



City of Austin
Police Retirement System

REQUEST FOR PROPOSAL

FOR

INVESTMENT CONSULTANT
SERVICES

Issuer:
AUSTIN POLICE RETIREMENT SYSTEM
Pattie Featherston, Executive Director
2520 SOUTH IH-35, SUITE 100
AUSTIN, TEXAS 78704

February 1, 2018

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INTRODUCTION

The Austin Police Retirement System (the “Fund” or “APRS”) is requesting proposals from investment consulting firms to perform investment consultant services for the Fund.

Legal description: The Fund is a qualified governmental defined benefit plan, as defined under Section 401(a) of the Internal Revenue Code. The Fund is authorized under Article 6243n-1, Vernon’s Texas Civil Statutes, which constitutes the Plan document.

Governance: Pensions Title 109. Texas Civil Statute Article 6243n-1, VTCS. Eleven-member Board of Trustees (the “Board”) consisting of five employee members elected by the active membership, two retired members elected by the retired membership, one citizen member appointed by the Board, one City Council member designated by the City Council, the City Manager or a designee, and the City Finance Director or a designee. The Board has general powers and duties to administer the Plan.

Membership: Active and retired police officers employed by the City of Austin, as well as the staff of APRS. On December 31, 2016, active members totaled 1,837, and annuitants totaled 849.

Assets Under Management: Preliminary (unaudited) market value as of December 31, 2017 of \$770.4 Million.

Fiscal Year: Calendar Year, January 1 to December 31.

Custodial Bank: The Northern Trust Company

Legal Counsel: Jackson Walker

For Further Information (each is attached to the RFP):

- APRS Investment Policy Statement (IPS)
- APRS Investment Managers
- APRS Ethics Policy

OVERVIEW

I. INVITATION

The Austin Police Retirement System, through its Executive Director Pattie Featherston, is requesting proposals from qualified, independent investment consulting firms to provide comprehensive investment consulting services to the Board.

II. SCOPE OF WORK

The Investment Consultant is expected to attend quarterly meetings of the Board and its Investment Committee and at other times as deemed necessary by the Board and/or Executive Director.

The APRS Investment Policy Statement approved in November 2017, sets forth the following asset allocation:

Asset Class	Target	Range
Domestic Equity	42.5%	30% - 50%
International Equity	15.0%	5% - 25%
Other Equity	7.5%	0% - 10%
Total Fixed Income	10.0%	5% - 30%
Other Fixed Income	5.0%	0% - 10%
Real Estate	15.0%	0% - 30%
Timber	0.0%	0% - 5%
Multi Asset Class	5.0%	0% - 10%
Cash & Cash Equivalents	0.0%	0% - 5%

III. GENERAL SERVICE REQUIREMENTS

1. General

- a. The Investment Consultant is contracted by APRS to serve the Board and the trust overseen by the Board.
- b. The Investment Consultant is a fiduciary of APRS and will satisfy all applicable fiduciary duties in performing services to APRS. The Investment Consultant will be required in the contract with APRS to acknowledge its fiduciary status and agree to satisfy its fiduciary duties in performance of services to the Fund.

2. Investment Consulting (Overall)

- a. Provide advice with respect to the establishment or refinement of APRS investment policies, guidelines and procedures, including in connection with the Board's annual review of such documents.
- b. Conduct asset liability and/or asset allocation studies as requested by APRS.
- c. Assist with preparation of strategic and annual plans for asset classes or the overall investment program.
- d. Assist in the hiring and termination process of investment managers and funds, including performing requisite diligence, providing background material, analysis, and evaluations to the Board, and making recommendations.
- e. Perform benchmark reviews and recommendations for the overall Fund and specific asset classes.
- f. Provide APRS research and analysis on specific investment topics upon request.
- g. Answer ad-hoc questions related to the investment program timely, by phone or email.
- h. Attend in-person Board meetings as needed.
- i. Provide investment education to the Board and designated APRS staff as requested.

