



ILLINOIS Firefighters' Pension Investment Fund
Responses to Submitted Questions: General Investment Consultant

This document serves as a formal response to the questions submitted through the process established by the Illinois Firefighters' Pension Investment Fund ("FPIF") in its Request for Competitive Proposal "RFP" for a General Investment Consultant. As stated in the RFP, questions concerning the RFP had to be submitted in writing via e-mail to the Search Contact by **3:00 PM, CDT, on Tuesday, September 15, 2020**. Responses to questions properly submitted are consolidated into a single Q & A document as detailed below and posted on FPIF's website on or about **September 21, 2021**. The Q & A document does not identify the source of the query.

1. Will the investment fund consider working with a shared discretion advisor for this search (vs. a non-discretionary advisor)?
This RFP is for non-discretionary investment consulting services. Discretionary proposals will not be considered.

2. Could you please provide additional detail on what is meant by "providing substantial operational support," within the scope of services?
FPIF seeks a Consultant with a particularly strong expertise in investment operations, such as custodian searches, transition management searches, and custodian to custodian transitions. The Consultant will be tasked with evaluating the assets that FPIF plans to receive. Specifically, the Consultant will advise on the steps that must be taken prior to the transition, such as changes in beneficial ownership for specific assets, as well as any member system contract terminations necessary prior to the transition.

3. How many in-person meetings do you anticipate that the Consultant will be attending annually (Board, Committee, staff, and other meetings included)?
As a result of the global pandemic, the number of in-person (non-virtual) meetings may be minimal. While it is difficult to estimate the number of in-person meetings following the pandemic, the Consultant is expected to attend any Board, Committee, staff, or additional meetings as needed.

4. Could you please confirm that FPIF would like Respondents to complete Exhibit C in the RFP?
Yes. Please complete Exhibit C.

5. What are the investment objectives of the FPIF?
FPIF's primary objective is to generate greater returns, in aggregate, than its approximately 300 member systems and at a lower cost. While FPIF plans to retain an actuary to establish an official assumed rate of return, an asset allocation will be established based on the Board's risk tolerance.

6. Could you please share a funding schedule that shows the quantum and timing of assets flowing into the FPIF between now and June 30, 2022?
This level of detail is not presently available. The timing of asset flows has not been finalized, though FPIF currently expects the transition to commence in the third quarter of 2021. FPIF is working to establish a database of assets held by each of its member systems. Total assets are estimated at approximately \$6.3 billion.

7. What is FPIF's appetite for illiquidity? Will private assets such as private equity, venture capital, private credit, and private real assets be permissible.
While the Board has not yet adopted an asset allocation and therefore has not indicated its appetite for illiquidity, it is staff's current expectation that the fund will invest in private market funds.

8. What is FPIF's appetite for hedge funds?
While the Board has not yet adopted an asset allocation and therefore has not indicated its appetite for hedge funds, staff will evaluate hedge fund investments. Due to the variety of different investment strategies maintained by hedge funds, a more targeted risk mitigating strategies allocation may be considered as a possible alternative to a broadly diversified hedge fund portfolio.

9. What is the frequency of Board meetings?
The Board will meet quarterly, at minimum. Special Board and Committee meetings may be scheduled as needed.

10. What is the budget for fees for the general investment consultant service?
FPIF prefers that Consultants evaluate the scope of services outlined in the RFP and propose a competitive fee structure for a five-year contract term based on the project scope.

11. Will the FPIF accept asset-based fees or is a flat fee preferred.
Staff prefers that Consultants propose a flat fee structure.

12. How many staff members will be responsible for overseeing the investment assets of the FPIF. What are their roles and professional backgrounds?

FPIF currently has five staff members and may grow its staff. Presently, Mitchell Green is the Portfolio Officer at FPIF and will work most closely with the Consultant. Mitchell previously worked as an Investment Officer at the Illinois State Board of Investment (“ISBI”). William Atwood is FPIF’s Executive Director and Chief Investment Officer; he was the Executive Director at ISBI for over 15 years. David Zaloga is FPIF’s CFO and Steve Zahn is FPIF’s COO. Erin White is FPIF’s Executive Assistant and previously worked for the Illinois Finance Authority.

13. Could you please share an organizational chart for FPIF with current and anticipated staff positions?

Please see FPIF’s response to question 12. All FPIF staff members report to William Atwood, the Fund’s Executive Director and Chief Investment Officer. Mr. Atwood reports directly to the Board of Trustees.

14. If the approximately 300 pension funds were combined today, what would be the approximate allocation and funded status?

Based on anecdotal information, Staff estimates that the Fund will establish an asset allocation structured to achieve an assumed rate of return of 6.5-7.0% over the long-term. However, an actuary has not been retained and the aforementioned estimate is subject to change. The aggregate funded ratio is estimated to be between 50% and 60%. Once the Fund has retained an actuary, an actuarial analysis will be performed on each of FPIF’s member funds and FPIF’s aggregate funded ratio will be reported.

15. Is FPIF interested in a separate mandate exclusively for private investments or alternatives more broadly?

A Consultant specifically for private market investments or alternatives mandates may be of interest at a later time. This RFP is strictly for a general investment Consultant. Private market capabilities of general investment Consultants will be evaluated through FPIF’s due diligence process.

16. Is there an expectation for a specific percent of diverse (MWDVBE) managers included in searches and/or final selection?

FPIF’s Board will review and potentially adopt a Diversity Policy at its October 27, 2020 Board meeting, the same meeting at which the Consultant(s) will be retained. Consistent with the draft Policy and the Illinois Pension Code, FPIF will establish goals for utilization of diverse and emerging firms across asset classes.

