

REQUEST FOR PROPOSALS
FOR
INVESTMENT CONSULTING SERVICES

Police Retirement System of Kansas City, Missouri

**Civilian Employees' Retirement System of the Police Department of Kansas City,
Missouri**

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REQUEST FOR PROPOSALS

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I. Introduction

The Police Retirement System of Kansas City, Missouri was established in 1946 and is governed by Revised Statutes of Missouri 86.900 to 86.1280. The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri was established in 1965 and is governed by Revised Statutes of Missouri 86.1310 to 86.1640. A single Retirement Board, consisting of four appointed members and five elected members, oversees the administration of both systems. Both the Police Retirement System and the Civilian Employees' Retirement System (hereinafter referred to collectively as "KCPERS" or "the Systems") provides retirement, disability, and death benefits for the Kansas City, Missouri Police Department's 3600 police officers, civilian employees, retirees, and their beneficiaries.

The Systems are combined for investment management purposes and share a common support staff and governance system. Combined assets within the plan are approximately \$1.26 billion (\$1.08 billion within the Police plan and \$183 million in the Civilian Employees' plan). These assets are managed within a common investment platform through thirteen (13) external, discretionary investment managers. The current asset allocation targets are 31% fixed income, 38% global equity, 11% hedge fund of funds, 13% real estate, 7% direct lending, and 0% cash and liquid instruments.

The Investment Committee oversees investment related activities and provides monthly updates to the Retirement Board. Investment staff consists of the Pension Systems Manager who serves as the Chief Investment Officer and one administrative staff member. Additional information regarding the Systems, including investment performance and current manager lineup, may be found at www.kcpers.org.

II. Purpose

The Systems seek a qualified firm to provide pension fund investment consulting services. The consulting services are directed primarily to the Retirement Board and to the support of staff initiatives. Input and supporting services will be expected in the following areas:

1. **Pension fund structure and strategy**
2. **Strategic and tactical asset class review**
3. **Risk monitoring and control**

4. **Asset and liability analysis**
5. **Assistance with investment manager evaluation and selection**
6. **Oversight of alternative investment portfolio strategy**

III. Minimum Qualifications

Respondents to the Request for Proposals must meet all of the following minimum qualifications. FAILURE TO SATISFY THE FOLLOWING QUALIFICATIONS MAY RESULT IN THE IMMEDIATE REJECTION OF THE RESPONDENT’S PROPOSAL.

1. As of December 31, 2021, the firm must have consulting services clients whose assets aggregate to a minimum of \$20 billion.
2. The consulting organization or its key professionals must have at least ten (10) years of experience in providing consulting services to pension funds or an equivalent amount of experience in policy development and multi-asset management in a pension fund environment.
3. The consulting organization or each of its key professionals must have at least ten (10) years of experience in a lead role identifying, evaluating, and selecting investment managers for pension fund clients.
4. The consulting organization or each of its key professionals must have at least ten (10) years of experience monitoring investment managers in various asset classes and manager styles for pension fund clients.
5. As of December 31, 2021, the firm must have at least five public pension fund clients.
6. The consulting organization agrees that it will be a fiduciary to the Systems as defined by Section 105.688 RSMo.
7. The consulting organization agrees to disclose all conflicts of interest, all sources of revenue and all affiliations.

IV. Required Proposal Contents

A. Cover Letter

The cover letter should include the company name, address, and the name, title or position, e-mail address and telephone number of the person or persons authorized to bind the consulting organization to all commitments made in its proposal. The letter must be signed by the person or persons who are authorized to bind the respondent contractually. The letter must also include the following statement:

“We have read the Systems’ Request for Proposal (RFP) for pension fund investment consulting services and fully understand its intent. We certify that we have adequate personnel, equipment, and facilities to provide the requested services. We understand that our ability to meet the criteria and provide the required services shall be judged solely by the KCPERS Retirement Board and its staff. Our proposal is genuine. We have no

conflicts of interest not disclosed herein in providing consulting services for KCPERS. We have not directly or indirectly induced or solicited any person to submit a false proposal or to refrain from proposing, nor have we in any manner sought by collusion to secure an advantage over any other proposer. We have thoroughly examined the RFP requirements and our proposed fees cover all the services that we have indicated we can meet. We acknowledge and accept all terms and conditions included in the RFP.”

