

POMPANO BEACH POLICE & FIREFIGHTERS'
RETIREMENT SYSTEM

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CITY OF POMPANO BEACH, FLORIDA

**BOARD OF TRUSTEES
POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM**

**REQUEST FOR PROPOSAL
INVESTMENT CONSULTING SERVICES**

July 2022

I. PURPOSE

The Board of Trustees of the Pompano Beach Police and Firefighters' Retirement System ("the Board") is soliciting proposals from qualified firms interested in providing professional independent Investment Consulting Services for the Pompano Beach Police and Firefighters' Retirement System ("the Plan"). Services will cover the evaluation of investment manager performance, review of investment guidelines, asset allocation, services relating to investment manager searches, and other miscellaneous projects.

II. GENERAL INFORMATION

The Plan is a local law plan which is created and exists under the authority of the City of Pompano Beach Municipal Code of Ordinances Sections 34.045 through 34.073; and incorporates the applicable provisions of Chapters 112, 175 and 185, Florida statutes; and federal law.

The Plan is a defined benefit pension plan maintained to provide retirement, disability, termination and death benefits to police and firefighters, and their beneficiaries. Current membership is 607.

The Plan is governed by a nine-member Board which is composed of three elected police officer members, three elected firefighter members, and three City-appointed citizens. The Board has two dedicated full-time staff members.

III. OVERVIEW OF EXISTING PLAN ASSETS AND PROVIDERS

1. The net asset value of the Plan as of April 30, 2022 is \$259.4 million.
2. There are currently sixteen (16) investment managers managing multiple asset classes including Domestic Equity, International Equity, Fixed Income, Private Real Estate, Private Equity, Fund of Hedge Funds, Global Infrastructure, and Global Long/Short Credit.
3. The Plan's assumed rate of investment return is 7.20% as of 10/1/2021 and is being reduced to 7.0% in 0.10% annual increments.
4. The current Investment Policy Statement adopted by the Board is attached for informational purposes. The latest quarterly Investment Performance Report can be accessed on our website at www.pbpfrs.org

5. The actuary is Nyhart, 2000 RiverEdge Pkwy, Suite 900, Atlanta, GA 30328.
6. The custodian is Salem Trust Company, 1715 N Westshore Blvd, Suite 750, Tampa, FL 33607.
7. The Board's attorney is Robert Sugarman, Sugarman, Susskind, Braswell and Herrera, 150 Alhambra Circle, Suite 725, Coral Gables, FL 33134.

IV. **LENGTH OF CONTRACT**

The contract for investment performance evaluation and consulting services will cover a period of three (3) years. Upon satisfactory performance, the Board will have the option to extend the contract for an additional period up to three (3) years under the same terms and conditions. The contract will provide for early termination by either party upon thirty (30) days written notification of the intention to do so.

V. **SELECTION OF INVESTMENT PERFORMANCE EVALUATION AND CONSULTING SERVICES FIRM**

1. **TIMETABLE**

The following is a timetable for selection of the investment performance evaluation and consulting services firm.

- a. 7/19/2022 - Request for Proposals will be distributed.
- b. 8/19/2022 – Deadline for receipt of questions.
- c. 8/31/2022 - Deadline to receive proposals. The proposals, due 8/31/2022, by 5:00 PM, Eastern Time, should be sent electronically to ensure delivery on or before the deadline.

Proposers must submit their proposals via email to Debbie@pbpfrs.org, with a copy to Maureen@pbpfrs.org. Please do not send paper copies as we try to operate in a paperless environment.

Debra Tocarchick
Executive Director
Debbie@pbpfrs.org

It is anticipated that finalist interviews will likely be held on 9/19/2022 at 3:00 PM and a final decision will be made that day with a contract to be signed no later than 12/31/2022. Services will begin on 1/1/2023. The first report to be delivered by the Consultant and presented to the Board shall be for the quarter ending 12/31/2022. The Consultant shall also present to the Board all succeeding quarterly and annual reports.

2. **SELECTION CRITERIA**

Each proposer must be willing to acknowledge in writing that it is a fiduciary to the Plan. In addition, the following criteria will be used to evaluate responses and to select the finalists who will make oral presentations:

- a. Quality of written proposal and completeness of response to all requested items.

