Is it an in-house product, or do you purchase the information? Describe any public fund components of this database as related to number and size of entities and amount of assets involved.*

Meketa Investment Group utilizes six performance measurement databases. We purchase data from FactSet, Ibbotson, eVestment Alliance, and Morningstar, have access to the Investment Metrics Universe, and we maintain our own internal database.

FactSet is a leading provider of global financial and economical information, including fundamental financial data on tens of thousands of companies worldwide. Combining more than 250 databases into a dedicated service, FactSet provides tools to download, combine, and manipulate financial data for investment analysis. The Ibbotson database includes 700 distinct investment benchmarks, including historical capital market returns and widely-used indices (e.g., S&P, Russell, MSCI, Barclays). eVestment Alliance represents over 1,100 investment managers and more than 6,100 investment products. Morningstar provides information on approximately 6,000 mutual funds. The Investment Metrics Universe provides us with an institutional plan sponsor peer universe consisting of 1,387 plans totaling \$2.317 trillion in assets. The Investment Metrics Universe allows us to customize a universe of peers based on similar funds by size and/or by client type. The Meketa Investment Group database, which represents the performance histories of our clients and their investment managers, includes nearly 1,000 investment portfolios. Finally, the Funds could compare their results to an unbiased database of like clients.

8. *Describe the performance attribution analysis you use and provide a sample report.*

Meketa Investment Group evaluates performance attribution on three primary levels: the individual portfolio, the aggregate asset classes, and the aggregate plan. For equity portfolios both domestic and international, we determine the influence that country, sector, and capitalization size exerted on returns, relative to the benchmark. For fixed income portfolios, we evaluate the influence of country, duration, credit quality, and sector relative to the benchmark. At the aggregate asset class levels, comparisons to a broad market benchmark allow us to determine and analyze how the asset class-specific (e.g., domestic equity) manager structure has impacted results. At the aggregate plan level, comparisons to a custom or shadow benchmark assist in isolating the influence that particular strategic bets

or implementation processes (e.g., an overweight to small capitalization stocks) exert on returns.

Quarterly, we review the holdings of each of its clients' managers and perform portfolio analytics to evaluate overlap and ensure that they fulfill their specific mandates. In cases where potential overlap exists, we work to ensure that both risks and costs are minimized.

For risk measures, we evaluate the actual investments of all investment managers. Equity manager portfolios are analyzed from the perspective of company size, fundamental characteristics (price-earnings ratio, price-book value ratio, dividend yield, historical and projected earnings growth rates), industry concentration, and individual stock concentration. Fixed income manager portfolios are analyzed from the perspective of interest-rate sensitivity (duration), credit quality, and sector diversification.

Our multi-faceted analysis represents a very sophisticated form of return attribution. For example, we are able to determine accurately whether a manager's superior results are the result of bottom-up security selection, top-down macro judgments, or the assumption of high levels of risk. This process helps us to ensure that our clients' funds are never subjected to excessive or unnecessary risk levels.

Please refer to Appendix F for a sample performance attribution report.

**9. *Describe your capabilities in the production/interpretation of securities lending.***

Meketa Investment Group has frequently worked with our clients to initiate and monitor a securities lending program. The majority of our current clients utilize the securities lending programs of their custody banks.

Meketa Investment Group typically evaluates securities lending programs from larger institutional banks (e.g., State Street Bank, Bank of New York, etc). We will also review securities lending programs for smaller institutions upon request by current and prospective clients. Each evaluation is performed on a case-by-case basis, as the size and nature of a participant's assets that qualify for a program will influence the specifics of that participant's agreement with a provider.

An important factor in evaluating a provider's capabilities lies with their resources dedicated to the program. Dedicated personnel and technological resources allow a provider to process large volumes of lending activity and service many program participants. A larger pool of participants creates more trading opportunities and more income generation.

Another important factor in our evaluation of a securities lending program provider is in their ability to reduce risk. Meketa Investment Group requires providers to detail their borrower approval procedures and to define their collateral pool that supports the program. Additionally, we require providers to detail the extent for which they will indemnify a participant from losses as a result of default. Typically, larger institutions with more robust programs will fully indemnify a participant from both borrower and operational default.

Lastly, Meketa Investment Group evaluates the income potential for a participant, based on the revenue split ratio and annual income estimate provided by the provider. Depending upon the size and nature of the assets that qualify for a program, a participant / provider revenue ratio of 70%/30% is reasonable. For larger amounts of lendable assets a more favorable ratio is warranted. Subsequently, for smaller amounts of lendable assets, a less favorable ratio may be offered. Additionally, we also request providers clearly detail any additional fees or charges beyond the revenue split.

Additionally, Meketa Investment Group constantly evaluates custodial services and fees associated with their services for our current and prospective clients. Included in our evaluation is a comprehensive review of the investment products available. Custody banks often offer a menu of investment products that can serve the specific needs of their custody clients. For example, most custodians offer automatic overnight cash pools to allow clients to invest excess cash in short term investment funds on a daily basis. These cash pools can be as conservative as a Treasury-only money market fund, or as aggressive as a cash pool backed by S&P 500 index futures. We will work to ensure that the cash management vehicles employed are appropriate given our clients desired level of risk.

Meketa Investment Group does not hesitate to make specific recommendations regarding securities lending and cash vehicles in general. For example, in light of recent concerns about the solvency of European countries and European banks, we have recommended that some clients move to more conservative securities lending collateral pools.

***M Subcontracting***

1. *If your firm uses the services of a subcontractor, please identify the subcontractor and describe the skills and qualifications of the subcontractor and its individual employees.*

Not applicable. Meketa Investment Group does not subcontract any of its services. We are staffed to provide all services on a highly customized and “personalized” basis.