- j. Fulfill any responsibilities of the Consultant pursuant to the APRS Investment Policy Statement.
 - k. Advise on all other relevant matters pertaining to the prudent and optimal management of the APRS investment portfolio as needed.
 - l. Provide assistance to the custodial bank regarding APRS investment managers.
 - m. Work in tandem with the custodian and APRS staff to provide support and monitoring of cash flow, capital calls, return of capital, etc. to ensure accuracy and compliance with executed manager agreements.
 - n. Provide annual analysis of investment manager fees.
3. Investment Consulting (Public Assets)
- a. Provide advice with respect to public investments.
 - b. Assist with manager searches for all public asset classes, as requested.
 - c. Provide written investment memorandums, including a recommendation, on all potential new investments for APRS.
 - d. Review and monitor existing investment managers and provide supporting documentation of such review, including Consultant's recommendation as to continued engagement of an investment manager.
 - e. Advise on reinvestment of excess cash proceeds and periodic rebalancing of liquid assets in conformity with the asset allocation.
 - f. Provide assistance to APRS staff with capital calls if needed, including liquidating public assets as necessary in connection with capital calls.
 - g. Assist APRS in its relationships with potential and existing managers, as requested, in the negotiation of fees and the setting of appropriate benchmarks, including custom benchmarks.
4. Investment Consulting (Private Assets)
- a. Provide advice with respect to private market asset classes, including but not limited to private equity, hedge fund/absolute return, private debt, private energy, private infrastructure, real estate, natural resources, timber, agriculture, secondary investments, direct investments, co-investments and private equity fund-of-funds.
 - b. Provide services including program development, strategy allocation advice, annual planning, due diligence reviews, fund or manager searches, on-going monitoring and quarterly performance reviews reporting on private assets.
 - c. Conduct fund or manager searches and provide written investment memorandums, including recommendation, on all potential and existing investments for APRS.
 - d. Provide annual planning which will include annual updates on liquidity analysis.

- e. Assist APRS with review and negotiation of the business terms of fund partnership agreements, including but not limited to: management fees, fund extensions, etc.
 - f. Provide ongoing investment monitoring which may include attendance at the investment managers/funds annual meetings.
5. Investment Measurement and Performance Reporting
- a. Prepare *Quarterly Investment Performance Measurement Reports* which will include: (A) return attribution; (B) style analysis; (C) risk analysis; (D) analysis of all portfolio investments as compared to the designated style, the peer universe and the relevant benchmark; (E) APRS plan level return relative to its Policy Benchmark as well as peer public pension funds; (F) asset class returns relative to their stated benchmark; (G) performance reporting for Private Markets and Real Estate holdings using relevant performance metrics; and (H) investment manager fee analysis.
 - b. Prepare an *Executive Summary* as part of the quarterly reporting package.
 - c. Prepare monthly flash reports on the performance of the portfolio and investment managers, including a comparison with the performance of passive benchmarks.
 - d. Present monthly or quarterly investment performance results to the Board and/or the Investment Advisory Committee.
 - e. Report APRS Plan level dollar-weighted returns as required by GASB. Special sector analysis will be included upon request.
 - f. Assist the Fund's preparation of investment related sections of its Annual Financial Report as needed.
 - g. Prepare an annual letter for the Annual Financial Report summarizing relevant investment information for the year.
 - h. Assist with GASB reporting for the Annual Financial Report.
 - i. Answer questions from the external auditor and independent actuary as necessary, including input on capital market assumptions in connection with the Fund's assumed rate of return.
 - j. Assist the Executive Director with responses to public information requests.
6. Minimum Qualifications
- a. The consulting firm must have five (5) or more public defined benefit plan clients with assets totaling at least \$600 million or more for which it provides investment consulting services.
 - b. The firm must be registered in good standing as a registered investment advisor under the Investment Advisers Act of 1940 and must agree to be a fiduciary to APRS.

