

# **Freeport Fire Pension Fund**

## **Request for Proposal (RFP)**

### **Investment Consultant (Non-Discretionary)**

April 2018

#### **1. INTRODUCTION**

The Board of Trustees (Trustees) of the Freeport Fire Pension Fund (Pension Fund) is requesting proposals from Investment Consultants for the Freeport Fire Pension Fund, as described in section 2 below.

The Board of Trustees of the Freeport Fire Pension Fund can reject any proposal submitted. Proposals submitted will be evaluated by the Fire Pension Fund Trustees and during the review process the Trustees have the right to request additional information and corrections from any or all of those submitting proposals. Once the Trustees have reviewed the proposals, they may request oral presentations from any or all of those submitting proposals. All costs incurred with the submission of proposals are solely those of the proposer, the Trustees and/or Fire Pension Fund will not reimburse any expenses of those proposing.

If you have any questions or communications pertaining to this Request for Proposal (RFP), please contact:

Linda L. Buss, City Treasurer  
Freeport Fire Pension Fund  
314 W. Stephenson Street  
Freeport, IL 61032

Questions must be submitted in writing. You may do so by email at [LBus@cityoffreeport.org](mailto:LBus@cityoffreeport.org). Please provide a return email address and phone number for responses.

## **2. DESCRIPTION OF THE PENSION FUND**

The Freeport Fire Pension Fund has total assets of approximately \$35 million.

## **3. REQUIREMENTS FOR INVESTMENT CONSULTANT**

### **1. Investment Consultant**

Section 5/1-101.5 of the Pension Code defines "Consultant" as follows: "as any person or entity retained or employed by a board of the pension fund to make recommendations in developing investment strategy, assist with finding appropriate investment advisors or monitor the board's investments".

In order to be a "Consultant" with respect to the Pension Fund, the person or entity must be one or more of the following:

1. Registered as investment advisor under the Federal Investment Advisor Act of 1940;
2. Registered as an investment advisor under the Illinois Security Law of 1953;
3. A Bank as defined in Investment Advisors Act of 1940;
4. An insurance company authorized to transact business in the State of Illinois.

A contract awarded to a "Consultant" may not exceed five (5) years in duration (PA 95-950), which may not be extended or renewed. However, at the end of the term of the "Consultant" contract, the "Consultant" is eligible to compete for a new contract. "Consultants" bidding for pension fund consultant services must include a written disclosure of the following:

1. The offeror;
2. Any entity that is the parent of, or owns a controlling interest in the offeror;

3. Any entity that is subsidiary of, or in which the controlling interest is owed by, the offeror.

The Prohibited Transactions Section of the Illinois Pension Code, 40 ILCS §5-110(d) provides that a "Consultant" shall not knowingly cause or advise a Pension Fund to engage in an investment transaction when the investment consultant has any direct interest in the income, gains, or profits of the investment consultant through which the investment transaction is made or, has a business relationship with that consultant that would result in a pecuniary benefit to the consultant as a result of the investment transaction.

## **2. Requirements for a Written Agreement between Pension Board and Consultant**

Pursuant to §5/1-113.5(b), all investment advice and services provided by a "consultant", appointed under this provision must be rendered pursuant to a written contract between the "investment advisor/manager" and the board. The contract must include all of the following:

- A) Acknowledgment in writing by the "consultant" that he or she is a fiduciary with respect to the assets of the pension fund;
- B) Acknowledgment of the board's investment policy, which must be incorporated into the agreement as an appendix;
- C) Full disclosure of any direct and indirect fees, commissions, penalties, and any other compensation that may be received by the "consultant", including reimbursement for expenses, that may be paid by or on behalf of the advisor/manager;
- D) A requirement that the "consultant" attend the pension fund's quarterly meetings;

- E) A requirement that the "consultant" submit periodic written reports on at least a quarterly basis, reporting all returns on investments, net returns after payment of all fees, commissions and other compensation; and
- F) A requirement that the "consultant" update the disclosure concerning fees promptly after modification of those payments or additional payments.
- G) A requirement that the "consultant" will follow SB65, Public Act 95-521, and request from those handling the assets of the pension fund completion of the annual Illinois Finance Entity Certification Form stating that they do not engage in predatory lending practices and, further, will file those reports on behalf of the pension fund with the Illinois Department of Insurance, Pension Division.
- H) An Illinois Law governing provision.
- I) The Board will not agree to arbitration of dispute clauses.

#### **4. DELIVERY OF PROPOSALS**

Please forward seven copies of the proposal to:

**Linda L. Buss, City Treasurer**  
**Freeport Fire Pension Fund**  
**314 W. Stephenson Street**  
**Freeport, IL 61032**

The proposals must be received by 4:00 p.m. on June 15, 2018 to be considered.

## **5. REQUEST FOR PROPOSAL**

### **A. Firm Information**

1. Name of Firm
2. Address
3. Name, telephone number, email address and title of individual with authority to commit firm.

### **B. Description of Organization**

1. Name of Organization
2. Firm
  - a) The year the firm was founded.
  - b) List specific municipal or government accounts currently under management:
    - (i) Specifically highlight Illinois Fire Pension Fund accounts, and
    - (ii) Specifically detail the total market value of the relationship and the market values of the fixed income and equity portions, and
    - (iii) Highlight the number of years the firm has worked with the Fund.
  - c) Number of Illinois Fire Pension Fund accounts that have terminated their relationship with your firm in the last 10 years.
3. The Person(s) that would have primary consultant responsibility for this account.
  - a) Name(s) and Title(s)

- b) Provide biographies of these key personnel.
  - c) Number of accounts under the consultant that would be assigned to this account.
  - d) Years of personal Illinois Fire Pension Fund consultant experience.
  - e) Provide the names, responsibilities and tenure of key members of the Illinois Fire Pension Fund consultant team that have left the firm within the last 3 years.
  - f) Who will represent your firm at pension board meetings?
- 4. Describe any special expertise and experience your firm has in providing investment consultant services to Fire pension funds in Illinois.
  - 5. Disclosure of your firm's insurance coverage.
  - 6. Describe the competitive advantage your firm enjoys over its competitors.

