



# **FRS**

*Firemen's Retirement System of St. Louis*

## **Request for Proposal General Investment Consultant**

Proposals must be submitted on or  
before 3:00 p.m. Central Standard Time  
January 18, 2019

The Firemen's Retirement System of St. Louis  
1601 South Broadway  
St. Louis, MO 63104  
(314) 588-2288  
[www.frs-stl.org](http://www.frs-stl.org)

## **SECTION I: INTRODUCTION**

The Firemen's Retirement System of St. Louis (FRS) is a governmental defined benefit plan. The plan is governed by permissive legislation found in Chapter 87 of the Missouri Revised Code as well as enabling legislation found in Chapter 4.18 of the City of St. Louis municipal code. The plan is funded by a combination of investment returns, city contributions, and payroll contributions from plan members.

On February 1, 2013 FRS was frozen by order of the St. Louis Circuit Court. New contributions are paid into a new system and new benefits earned are paid out of that system. FRS is responsible for the investment and administration of all benefits earned prior to February 1, 2013. As of September 30, 2018, the system had \$478 million in assets under management.

The board of FRS is made up of eight trustees. Three of the trustees are active firefighters and elected by the active members of the system. One retired firefighter sits as trustee and is elected by retired members of the system. The mayor appoints two trustees to the board. The Fire Chief and the Comptroller serve as ex-officio members of the board.

## **SECTION II: SCOPE OF SERVICES**

The responsibilities of the investment consulting firm include, but are not limited to:

### **1) ASSIST THE BOARD IN FULFILLING ITS FIDUCIARY OBLIGATIONS**

- Provide services as a fiduciary and in accordance with all applicable federal and state laws and regulations as well as with all applicable professional codes and regulations.
- Provide unbiased, transparent, conflict-free advice and opinions to the board on all investment recommendations.
- Assist in the strategic development of strategic asset allocation recommendations which are approved by the board.
- Conduct asset/liability studies every three to five years to help gauge the long- term health of the plan and the desired investment strategies.
- Report in person to the board, by attending the monthly board meeting or as otherwise needed, on the status of the fund and its performance both gross and net of fees. Monthly meeting dates vary but are usually the first or second week of the month.

- Assist in the development and amendment of investment related policies, procedures, guidelines, and performance measurement standards that will aid both the board and staff in developing the strategic objectives of the fund.
- Provide objective research, information, and advice on investment topics and strategies when requested by the board or when considered relevant by the consultant or staff.
- Monitor, evaluate, and communicate investment portfolio and manager performance as appropriate on an ongoing basis including written monthly and quarterly reports.
- Recommend to the board and staff the retention, additional investment in, redemption, or discharge of investment managers.
- Deliver useful and informative written updates on economic and capital market conditions at least monthly and perhaps weekly as appropriate.
- Provide annual education of trustees on asset allocation and portfolio construction.

## 2) SUPPORT ADMINISTRATIVE STAFF IN IMPLEMENTATION OF STRATEGY

- Provide online access to investment research and other tools that are helpful in tracking FRS fund performance and market conditions (benchmarks, portfolio, economic, and capital market reports).
- Provide input on key implementation decisions related to carrying out the decisions of the Board. Conduct fee analysis to help the Board ascertain the best possible fee terms.
- Apprise Administrative Staff of ongoing developments in the portfolio related to asset classes and/or investment managers.
- Provide analysis and other support as required to assist in the production of the annual Actuarial Report. Support reconciliation of manager performance with fee invoices to ensure accuracy.
- Work with administrative staff and actuary to understand the System's liabilities and prepare asset allocation studies.
- Provide guidance for drawing of funds to pay monthly benefits and for the rebalancing of assets.

### 3) INVESTMENT POLICIES AND ASSET ALLOCATION STRUCTURE

- Conduct style factor analysis to support manager selection, portfolio construction and asset allocation decisions.
- Conduct risk budgeting analyses at the portfolio, asset class, and fund level.
- Assist in developing an appropriate investment management structure for the fund and each asset class, considering the role of active versus passive management, management styles, and the advisability of various management structures under differing market conditions.
- Provide assistance in analyzing the investment characteristics of available asset classes and the risk/return potential of alternative asset mixes.
- Provide information on new investment ideas and assess the application of these ideas with regard to the risk/return targets.

### 4) MANAGER SELECTION AND MONITORING

- Assist in establishing appropriate qualitative and quantitative selection criteria for reviewing potential candidates and conducting manager searches.
- Identify and screen potential investment managers.
- Perform comprehensive due diligence including onsite operational due diligence.
- Monitor and advise the Board and Staff of any compliance rule violations or other operational concerns related to existing managers.

### 5) PERFORMANCE EVALUATION AND ANALYSIS

- Facilitate the development and selection of appropriate performance benchmarks and policy benchmarks for each asset class and each manager.
- Provide timely, comprehensive quarterly performance analysis, attribution analysis, risk analysis and peer analysis of the individual managers, composites, and total fund.
- Evaluate manager performance and consistency relative to its mandate, the investment guidelines, and established benchmarks.