- c. The firm has been in business for at least five (5) years providing institutional investment manager/fund consulting services.
- d. The firm must offer a team approach to providing investment consulting services. At least two professional consultants, a head consultant and a backup consultant, must be assigned to support the Fund, with specialists available as required.
- e. The lead consultant must have a minimum of ten years of experience as an investment consultant. The backup consultant must have a minimum of five years of experience as an investment consultant.
- f. The firm must agree that, once assigned to the Fund, these individuals will not be replaced on the account without prior written consent by the Board. Attendance by at least one of these individuals is mandatory at the quarterly Board meetings, which include the Investment Committee meeting.
- g. The firm must provide the required investment consulting services on a flat-fee basis.
- h. The firm shall not be associated in any manner with any of the investment managers for the Fund.

IV. TIMELINE AND SUBMISSION REQUIREMENTS

- a. Inquiries and submission of proposals should be directed to:

Pattie Featherston, Executive Director
Austin Police Retirement System
2520 South IH-35, Suite 100
Austin, Texas 787804
Phone: (512) 416-7672
Fax: (512) 416-7138
pfeatherston@ausprs.org
www.ausprs.org
- b. Written inquiries must be received by 5:00 p.m. CST, Friday, February 9, 2018. Answers to all questions will be responded to by Friday, February 16, 2018. Please note that inquiries regarding this RFP will not be considered public information requests in and of themselves, and the Fund does not intend to provide requested documentation solely in response to such inquiries.
- c. Notices of Intent to respond should be sent by Friday, February 16, in order for all potential proposers to receive answers to questions. However, a Notice of Intent is not required for the submission of a proposal but will ensure answers to questions can be provided to a potential proposer.
- d. **The deadline for proposals is 5:00 p.m. CST, Friday, February 23, 2018.** All must be both emailed to the Executive Director and submitted in hard copies, fifteen (15) copies (one unbound) received in the APRS office by the deadline.

- e. Late proposals cannot be accepted. Proposals received will be date stamped and the proposal will receive notice of receipt by APRS.
- f. Qualified proposals will be complete in every respect, answering concisely and clearly all questions proposed by the RFP.
- g. **Invited presenters will be scheduled to present to the Board of Trustees at its regular meeting on Wednesday, March 21, 2018.** (Time to be determined.)
- h. Starting date for the contract is anticipated to be approximately April 1, 2018, or as soon thereafter as practicable.

V. CONSIDERATIONS AND OBLIGATIONS

- a. By submitting a proposal, a proposer acknowledges that APRS is subject to the Texas Public Information Act (TPIA) and the Texas Open Meetings Act (TOMA). Written proposals may be subject to disclosure under the TPIA upon request by a third-party, and information in a proposal discussed at an open meeting of the APRS Board of Trustees is public record. A proposer may mark information in its proposal as confidential, and APRS will notify a proposer of any request by a third-party for such confidential information in accordance with the TPIA. By submitting a proposal, a proposer specifically assumes any and all risks and liabilities associated with the information contained in the proposal and the release of that information.
- b. The contents of the proposal, and any clarification submitted by the successful proposer, shall become part of the contractual obligation and incorporated into the ensuing contract.
- c. The proposal, and any clarification to that proposal, shall be signed by an officer of the offering firm or a designated agent empowered to bind the firm in a contract.

VI. MISCELLANEOUS

- a. Assignment of any contract requires the advance written approval of the Fund. The selected proposer shall not substitute the principal investment consultant without prior written approval from the Fund.
- b. All costs should be stated as “not to exceed” amounts. No additional charges for mailing or shipping costs, installation, training, etc. will be allowed. Proposers should be prepared to enter into a contract using the fee quoted within their proposal.
- c. The Fund is exempt from all local and state sales taxes and therefore will not be responsible for the payment of any such taxes.
- d. The contract will specify the fee structure for three (3) years with two possible one-year renewals at the Board’s discretion. The proposal must include pricing for all five (5) years. The Board will retain the right to cancel the agreement with or without cause with 30 days written notice.