- b. Ability to meet service requirements.
- c. Experience in providing similar services to other public funds.
- d. Commitment of the firm and individuals to be assigned to this account.
- e. Qualifications and experience of individuals assigned to this account.
- f. Fees.

3. TERMS AND CONDITIONS

- a. The Board reserves the right to reject any and all proposals and has the right to waive any irregularities in a proposal at any time during the proposal process until a contract has been executed.
- b. In the event that the consultant whose proposal is selected by the Board does not execute a contract within 30 days after receipt of notice of intent to award, the Board may give notice to consultant of intent to award to the next most qualified consultant or call for new proposals; and may proceed to act accordingly.
- c. The Board will not be responsible for any expenses incurred in the preparation of proposals or presentation or costs incurred during contract negotiations. All proposals become property of the Board and will not be returned.
- d. The Board will consider proposals from parties who are able to provide full consulting services on a timely basis; and are free from any obligation and interests which might conflict with the interests of the Board, Plan members and/or the City of Pompano Beach.

VI. SCOPE OF SERVICES REQUESTED

1. BASIC REQUESTED SERVICES (EVALUATION OF MANAGER AND FUND PERFORMANCE)

- a. Quarterly written reports are to be provided.
- b. A minimum of four (4) oral briefings annually are to be provided. These presentations shall be made to the Board in person by the key employee who the Board agrees will service the account at its regularly scheduled meetings as requested. The Board schedules periodic Investment Committee meetings as needed and Consultant may be asked to participate.
- c. Assist in planning and coordinating an annual Educational Symposium to be conducted at a local hotel venue and participate in the educational and networking events.
- d. Reports shall be provided within 45 days of quarter end, provided all necessary information supplied to the Consultant is timely and accurate.

The reports provided shall contain information that is typical or standard for such reports provided to the firm's other pension fund evaluation clients. At a minimum, the report should provide the following:

- i. Summary statistical information of the market value of the assets, asset allocation, and analysis of the total fund as well as components of the total fund. Components of the total fund shall be defined as the equity component (domestic, international and emerging markets), the fixed income component (bonds), the alternative component (private real estate, private equity, hedge fund-of-fund, global infrastructure, liquid alternatives), the cash and equivalent component, and any other major asset classes.
 - ii. Separate information for each manager and for the composite portfolio.
 - iii. Comparison of actual returns with generally recognized indices, and with appropriate universes of other pension funds and investment managers (i.e. specific comparisons of each investment manager to a universe of like investment managers).
 - iv. Information presented in both table and graph form.
 - v. Calculations that allocate the total return between the general market forces and the management decisions of the investment managers. The analysis should include the effects of asset allocation and security selection.
 - vi. A complete analysis of each risk parameter within the portfolio. A style analysis is also required to ensure no manager style drift is taking place.
 - vii. An indication of whether the manager is meeting and adhering to the written Statement of Investment Policy and Investment Guidelines.
- e. Telephone consultations as needed regarding matters within the Consultant's area of expertise.

2. ADDITIONAL REQUESTED SERVICES TO BE INCLUDED IN THE FEE

- a. Ongoing review of the written statement of Investment Policy and Investment Guidelines.
- b. Ongoing review of the asset allocation policy.
- c. Conduct manager searches as needed. Consultant is expected to be proactive in the discussions of when manager replacement is required. A minimum of three (3) manager searches per three (3) year contract period, which shall include:
 - i. Analysis leading to the identification of appropriate investment styles consistent with the fund's long-term investment objectives.

- ii. Development and distribution of a Request for Proposal to outside investment managers with appropriate styles.
 - iii. Clarification of the RFP to potential managers.
 - iv. Receive proposals from potential managers.
 - v. Evaluate proposals.
 - vi. Assist in selection and negotiation with investment managers.
 - vii. Suggest appropriate procedures for transferring assets to new managers.
- d. Ongoing education of market conditions and asset classes.
 - e. Reports on changes in investment manager key personnel or ownership supported by due diligence, research and site visits.
 - f. Asset/Liability Studies provided every 3 years.

VII. **INFORMATION REQUIRED OF PROPOSER**

1. Letter of Understanding:

Please provide a brief statement of the proposer's understanding of the Board's needs and a discussion of the services provided by your firm to meet those needs.