- Conduct ongoing discussions with managers on investment performance and organizational issues (such as changes in ownership, staff, new products, etc.).
- Advise on manager surveillance, retention, and termination.

## **SECTION III: INVESTMENT CONSULTANT CAPABILITIES**

THIS SECTION CONTAINS SPECIFIC QUESTIONS REGARDING GENERAL CONSULTING CAPABILITIES. RESPONDENTS ARE ASKED TO ANSWER EACH QUESTION IN THE ORDER PRESENTED. PLEASE ATTACH ANY NECESSARY DOCUMENTS TO THE END OF YOUR PROPOSAL AS EXHIBITS. CLEARLY IDENTIFY THE HEADING AND THE NUMBER ASSOCIATED WITH THE QUESTION THAT IS BEING ANSWERED.

### **ORGANIZATION**

1. Provide your company's name and address and the primary RFP contact's name, phone number, e-mail address, and fax number. Provide the address of the office that will service this relationship.
2. Give a brief history of your firm's involvement in the consulting business, including the year of organization, current ownership, and ownership affiliations with any other entities. Highlight any significant recent or pending developments including planned or anticipated ownership changes.
3. What services, if any, does your firm offer in addition to pension fund consulting services? Include any affiliate, subsidiary, or parent company and breakdown by percentage of revenue each service brings in.
4. Indicate the total assets of your consulting clients at the end of each calendar year from 2013 to present, subdivided by type (e.g. public pension fund, corporate pension fund, Taft Hartley pension fund, endowment/foundation fund, etc.).
5. Provide an organization chart of your firm grouped by the following:
  - Performance Evaluation
  - Marketing
  - Client Consultation
  - Research (by area)

- Computer Programming
- Support Services
- Manager Search (by asset class)

Please note where each group is located geographically and add any additional areas you feel relevant.

6. Provide a current list of five (5) comparable public fund clients, including name, contact, telephone number, asset values, number of years the client has retained your firm, and the product(s) or services the client uses. The Plan may contact any of these clients as references.
7. List the name and location of the primary individual(s) who would be responsible for our account and provide brief biographies including titles, functions, academic credentials, and relevant experience. How many clients are assigned to each of these individuals and how long has each worked with the firm?
8. What policies are in effect to control the workload as it relates to the number of clients served by the consultant? Is there a limit on the number of accounts that a consultant may handle?
9. Please indicate the turnover of professional staff (senior management and key professionals) over the past five years, from the firm as a whole and separately for the office which would be handling our relationship.
10. Give a brief description of your firm's compensation arrangements for professional staff including incentives, profit sharing, or equity ownership.
11. Describe your firm's back-up procedures in the event that key personnel for this assignment should leave the firm. Also describe your firm's disaster recovery capabilities.

## ORGANIZATIONAL CAPABILITIES

12. Describe your public pension fund experience and approach in developing investment policy and objectives for a diversified pension fund. What distinguishes your firm and capabilities from your competitors?
13. Describe investment-related education or special research you provide to your clients.

14. Explain your firm's preference regarding client communications. State whether communications would flow through a single contact person. Describe your backup communication procedures when personnel assigned to the fund are traveling or unavailable. Describe your standard and emergency communication procedures.

## MANAGER SEARCHES

15. Describe your experience, capabilities, and approach in conducting searches for investment managers and other investment services. Please attach a sample manager profile/analysis.
16. Describe your firm's methodology and sources of data for analyzing and evaluating a potential manager's performance. Discuss benchmarks and comparisons with other managers. Describe how risk is factored into this analysis.
17. Describe how your firm verifies, updates, maintains, and evaluates the data collected on managers for the database? Do you use surveys or meetings?
18. How many managers do you maintain in your manager search database? How often is each manager in the database visited by your staff?
19. Describe any advantage that you perceive your database has over your competitors.

## PERFORMANCE MEASUREMENTS

20. What sources of data do you utilize for analyzing and evaluating your clients' portfolio(s) performance? How do you incorporate contributions and withdrawals into your analysis? Please address your treatment of derivatives and illiquid assets such as real estate, alternative assets, and private equity.
21. Describe your procedures for collecting the data necessary for these computations.
22. Describe the types of reporting and analysis you can provide on investment performance at the portfolio, asset class and fund levels. Are you able to aggregate and disaggregate all components of the total portfolio for any time period requested? How many business days do you require to complete quarter-end reports?

23. How many business days after the end of a reporting period are performance reports typically available? Are the reports customizable? Provide a sample performance report for a portfolio with similar asset classes to those of the FRS.
24. Describe services of your organization that may not be offered by other consultants.

## SUBCONTRACTING

25. If your firm uses the services of a subcontractor, please identify the subcontractor and describe the duties to be assigned, and the skills and qualifications of the subcontractor.