FINAL SELECTION

APRS reserves the right to award this contract, not necessarily to the firm with the lowest cost, but to the firm that best meets the requirements and needs of the Fund. The proposing firms must have experience serving as the primary investment consultant for defined benefit public fund clients. The proposer must clearly demonstrate it can provide the services the Fund requires.

APRS staff will evaluate submitted responses. Due diligence visits may be conducted by staff and/or Plan Trustees at the proposer's headquarters office. Interviews with the finalists will be conducted by the Board of Trustees. Final evaluation and selection of an investment consulting firm will be made by the APRS Board of Trustees.

The Board at its sole discretion reserves the right to not hire, to defer the hiring or to reject for any reason any and/or all proposals received as a result of this RFP.

I. PROPOSAL PREPARATION INSTRUCTIONS

The firm must respond to the statements made in Mandatory Requirements, and must provide a thorough response to each item in the RFP Questionnaire. Failure to adequately respond may be cause for rejection of the firm's proposal prior to consideration.

All costs associated with responding to this RFP will be borne by the proposer.

II. MANDATORY REQUIREMENTS

- a. The questionnaire provided must be answered completely and in the same sequence. Supporting material must be clearly referenced to the appropriate question. Material which is strictly promotional in nature can be attached, but must be submitted separately and not as a part of the questionnaire response.
- b. The firm must have certified and experienced people on staff having direct experience, while working at the proposing firm, serving as the primary investment consultant (including the preparation of investment reports) to defined benefit public pension fund clients with assets under management in the range of \$600 million or larger. A description of the organization's experience must be provided to include a comment on public fund experience.
- c. Unauthorized Communication - No proposer may discuss this RFP or investment consultant services with any current or prospective member of the APRS Board of Trustees, or with any City of Austin official or employee. Communication is restricted to Pattie Featherston, APRS Executive Director.
- d. The firm must provide a signed statement certifying they will comply with the APRS Code of Ethics, (copy provided with this RFP).
- e. The Fund retains the right to require additional information from proposers, and to conduct necessary investigations to determine responsibility of proposers or to determine accuracy of proposal information.

RFP QUESTIONNAIRE

I. COVER SHEET CONTENTS

- a. Firm Name
- b. Address
- c. Phone Number
- d. Fax Number
- e. Client Contact and Contact Title
- f. Date of Submission

II. ORGANIZATION, STAFF QUALIFICATIONS AND RELEVANT EXPERIENCE

- a. Provide a brief history of your firm which includes:
 - i. Year organized
 - ii. Ownership structure
 - iii. Affiliated companies
 - iv. Year investment consultant services began
- b. Describe the nature of your organization, including location of offices, staff size, and areas of expertise and/or relevant experience.
 - i. If your firm has multiple locations, which of your offices would service this account? Which specific services would be provided by which offices?
 - ii. How many defined benefit pension plans does your firm have as investment consultant clients?
 - iii. List all current defined benefit public pension plan investment consultant clients; include size of assets and membership, nature of the services provided, and length of time as your client.
- c. Provide an organization chart of your firm and a list of personnel (including brief resumes) who will be assigned to our account. In addition, list the name and professional qualifications of the principal investment consultant who will be assigned to the APRS account, including education, investment consultant credentials, total years of experience, and the number of years with the proposing firm.
- d. How many accounts are assigned to the proposed principal investment consultant?
- e. How do you determine the number of accounts assigned to each principal investment consultant?
- f. Describe the firm's internal quality control policy and procedures.
- g. Describe the firm's ethics/conflicts-of-interest policy and any internal controls with respect to such policies.