2. *Describe the contractual arrangement contemplated with each subcontractor and describe generally the control/delegation of responsibilities anticipated in that arrangement.*

Not applicable.

***N Insurance and Liability***

- 1. Please describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers and provide evidence of professional liability insurance.*

Meketa Investment Group carries a \$20 million annual aggregate Errors & Omissions policy. The policy is underwritten by Houston Casualty Company and Liberty Mutual Insurance Company. Meketa Investment Group also carries an Investment Advisor ERISA Bond with Hanover Insurance Company. The limit of liability for the Policy Annual aggregate is \$25 million. Coverage is applied to the firm as a whole.

**O Fee Schedule**

1. *Provide, in detail, the fees your firm would charge for investment consulting services. Fees must be proposed as “all in.” The Fund has extensive investments across all three major areas of alternatives. Please propose a tiered fee schedule as follows:*

- *Traditional Asset Consulting (excluding alternative assets),*
  - i. *Under this structure, how much would your firm charge for a “one off” alternative asset manager search? How much for a “one-off” prudent letter report on an assigned alternatives manager?*
- *Traditional plus direct hedge funds,*
- *Traditional plus real estate,*
- *Traditional plus private equity,*
- *Traditional and all alternative assets.*

*SAFP currently retains Townsend for real estate and Albourne for hedge funds. It is not contemplated that we will change but we want to understand if your organization has the capabilities and how much it would cost.*

Meketa Investment Group has been providing investment consulting advice for over thirty-three years. We routinely provide our clients with valuable services that other consultants do not offer. Fund Coordination services, not only protect our client’s funds, but also generate enormous cost savings. Our work has helped clients control costs, reduce risks, and achieve outstanding investment results. Meketa Investment Group would welcome the opportunity to provide the same service to the Fire and Police Pension Fund, San Antonio.

We are pleased to offer the following Strategic Investment and Fund Coordination services for traditional asset consulting:

***Traditional (General and Public Markets) Consulting Services***

<b>Strategic Investment Advice</b>	<b>Fund Coordination</b>
<ul style="list-style-type: none"> <li>• Initial Fund Review</li> <li>• Investment Policy Design</li> <li>• Asset Allocation</li> <li>• Liability &amp; Liquidity Studies</li> <li>• Manager Evaluation &amp; Selection</li> <li>• Fund Reporting &amp; Analysis</li> <li>• Board Education &amp; Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Managing Cash Flows</li> <li>• Negotiating Fees</li> <li>• Supervising Transitions</li> <li>• Crisis Response Plan</li> <li>• Risk Control</li> <li>• Trustee Protection</li> </ul>

Our proposed fee to provide the traditional asset consulting services identified above would be as follows:

***Traditional (General and Public Markets) Consulting Services***

*\$320,000 per year, payable monthly in arrears on behalf of the Fund.*

In addition, we are pleased to include the following fees as requested in addition to the above stated fee:

***“One-off” alternative asset manager search***

*\$35,000 per search*

***“One-off” prudent letter report on an assigned alternatives manager***

*\$10,000 - \$15,000 per report*

Custom Alternatives Consulting Services involve all of the work required to create a custom investment program (customized fund-of-funds) for private market asset classes (private equity, private debt, infrastructure, real estate, and natural resources,) including:

***Alternatives Consulting Services***

<b>Program Design</b>	<b>Program Implementation</b>
<ul style="list-style-type: none"><li>• Private Markets Education</li><li>• Strategic Planning &amp; Policy Development</li><li>• Pacing Analysis</li><li>• Partnership Analysis</li><li>• Legal Review</li><li>• Negotiating Terms and Fees</li><li>• Client Communication</li><li>• Board Education</li></ul>	<ul style="list-style-type: none"><li>• Cash Flow Coordination</li><li>• Program Monitoring &amp; Review</li><li>• Annual GP Meeting Attendance</li><li>• Partnership Amendments</li><li>• Advisory Board Representation</li><li>• Client Reporting</li></ul>

Our proposed fee to provide the traditional asset consulting services plus the additional alternatives assets classes would be as follows:

***Traditional Consulting plus Direct Hedge Fund Consulting Services:***

*\$495,000 per year, payable monthly in arrears, on behalf of the Fund.*

***Traditional Consulting plus Real Estate Services:***

*\$440,000 per year, payable monthly in arrears, on behalf of the Fund.*



***Traditional Consulting plus Private Equity Services:***

*\$550,000 per year, payable monthly in arrears, on behalf of the Fund.*

***Traditional Consulting plus All Alternatives Assets Consulting Services:***

*\$595,000 per year, payable monthly in arrears, on behalf of the Fund.*

The scope of services for each asset class can vary dramatically. Our fees proposed above are negotiable based on the final scope of services (i.e., the mix of fund of funds vs. direct investments).

***2. Identify the period of time the proposed fees will remain in effect.***

Meketa Investment Group's fee will remain in effect for three years, after which we would be happy to discuss a fee that is mutually agreeable between both parties.

***3. Does your firm's proposed fee arrangement consist of any incentive or contingent payments? If so, please describe the manner of calculation in detail.***

No.

**P APPENDICES**

1. *Appendix A - FORM ADV Parts I and II: Please attach a copy of the current Form ADV Parts I and II of your firm and all other registered investment advisers (whether SEC or state registered) that are affiliated or related to your firm.*

Please refer to Appendix A for Meketa Investment Group's Form ADV, Parts 1 and 2A.

2. *If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?*

Yes. If hired by the Fund, Meketa Investment Group will acknowledge in writing that our firm has a fiduciary obligation as an investment adviser to the Fund while providing the consulting services the Fund is seeking.