B. Minimum Qualifications Certification (Attachment A)

Respondents must complete and return Attachment A, “Minimum Qualifications Certification”. Within the response respondents must provide written evidence of how each minimum qualification is met.

C. Proposal Questionnaire (Attachment B)

Respondents must complete and return Attachment B, “Proposal Questionnaire”. The information requested must be provided in the prescribed numbered format. It is important that each RFP question be completed as instructed. Any alternative or creative approaches may be attached separately but may not be used in lieu of answering or completing any questions.

D. Fee Schedule (Attachment C)

Respondents must complete and return Attachment C, “Fee Schedule” in the format provided.

V. Proposal Submission Procedures

A. The deadline for submission of proposals is 5:00 p.m. central time April 21, 2022. Four (4) copies of the proposal must be submitted in hard copy and clearly marked as “Investment Consultant Proposal.” Proposal packages are to be delivered to:

Kansas City Police Employees’ Retirement Systems
Attn.: Jason Hoy
9701 Marion Park Drive, B
Kansas City, Missouri 64137

In addition, a complete copy of each proposal must be submitted electronically in PDF format. Electronic copies should be e-mailed to jason.hoy@kcpd.org . The deadline for submission of the electronic copy is the same as the deadline for the hard copies.

KCPERS is not responsible for receipt of any proposal improperly labeled. **KCPERS will not**

accept faxed proposals.

B. Withdrawal

A proposal may be withdrawn at any time prior to the final filing date and time by written notification to KCPERS signed by an authorized agent of the consulting organization. The proposal may be re-submitted thereafter, but not after the deadline date and time. Modification offered in any other manner, oral or written, will not be considered.

C. Preparation of Proposal

Each proposal shall be prepared simply and economically, avoiding the use of elaborate promotional materials beyond those sufficient to provide a complete, accurate and reliable presentation. Please do not include any promotional or display material to supplement your proposal. The proposer understands and agrees that KCPERS shall have no financial responsibility for any costs incurred by the proposer in responding to this RFP. The responses become the property of KCPERS and are subject to public inspection. KCPERS reserves the right to modify any part of the RFP with appropriate notification prior to the submission deadline. All proposals must state the period for which the proposal shall remain in effect with such period to be not less than 120 days from the deadline for submission of proposals.

D. Schedule

The schedule for the receipt and evaluation of the proposals, which is subject to change at the System’s discretion, is as follows:

March 21, 2022	Advertisement of RFP/website posting
April 1, 2022	Deadline for submission of written questions
April 21, 2022	Deadline for submission of proposals
April 22 to May 5	Assessment and Scoring
May 6, 2022	Finalist(s) notified
May 23 to May 26	Presentations of finalist(s) to Investment Committee
June 2, 2022	Finalist presentation materials due
June 9, 2022	Presentation of finalist to Retirement Board

Selected finalist(s) may be requested to answer any further questions regarding their proposal. Selected finalist(s) will be contacted by the Chief Investment Officer to arrange specific dates and times for additional interviews or presentations which may be held virtually, by phone, or in person, as conditions dictate.

E. Inquiries

Respondents requiring clarification of the intent and content of the RFP, or the RFP

process, may request clarification only by submitting written questions via electronic mail to jason.hoy@kcpd.org.