2. Organization:

Please describe the organization and structure of your firm as it relates to investment consulting. Items to include:

- a. When was your firm founded?
- b. Location of national headquarters, and location of any branch offices. If you have a Florida branch office, would there be a Florida representative assigned to our account? What is the number of professional employees at your firm?
- c. Provide an organizational chart of your firm.
- d. How do you customize your services to a particular client?
- e. The average number of accounts per consultant.
- f. Number of years your firm has been providing consulting services to tax exempt plans.
- g. Is your firm S.E.C. registered? If so, please provide a complete copy of your A.D.V. Form Part II or such other form that may disclose similar information.

- h. What percentage of revenues is a result of investment consulting? What other services or products are offered? Does your firm or affiliate manage money for clients?
- i. Is your firm or its parent or affiliates a broker/dealer? Does your firm accept trades for client accounts through this broker/dealer? What are the commission rates per share? Does your firm accept soft dollars as a method of payment for services provided? If so, please provide details.
- j. Describe the history, ownership, and organizational structure of your firm. Has there been a substantial change in ownership or organization during the past three years? If so, please explain. Does your firm anticipate any near-term changes in ownership or organizational structure?
- k. If any or part of the work to be performed under this RFP is to be subcontracted, the respondent shall provide a complete description of services to be subcontracted together with a complete description of the qualifications and capabilities of the subcontractor to perform same. As part of the contract, the Board reserves the right to approve or disapprove any and all subcontractors and to revoke any approval previously given.
- l. Identify any clients lost and gained over the last two (2) years and circumstances.
- m. Have there been any legal, administrative, or other proceedings against your firm, and/or the representatives who will be assigned to our account? Have there been any notices or actions taken against your firm, and/or representatives that could have ripened into such proceedings? If so, describe in detail.
- n. Are you able to provide ADA (Americans with Disabilities Act) compliant reports?

3. Qualifications and Experience of Key Personnel:

List your key personnel who will be assigned to our account including any advanced degrees or educational achievements and/or credentials (MBA, CFA, J.D., etc.) The following should also be included:

- a. Professional history.
- b. Current position and responsibilities.
- c. Time in current position.
- d. List significant new hires and terminations over the last three (3) years.
- e. Client assignments - number, type, length of relationship. Is there a cap on the number of clients our primary consultant will be responsible for?
- f. Please provide a sample of a current investment manager performance report and a sample of an equity manager search report that the primary consultant who would be assigned to our account has prepared and presented to an existing client.

- g. Briefly describe the staff resources available to support the consulting team.
- h. What percentage of staff turnover has your investment-consulting group experienced in each of the last three years?
- i. What steps does your firm take to ensure continuity with an account?

4. Review of Investment Managers:

Please discuss your techniques for reviewing and evaluating investment Managers that will meet the Board's needs.

- a. Describe your manager search database (i.e., the number of managers it contains, the sources of information, the types of information it contains, etc.).
- b. Describe how your firm categorizes investment managers into specific styles.
- c. How do you verify the validity of a manager's performance records?
- d. Describe your process and timeline for placing an underperforming manager on watch status up to and including through termination.
- e. Do you conduct on-site visits to investment managers that are in your universe? How many on-site visits has your firm conducted in the last year?
- f. Please describe in detail your on-site review process.
- g. Are managers charged fees for inclusion in your database? If so, please describe in detail.
- h. Describe your due diligence process and timeline for adding new investment managers to your database of approved managers and any constraints to placing them on your platform.
- i. Are your software and manager databases developed in-house or contracted through an outside service?
- j. What do you believe differentiates your manager search services from the competition?

5. Comparative Analysis of Investment Results:

Discuss your methods used to evaluate the manager's decisions in constructing the portfolio and how the pension fund is being rewarded for those actions. Discuss with which peer group universes our fund will be compared. Does your analysis include annualized rates of returns for various indices, including pension/tax exempt fund (on both balanced and specific asset class basis)?

6. Strategic Planning Overview:

- a. Briefly describe the approach you would use to assist the Board in strategic planning, including the review and possible revision of the investment policy and investment guidelines.
- b. Describe your firm's process for conducting asset/liability studies. Who developed the software you use? How much flexibility is allowed in the model? How do you develop your risk, return, and correlation assumptions for the asset classes?
- c. How often do you recommend reviewing or amending an asset allocation policy? Under what circumstances would you consider changing a client's asset allocation recommendations?
- d. Describe the analytic basis for your recommendations of an investment manager structure. Include a discussion describing your firm's philosophy of core versus specialty portfolios, active versus passive management, and mix of investment styles.
- e. Please describe your firm's capabilities in evaluating alternative investments such as private equity, real estate, hedge funds, and hedge fund-of-funds. Please include the number of alternative searches conducted in the last 24 months and the type of alternative search.