17. What component is the most critical to FPIF for the vendor selected for this mandate?

Respondent competencies and experience that will be heavily weighted in Staff's evaluation process include expertise in investment operations, such as custodian-to-custodian transitions, custodian searches, and transition management searches. Additional evaluation criteria will include the Respondents' plans to ensure adequate account coverage, investment performance of the firm's clients, depth of the firm's research team, and overall approach to asset allocation.

18. Is the Consultant required to have a physical presence (an office) in Illinois to be awarded this mandate?

No. The Consultant is not required to have an office in Illinois to be awarded this contract.

19. Will FPIF consider a higher fee for the first year that reflects substantial customized operational support and guidance, and a reduced fee thereafter that reflects the more standardized nature of the ongoing engagement?

FPIF will consider this fee structure.

20. What is the time period for which FPIF is considering this engagement/service agreement?

Consistent with the Illinois Pension Code (40 ILCS 5/1-113.14), FPIF is prohibited from entering into a contract with a Consultant that exceeds five years. After five years, the contract must be re-bid.

21. Can the individual plans be compelled to transition assets to a more stable, common structure prior to the official aggregation date (e.g., transferring all global equity to an MSCI ACWI index fund)?

FPIF has the authority to direct its member funds to cease all trading activity. FPIF does not have the authority to direct its member funds to liquidate any assets, nor place any trades. Once the member funds' assets arrive at FPIF, the assets may be transitioned to index funds.

22. Is FPIF considering unitization as a potential solution? If so, has any progress been made in setting up such a structure?

The Board continues to evaluate the merits of unitization. The Board has not made a final determination as to whether or not to unitize the Fund and anticipates evaluating options with the assistance of its Consultant.

23. Does FPIF have a sense of what type of implementation is preferred in private markets and hedge funds (i.e., direct or fund-of-funds; and if direct, discretionary or non-discretionary)? **While the Board has not yet adopted an asset allocation and therefore has not indicated its appetite for private market and/or hedge fund investments, FPIF will consider each of the three approaches within alternative asset classes. FPIF is sensitive to the additional layer of fees associated with fund-of-funds. Direct allocations may make sense for certain investments, and discretionary allocations for other investments. The general Consultant must be fully equipped to source, diligence, and recommend direct allocations to alternative funds. FPIF intends to evaluate a dedicated allocation to co-investment and secondary funds. Additionally, the benefits of a risk mitigating strategies allocation will be evaluated relative to a traditional hedge fund allocation.**
24. Could you please provide more detail on question C.1., possibly with a scenario that helps explain what level of access and to what type of research? **FPIF does not fully understand the question, as there is no question C.1. If this question is intended to refer to the first item under section C of the Scope of Services, which indicates that Consultants should, “provide access to a developed investment manager/custodial bank database that is open to all institutional quality investment managers/custodial banks,” FPIF is looking to ensure that the Consultant has adequate sourcing and evaluation capabilities, as well as the ability to share information about a given manager or custodian with staff. Proprietary software is not a pre-requisite, though FPIF expects its Consultant(s) to have access to investment databases.**
25. Does the FPIF have a rough schedule with which it intends to hire additional service providers (e.g., custodian, actuary, auditor, legal)? **Yes. An auditor and external counsel have been retained. A custodian RFP will be one of the first projects that the Consultant assists with. The exact timing of an RFP for an actuary has not been established, though it is expected to take place in Q4 of 2020.**
26. With what frequency should our firm expect Board/Committee meeting attendance? **The Board will meet quarterly, at minimum. Special Board and Committee meetings may be scheduled as needed.**

27. Is there a governance structure in place that requires updates to the Governor's office or the legislature?

FPIF is governed by a nine-member Board of Trustees. Please see FPIF's website for further information related to FPIF's governance structure and Board of Trustees.

28. Please advise where the FPIF meetings are held and with what frequency.

In-person meetings with FPIF are held at FPIF's offices at 1919 South Highland Ave., Building A, Suite 237, Lombard, IL 60148. Board meetings are currently held quarterly and staff meetings occur as needed.

29. Does the FPIF have a sense of the consolidated liability structure for the Fund and has any work been done on asset allocation or investment strategy?

Staff has spoken with the actuaries of its member funds and has a general sense of the consolidated liability structure. However, FPIF's actuary will provide more specificity. The Board intends to establish an asset allocation with the input of its actuary, Staff, and Consultant. Investment strategy research is performed on a daily basis to establish a conceptual framework, though no decisions related to investment strategy have been finalized.

30. Could you please clarify what is meant by "substantial public fund experience" and how this is measured or defined?

The Consultant retained should have experience advising public funds, as distinguished from corporate, Taft-Hartley, endowment, foundation, non-profit, and high-net-worth individual accounts. Public fund experience will be evaluated based on the number of public fund clients, amount of public fund assets under advisement or management, investment performance of the firm's public fund clients, and public fund references.

31. The RFP indicates that FPIF seeks a Consultant to provide support and guidance throughout the transition process and as an ongoing Consultant to the consolidated program. Does FPIF intend to hire a single provider for both the consolidation of the programs and as the ongoing Consultant?

FPIF will evaluate retaining a single provider, as well as separate providers for the consolidation and on-going investment consulting.

32. The RFP indicates that the RFP must be completed in its entirety. Will FPIF accept responses to only certain parts of the RFP?

The RFP must be completed in its entirety.

33. Is it a hard requirement that FPIF's Consultant maintain a developed investment manager database?

The RFP states in its Scope of Services that the Consultant should provide access to a developed investment manager/custodial bank database. If the firm is looking to advise strictly on the consolidation, a custodial bank database is sufficient.