To ensure a response questions must be received by April 1, 2022. KCPERS reserves the right to request additional information from any or all respondents to assist in its evaluation process. However, **respondents are prohibited from discussing, in any fashion other than in writing, the RFP, the RFP process or any proposal with KCPERS staff or the KCPERS Retirement Board of Trustees prior to the conclusion (final selection) of the process.**

F. Contract Negotiations

After a review of the proposals and possible finalist presentations the Systems intend to enter into contract negotiations with the successful candidate. These negotiations could include all aspects of services and fees. KCPERS reserves the right to award all, part or none of this contract and may award contracts to more than one investment consultant if deemed appropriate and desirable. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract.

VI. Proposal Evaluation Criteria

All proposals will be reviewed to determine whether the minimum qualifications and requirements specified in Attachment A have been met. KCPERS may reject any or all proposals and may or may not waive any immaterial deviation or defect in a proposal. KCPERS' waiver of any immaterial deviation or defect shall in no way modify the RFP documents or excuse the proposer from full compliance with the RFP requirements.

Proposals will be evaluated by an internal group consisting of members of staff and members of the Retirement Board and/or the Retirement Board's Investment Committee. The factors to be utilized in evaluating the proposals will include, but not be limited to, the following:

1. Experience (both quality and quantity) of the consulting firm and its staff in providing pension fund investment consulting services to other public pension funds.
2. Qualifications of consulting staff to be assigned to the Systems' account, particularly relevant experience with public pension funds.
3. The ability of the consulting firm to provide the requested services.
4. The quality, conciseness, clarity and completeness of the proposal.
5. Proposed fees and compensation.

Fees and compensation will be an important factor in the evaluation of investment consulting proposals, however, KCPERS is not required to choose the lowest bid.

ATTACHMENT A

Minimum Qualifications Certification

The respondent hereby certifies that it meets all of the following minimum qualifications. (Within your response, please provide evidence of how each qualification is or will be met).

1. As of December 31, 2021, the firm has consulting service clients whose assets aggregate to a minimum of \$20 billion.
2. The consulting organization or its key professionals have at least ten years of experience in providing consulting services to pension funds or an equivalent amount of experience in policy development and multi-asset management in a pension fund environment.
3. The consulting organization or its key professionals have at least ten years of experience in a lead role identifying and evaluating investment managers for pension fund clients.
4. The consulting organization or its key professionals have at least ten years of experience monitoring investment managers in various asset classes and manager styles for pension fund clients.
5. As of December 31, 2021, the firm has at least five public pension fund clients.
6. The consulting organization agrees to be a fiduciary to the plan as that term is defined in 105.688 RSMo.
7. The consulting organization agrees to disclose all conflicts of interest, all sources of revenue and all affiliations.

ATTACHMENT B

Proposal Questionnaire

(Questionnaire may be reformatted to facilitate the entry of responses, however no change to the order or wording is allowed.)

SECTION I, Part A: Organization

1. Firm Name:

Address:

If your firm has offices at locations other than this address, please provide details below:

Location:

Number of Professionals:

Please indicate which office(s) will service KCPERS.

2. Questionnaire Respondent

Name:

Title:

Address:

Phone Number:

Facsimile Number:

E-Mail address:

PART B: Requested Services

The following services constitute a majority of the services required of the general consultant. Please briefly describe the manner in which your firm would provide the requested service.

- 1.) Work closely with the Systems' staff and Retirement Board to provide analysis and/or advice on relevant issues regarding pension fund management.
- 2.) Assist the Board in assessing pension investment fund structure.
- 3.) Assist in the ongoing management of risks at the total fund, asset class and individual portfolio levels.
- 4.) Prepare and deliver monthly flash performance reports and quarterly performance measurement reports.
- 5.) Assist the Board in an annual asset allocation and asset review process.
- 6.) Assist the Board and staff in a periodic asset/liability analysis.
- 7.) Assist the Board and staff in the evaluation and selection of investment managers.
- 8.) Assist the Board and staff in the management and oversight of the alternative investment portfolio strategy.