- h. Have any senior personnel left or joined the firm in the last five years? If so, indicate when and why.
- i. Indicate whether any litigation or regulatory actions including allegations of ethical violations, have been initiated within the last 10 years against your firm, its officers or partners. If any such actions have been initiated, provide details.
- j. Describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries for negligent acts or omissions.
- k. List the names of all client relationships of a similar nature to this RFP which were terminated within the last three years, the office that serviced it, and the reasons for the termination.
- l. REFERENCES - Provide a list of at least three defined benefit public fund clients as references, including a contact name, address, telephone number.
- m. Provide the overall rates of investment return on a 1-year, 3-year and 5-year basis for at least three current clients the firm has served for at least five years. Please provide general asset allocation information for these clients as well. This information can be provided on an anonymous basis.

III. APPROACH TO INVESTMENT CONSULTANT SERVICES

- a. Provide a narrative description of your understanding of the investment consultant services that APRS is seeking.
- b. Describe, in detail, your plans to provide the services outlined. Include proposed investment techniques and methodologies for public pension investing.
- c. Describe the investment methodology you use to formulate a public pension portfolio mix.
- d. What type of investment consultant fee structure do you normally use for public fund clients?
- e. Describe your philosophy as it pertains to servicing account relationships. Include the approach to formulating goals and objectives, communications, training, and the decision making process.
- f. Provide examples of situations where your firm provided assistance, advice, and/or unique solutions to public pension fund clients regarding funding problems, proposed portfolio changes or the assumptions used in investment consultant methodologies.
- g. What can your firm offer to the Fund that distinguishes you from your competitors?
- h. Explain how firms enter your manager/fund search universe database.
- i. Describe your investment manager research process. Do you have individuals dedicated to manager research with your firm? If yes, describe their qualifications, area of expertise and the number of staff.

- j. Do you charge investment managers any direct or indirect fees when they are selected following searches you conduct on behalf of your clients?
- k. Describe the firm's process and criteria for recommending a manager be placed or removed from a pension portfolio.
- l. Describe your abilities to evaluate specialty asset managers (i.e., currency, hedge funds, real estate, commodity managers, etc.). Are there any manager types that you have difficulty evaluating? If so, why and what plans are there for alleviating the problem?
- m. Do you have clients using alternative investments? If yes, what form of alternatives primarily? How does your firm assist in the design, implementation, and monitoring of such investments?
- n. What sets your firm apart from other consultants regarding your skills at alternative investment consulting?
- o. Does your firm develop alternative asset class return assumptions? If yes, what are your current risk and return assumptions for private real estate, REITS, timber, hedge funds, and private equity?
- p. Describe what you see as your role in the area of general guidance and direction to staff and the Board of Trustees as an investment consultant. Do you consider your role to be that of an advisor or a consultant? How do you define each?

IV. REPORTING AND FIRM RESOURCES

- a. Provide a sample of a recent investment consultant report for a defined benefit public pension fund account.
- b. Is the performance you report calculated independently? Are performance reports reconciled with the custodian before they are provided to clients?
- c. How quickly after a quarter-end are client performance reports available?
- d. Describe the quality control process for your quarterly performance reports. Who reviews the materials to insure the information is correct and consistent?
- e. Are newsletters or other reports regularly distributed to clients? If so, provide recent examples?
- f. Are you able to provide an investment fee study?
- g. Describe any training, seminars, or conferences provided to clients on a regularly scheduled basis.
- h. Describe the computer models to be used by your firm to complete the services indicated.
- i. Describe any externally based systems and/or resources used by your firm in the investment consultant process.
- j. Discuss other firm resources including personnel that would be available to serve client needs.
- k. Do you provide access to any web-based software to your clients? If yes, please describe.

V. FEE PROPOSAL

- a. Fees for the services related to the annual investment consultant should be quoted on a fixed-fee, all-inclusive basis, including travel, lodging, meals, and other out-of-pocket expenses. Include in the quote expenses for at least the four (4) quarterly Trustee meetings in Austin annually.
- b. List other services that would be billable to APRS in addition to above.
- c. Quote billing rates to be charged for each category of personnel.
- d. Describe any other services or special projects you typically perform for public defined benefit pension fund clients, and list the fees charged for these services or projects.