**C. Business Arrangements**

- 1. List brokers executing more than 10% of your dollar volume over the last 12 months and disclose their percentages.
- 2. List total value of the soft dollar received over the last 12 months and their source.
- 3. Please disclose and describe all sources of income you receive in connection with investment consultant services to pension funds, either direct or indirect. What third parties will you receive compensation from, including, but not limited to, commissions, 12(b) (1) fees, referral fees, etc.?

4. Discuss recommendations for custody. Are you affiliated with this custodian? Do you receive any compensation for this custodian in regard to this client? Are any custodian services delegated to other firms? Itemize all cost to client should they choose to take your recommendations in regard to custody.

#### **D. Investment Procedures and Approaches**

1. Describe the internal structure and organization of your firm's research department.
2. Briefly describe the philosophy and methodology of your security selection for the equities and fixed income. If you feel any of the more common "investment styles" apply to your philosophy, please so indicate.
3. Describe your capabilities in developing, implementing and modifying investment guidelines and objectives.
4. Explain your views on passive versus active management. What is your recommended allocation between active and passive management?
5. To what extent does your firm manage individual bonds and equities, as opposed to choosing equity or other managers as sub-advisors?
6. Describe your role in recommending manager transitions and/or re-balancing strategic asset allocations targets.
7. What are your approaches to rebalancing or reallocating asset classes, styles, and sectors for or on behalf of the fund? How do you add value in this process?

#### **E. Manager Evaluation and Due Diligence**

1. Please describe your firm's manager research database. Is it proprietary or purchased from an outside vendor? Are the managers charged for inclusion?

How many managers are tracked? What is the method for gathering information on an investment manager? How often is the data updated?

2. Please describe your firm's manager search process. Include how your firm evaluates a manager's personnel and firm, investment philosophy, investment style(s) and products, research and/or modeling capabilities, financial condition, assets under management, type of clients, client service, and fees.
3. Please describe the criteria necessary for a manager to be included in a search report and/or for your firm to recommend an investment.
4. Please provide a sample manager search report.

#### **F. Investment Performance**

1. Please submit composite performance data for the last one-year, three-year, five-year and ten-year periods ending December 31, 2017. Also, provide performance for each full year your firm has consulted Illinois Fire Pension Funds through December 31, 2017. Please provide equity and fixed income composite performance separately. Specify if these returns comply with CFA Institute - GIPS performances presentation standards. Fixed income returns should include accrued interest. Indicate the composition of the composite and compare the composite performance against the appropriate market index / benchmark. The composite should contain ONLY Illinois Fire and Fire Fund accounts for which your firm is a consultant.

Disclose if any Illinois Fire Pension Funds clients were left out of the composite. If so, why were they left out?

2. Please provide an example of your reporting format for quarterly meetings.
3. How much flexibility is there in your reporting format? Can reports be customized at the Pension Board's request? Are there charges for such changes? Within what time frame can requested changes in reporting be made, i.e., at the



beginning of the relationship only or anytime changes are needed? Are reports available in electronic format?

4. Describe the benchmark that your firm feels the equity and fixed income portions of the portfolio should be managed against and why.

### **G. Client Service Approach**

1. Describe your client service philosophy. Please limit responses to 2 paragraphs.
2. How often do you meet with your clients, in-person and via teleconference? Please describe the nature and content of those meetings.
3. Describe your approach to board/committee education. Include a relevant sample educational piece, if available.
4. Describe relevant educational seminars hosted by your firm that are open to clients. Are any of these sponsored by investment managers? Are they free for clients?

### **H. Fees**

5. What is your proposed fee structure, including start-up fees, annual fees, and any other direct or indirect fees, commissions, penalties, and any other compensation, including reimbursement for expenses.
6. Provide a detailed description of the services to be provided in the exchange for the proposed fees?
7. Attach a sample investment Consultant Agreement with fee schedule.
8. Your bid should include a proposal for a one-year, three-year and five-year contract length.

## **I. Miscellaneous**

1. Please provide a list of at least five Illinois Fire Pension Fund client references with contact names, addresses, and telephone numbers.
2. Please provide a list of formal complaints, sanctions, or litigation against your firm in the last five years has your firm, its principal or affiliate ever (i) been the subject of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigating for any similar federal, state or self-regulatory body or organization (ii) been a party to any litigation concerning fiduciary responsibility to other investment related matters, or (iii) submitted a claim to your errors and omissions, fiduciary, liability, and/or fidelity bond insurance carrier(s)? If yes to any, please provide details.
3. Provide a list of any/or all affiliates with financial institutions, insurance companies, mutual funds, and/or brokerage firm. Please provide a description of each affiliation.
4. Please state whether you are willing to acknowledge that you are a fiduciary of the pension fund as defined in the 40 ILCS 5/1 – 101.2, Illinois Statutes.
5. Please state whether you agree to venue for any judicial proceeding to be in the State of Illinois.
6. If requested, what other services could your firm provide (on-site training, etc.) for trustees and staff?
7. Specify how your firm will handle transfer of assets. Describe how your firm will assist in transition management.

8. Please review and acknowledge your understanding of the following terms:
- a. The information submitted in the proposal may be subject to public disclosure pursuant to federal and state laws.
  - b. The pension board reserves the right to reject any and all bids.
  - c. The pension board may select a proposal other than that of the lowest cost provider.