## CONFLICTS OF INTEREST/STANDARDS OF CONDUCT

26. During the last five years, has the firm or any officer or principal of your organization been involved in litigation relating to consulting activities? Has the firm or any officer or principal been subject to censure or disciplinary action by a regulatory or professional organization (i.e. SEC, CFA Institute)? If so, provide a brief explanation and indicate the status of the proceedings.
27. Are you registered with the SEC or a state securities regulator as an investment adviser?
28. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the Plan? If so, describe those relationships.
29. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the Plan for our consideration? If so, what is the extent of these payments in relation to your other income?
30. What policies or procedures do you have to address conflicts of interest or to prevent payments or relationships from being a factor when you provide advice to your clients?
31. 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?



32. Explain any potential conflict your firm may have in servicing the Plan's account. What procedures are in place that would mitigate or eliminate such potential conflicts of interest.
33. Does your firm have a written code of conduct, code of ethics, or set of standards for professional behavior? If yes, please attach a copy.

## RESEARCH CAPABILITIES

34. If your firm also provides portfolio management or brokerage services, describe how conflicts of interest between the research and the portfolio management and/or brokerage functions are prevented.
35. Does your firm provide research? If so, in what areas, and what resources do you devote to this research?
36. Provide your firm's computer and analytical capabilities. What sort of databases and analytical tools have you developed to support your efforts?
37. Please provide an example of a report that your personnel have prepared for other clients that would be relevant for FRS.
38. Describe any online access capabilities you offer your clients and what is available in that access (i.e. performance and benchmark data, manager due diligence)

## INVESTMENT POLICY

39. Provide an outline of your process for development of client investment objectives.
40. Provide an outline of your process for analyzing a client's investment portfolio structure. Describe your process for recommending modifications to the portfolio structure as warranted by risk considerations, changes in the market place or benefit obligations/assumptions.
41. Describe your process for recommending manager termination.
42. Describe your firm's investment philosophy and explain how expectations are created for asset classes.
43. Demonstrate written communication skills and consulting approach by providing a brief assessment of the Plan's current asset allocation and target weighting (*following page*). Note any changes that you might recommend.

**Asset Allocation Addendum to Statement of Investment Policy**

<b>Asset Class/Style</b>	<b>Target Allocation</b>	<b>Permitted Range</b>
<b>Large Cap Equity</b>	<b>18%</b>	<b>13-23%</b>
Large Value	6%	1-11%
Large Core	6%	1-11%
Large Growth	6%	1-11%
<b>Small-Mid Cap Equity</b>	<b>8%</b>	<b>3-13%</b>
Small-Mid Value	4%	0-9%
Small-Mid Growth	4%	0-9%
<b>International Equity</b>	<b>24%</b>	<b>19-29%</b>
Developed Country Value or Core	12%	7-17%
Developed Country Growth or Core	5%	0-10%
Emerging Markets	7%	2-12%
<b>Private Equity</b>	<b>0%</b>	<b>0%</b>
<b>Fixed Income</b>	<b>25%</b>	<b>20-30%</b>
Core	5%	0-15%
Core Plus	20%	10-25%
<b>Real Assets</b>	<b>15%</b>	<b>10-20%</b>
Core Real Estate	5%	0-10%
Value-Added/Specialty Real Estate	5%	0-10%
Master Limited Partnership	5%	0-10%
<b>Hedge Funds</b>	<b>10%</b>	<b>5-15%</b>
<b>Cash</b>	<b>&lt;1%</b>	<b>&lt;10%</b>

**Policy Index**

Policy Index is currently comprised of 26% Russell 3000, 24% MSCI ACWI ex U.S., 25% Bloomberg Barclays Aggregate, 10% HFRI Fund of Funds Composite Index, 10% NCREIF Property Index, and 5% S&P MLP Total Return Index.

## INSURANCE AND LIABILITY

44. 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.

## ADDITIONAL INFORMATION

45. Provide any information that is relevant to the scope of services which was not covered in the previous sections. You are encouraged to provide all information in this section that differentiates your organization and demonstrates why it would be the best candidate.

## SECTION IV: RULES FOR SUBMISSION

In order for your firm to be considered in the selection process, submittals must be received no later than 3:00 p.m. on January 18, 2019. Submittals should include one E-mail copy and one hard copy. The E-mail copy should be in PDF form and submitted to John Brewer, Executive Director, at [jdbrewer@frs-stl.org](mailto:jdbrewer@frs-stl.org). Hard copies should be delivered to the office of the Firemen's Retirement System of St. Louis, 1601 South Broadway St., St. Louis, MO. 63104. Please submit any questions by December 17, 2018. All questions and answers will be posted to our website.

## TENTATIVE SCHEDULE

These dates may be changed as needed but will not be moved up to earlier dates.

Notice displayed	November 13, 2018
Submittals due	January 18, 2019
Finalists notified	February, 2019
Presentations to the board	March, 2019
Notice of board's decision	March, 2019

## CONTACTS

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