PART C: Ownership

- 1) List the owners of the firm from largest to smallest percentage of ownership. Please include individuals and corporations.
- 2) Has the ownership structure of this firm changed over the past five years? If yes, please explain.
- 3) Do you anticipate any ownership or ownership structure changes in the next five years? If yes, please explain.
- 4) List all organizations with which your firm is affiliated, either via common ownership or economic interest, any business partners or joint ventures, including brokerage, management and research entities.
- 5) Describe the services your firm provides and give the percentage of revenue derived from each service.
- 6) Provide an organization chart of your firm and describe the relationship between the various components of your firm.
- 7) Please provide a list of current clients including the approximate size (assets) and type (public, private, etc.).

PART D: Compliance, Litigation and Risk Coverages

- 1) Within the last five years, has your firm, any predecessor of your firm, or any member of your firm:
 - been the subject of any disciplinary action by any security regulatory agency?
 - been the party to any litigation directly or indirectly related to the conduct of your business?
 -
 - If yes, please explain in detail.
- 2) Is your firm currently a party to litigation in process? If yes, please explain in detail.
- 3) Does your firm carry fiduciary liability insurance? If yes, in what amount and with what carrier?
- 4) Does your firm carry Errors & Omissions insurance? If yes, in what amount and with what carrier?
- 5) Does your firm bond its employees? If yes, in what amount and with what carrier?
- 6) Do you impose any limitation on liability through your contract?
- 7) Please briefly describe your disaster recovery plan and facilities.
- 8) Please briefly describe your cybersecurity policies.

PART E: Personnel

Please provide detail on the number of employees in your firm as of December 31, 2021, by listed category. List only the primary function of each professional, so that the individual categories add up to the total employees.

- 1) Professional Employees:
 - Lead Consultants _____
 - Consultants _____
 - Analysts _____
 - Management _____
 - Economist _____
 - Marketing _____
 - Client Service _____
 - Systems _____
 - Other _____

Support/Clerical Employees: _____

Total Employees _____

- 2) Please provide biographies for key personnel.
- 3) How do you manage growth within your key business areas? Are there limits to the client/consultant relationship ratio?

Professional Turnover

- 4) Please provide detailed information (in the format displayed) regarding the level and impact of turnover within your firm over the previous four years.

<u>Year</u>	<u>Hired</u>	<u>Terminated</u>	<u>Resigned</u>	<u>Retired</u>
2018	_____	_____	_____	_____
2019	_____	_____	_____	_____
2020	_____	_____	_____	_____
2021	_____	_____	_____	_____

SECTION II: Narrative Information

- 1) Please describe the firm’s organization, history, growth in business and personnel and any anticipated changes in the future.
- 2) Is your firm a registered advisor with the SEC under the Investment Advisor Act of 1940? If so, please include a copy of the firm’s current ADV Parts I and II.
- 3) Please describe the experience of the firm in serving as a general investment consultant for other public pension funds.
- 4) Please provide a detailed description of your organization’s Code of Ethics. Does your firm comply with the AIMR Code of Ethics and Standards of Professional Conduct?
- 5) What is your firm’s policy on soft dollar payments? What percentage of your clients utilize soft dollar arrangements with your firm?

- 6) Please describe in detail any circumstances whereby your firm or any individual in your firm receives compensation, finder's fees or any other benefit from investment managers or third parties.
- 7) Please provide an annual report, Statement of Financial Condition, or some other representation of the financial health of your organization.
- 8) Please identify the individual(s) or team who would perform the requested service for KCPERS. Describe their assigned responsibilities (including any responsibilities other than consulting) and provide resumes that include detail regarding their experience working with public funds. Also, please describe your backup procedures should this/these individual(s) be unavailable.
- 9) Please describe how your firm manages its advisory role to the Retirement Board while providing a supporting role to staff.
- 10) Please provide a list of three current client references, at least one of which is a public fund, including entity name, contact person and phone number.
- 11) Please provide a list of clients who have terminated the firm in the last three years. For each entry, please provide the name of the entity, a contact name and detail regarding the decision to terminate.
- 12) Describe any special expertise of your firm. If possible, indicate how you have assisted specific clients in improving their investment performance.
- 13) Describe the process by which your consultant's recommendations are reviewed and monitored. Does your firm adhere to a level of consistency in consultant recommendations?
- 14) Describe your firm's methodology for identifying and evaluating new investment opportunities.
- 15) If not completely covered within Part B: Requested Services, please describe the methodology you use in considering Plan liabilities, coordinating asset management decisions with Plan liabilities and/or assessing asset/liability performance.
- 16) Please describe your firm's familiarity with or involvement in (public fund) actuarial accounting and methodologies. Within this description, please opine on public fund industry trends, and/or your outlook on the future of public fund actuarial accounting and methodologies.
- 17) Does your firm maintain a database of investment managers? If not, where do you get your information regarding investment managers?