7. Familiarity with Public Fund Investment Environment:

Describe your familiarity and experience with issues facing Florida Public Retirement Systems including legislative issues that you feel are particularly relevant.

8. Code of Ethics:

Explain in detail any potential for conflict of interest that may be created by your firm's representation of the Plan. Include other client relationships that may inhibit services to the Board. Please indicate:

- a. Are there any circumstances under which you or any individual in your firm receive any compensation or benefits from investment managers or any third party? If yes, please describe.
- b. Does your firm have any financial relationship or joint ventures with any organizations, such as an insurance company, brokerage firm, commercial bank, investment banking firm, etc? Please describe in detail the extent of this involvement with regard to both personnel and financial resources.
- c. Do you sell or broker any investment vehicles? If so, please describe in detail.
- d. Do you actively manage the investments of any accounts? If so, please describe in detail.
- e. Does your firm or any individual in your firm accept or pay finders fees from or to investment managers or any third party? If so, please describe in detail.
- f. Describe any limitation on your staff or firm's personal investments or trading.

9. References:

- a. Please provide at least five (5) client references.
- b. Please list all Florida Public Pension Plan clients.

10. Compensation/Fees:

Please state the annual hard dollar fee, payable quarterly to cover the required services listed in Section VI. The fee proposal must include all expenses such as travel, lodging, meals, and other out-of-pocket expenses. Please list any additional costs that may not be covered. Other fee structures will be considered.

11. Proprietary Information:

Response to this Request for Proposals upon receipt by the Board becomes public record subject to the provisions of Chapter 119 F.S., Florida's Public Records Law. If you believe that any portion or all of your response is confidential and/or proprietary, you should clearly assert such exemption and the specific legal authority of the asserted exemption. All material that qualifies for exemption from Chapter 119 must be submitted in a separate document marked "trade secret".

Please be aware that any person may challenge the designation of an item as a trade secret by you, in court. By your designation of material in your proposal as a "trade secret" you agree to defend, indemnify and hold harmless the City and the Board for any award to a plaintiff for damages, costs or attorneys' fees and for cost and attorneys' fees incurred by the City or the Board by reason of any legal action challenging your claim.

12. Additional Information/Addenda:

The Board will issue responses to inquiries and any other corrections or amendments it deems necessary in written addenda issued prior to the Proposal Due Date.

Proposers should not rely on any representations, statements or explanations other than those made in this RFP or any addendum to the RFP. Where there appears to be a conflict between the RFP and any addenda issued, the last addendum issued will prevail.

It is the proposer's responsibility to be sure all addenda were received. The proposer should verify with the designated contact persons prior to submitting a proposal that all addenda have been received. Proposers are required to acknowledge the number of addenda received as part of their proposals.

13. Additional Criteria:

- * Insurance: The firm selected must present proof of the following insurance coverage: Comprehensive General Liability insurance of at least \$5,000,000; Errors and Omissions Insurance of at least \$10,000,000; and Fidelity Insurance of at least \$5,000,000.
- * The firm selected must have AIMR performance measurement capabilities including the ability to monitor and verify compliance with the most current Global Investment Performance Standards (GIPS) on an ongoing basis in the following areas: equities and fixed income. Measurement capability in other areas such as alternative assets is also required. In addition, the firm must have the capability to develop asset allocation models, to develop investment policy guidelines, and to perform manager searches for all major asset classes.

- * Any prospective firm must make an affirmative statement to the effect that its retention, if selected, shall not result in a conflict of interest or create an appearance of impropriety with any person or organization, which may be affected under this program. Should any potential or existing conflict be known by a prospective firm, said prospective firm must specify the person or organization with which the conflict exists or might arise, the nature of the conflict and whether the prospective firm would or would not step aside or resign from that conflicting engagement or representation if selected by the Board.
- * Sovereign Immunity. Nothing in the executed contract shall be interpreted that the City or the Board waives its sovereign immunity granted under Section 768.28, Florida Statutes.
- * Applicable Law. The contract and the legal relations between the parties hereto shall be governed and construed in accordance with the laws of the State of Florida.