- 18) If you do have an internal investment manager database, do you charge investment managers direct or indirect fees to be included in the database? If so, please describe the fee arrangements. Also, do you sell your database information to any third-parties?
- 19) Please describe how your firm gathers, verifies, updates and analyzes investment manager information.
- 20) If not completely covered within Part B: Requested Services, please describe your firm's process for the evaluation and selection of investment managers. How do you expect this process to add value for your clients? How have results supported this expectation?
- 21) Please describe your firm's capabilities in the development of risk/return characteristics by asset class and within asset class.
- 22) Please describe your internal research capabilities. If you do not have dedicated internal research capabilities, please describe the external resources and sources utilized.
- 23) Describe the subject matter and frequency of research provided to clients.
- 24) Describe any customized analytical tools you provide to your clients, their application, and objective(s).
- 25) Please provide a brief assessment of the current state of the institutional consulting community, its composition, strengths and weaknesses and its probable evolution going forward.
- 26) Please use this space to address issues directly related to your firm not covered elsewhere.

SECTION III – Questions specific to KCPERS

- 1) Are you willing to attend the KCPERS Retirement Board meetings (quarterly) and Investment Committee meetings (monthly) in Kansas City, Missouri?
- 2) Are you willing to acknowledge, annually, in writing, the following:
 - our organization is a person, firm, or corporation registered as an investment advisor under the Investment Advisor Act of 1940; a bank as defined in such Act; or an insurance company qualified to do business in more than one state, and functions as a fiduciary.

- we have, or can obtain, fidelity bond liability insurance in the amount of \$1 million with a carrier authorized to do business in the State of Missouri.
- 3) Are you aware of any current or previous affiliations or relationships with KCPERS which could present potential conflicts of interest in the event your firm is selected for the assignment? (If so, please identify and explain the nature of each potentially conflicting relationship).

ATTACHMENT C

Fee Schedule*

1.) Please provide a single (annual) bid for the following general retainer services:

- Attendance and participation at the Retirement Board (quarterly) and Investment Committee (monthly) meetings, either in-person, virtually or a combination.
- Preparation and delivery of monthly (flash) reports and final quarterly portfolio performance measurement reports.
- Annual review of the Systems' Statement of Investment Policy, Objectives and Guidelines with recommendations as appropriate.
- Preparation and delivery of an annual asset allocation review, to include an assessment of the current strategic asset policy and expectations
- Preparation, attendance and participation in two formal planning sessions, to be scheduled concomitant to a regularly scheduled Board or Investment Committee meeting) in Kansas City with investment staff.

General Retainer Bid: \$ _____

2.) Please provide bid indications for the following negotiated services:

- Investment manager evaluation and selection \$ _____
- Custodial Evaluation and Search \$ _____
- Asset and liability analysis \$ _____

3.) What is the period of time the proposed fees will remain in effect?

4.) Does your firm provide consulting services under alternative fee arrangements? If so, please describe.

** NOTE: all fee estimates must include direct, incidental or out-of-pocket expenses. KCPERS shall have no obligation to reimburse the consultant for any expenses incurred in connection with this assignment.*