

Schaumburg Police Pension Fund

Request for Proposal for Fixed Income Management Services

January 3, 2019

Schaumburg Police Pension Fund Request For Proposals

I. Introduction

The Schaumburg, Illinois, Police Pension Fund (SCHPPF) is requesting proposals from fixed income advisors to manage SCHPPF fixed income assets, as described in part II of this RFP. **The benchmark used to evaluate performance will be the Bloomberg Barclays Capital Intermediate Government Credit Bond Index™ (BCIGCI).**

There is no expressed or implied obligation for the SCHPPF to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. The SCHPPF reserves the right to reject any proposal submitted. Proposals submitted will be evaluated by the Board Of Trustees of the Pension Fund.

During the evaluation process, the SCHPPF reserves the right, where it may serve the SCHPPF best interest, to request additional information or clarification from proposers, or to allow for corrections of errors or omissions. At the discretion of the SCHPPF, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

If you have any questions or communications pertaining to this RFP please contact Craig Larsen, AHC Advisors, Inc., at (630) 762-8185. **The respondent is specifically notified that any attempt to contact any person other than Craig Larsen concerning this procurement would be cause to reject said respondent(s) from further consideration.**

II. Description Of The Pension Fund

The Pension Fund has assets of approximately \$100 million, and is a defined benefit pension plan. The portion of Fund assets which is the subject of this RFP will be approximately \$20 million. The current fixed income portfolio consists of instruments allowed under state statute.

III. Submission Of Proposals

To be considered, eight copies of the proposal must be received by 5:00 p.m. on February 1st, 2019. Send the proposals to:

Schaumburg Police Pension Fund
Attn: Lisa Petersen
101 Schaumburg Ct.
Schaumburg, IL 60193

Please supply one additional copy to:

Craig Larsen
AHC Advisors, Inc.
380 S. 1st Street
St. Charles, IL 60174

Please send one copy of the entire proposal in PDF format to Craig Larsen via email at larsen@ahcadvisors.com

The proposal must include the following:

- Title Page
- Table Of Contents
- Detailed proposal following the order set forth in section IV.

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IV. Proposal Requirements

A. Summary Cover Sheet

1. Name of firm
2. Address
3. Name, telephone number, and title of individual with authority to commit firm.
4. Name, telephone number, and title of proposed account manager if different than above.
5. Name of product presented in this RFP.

B. Organization

1. Describe your firm and the services provided.
2. Provide an organizational chart showing the reporting relationships for the individual(s) who will be assigned to this account, and for the managers of the product presented in response to this RFP.
3. Describe the ownership structure of your firm currently, and summarize any past ownership changes.
4. List the location of your firm's offices. What is your firm's staffing in the following areas with respect to the proposed product:
 - Client Service / Marketing
 - Portfolio Managers
 - Analysts
 - Traders
4. Provide the name and number of key employees added or lost over the last three years with an explanation of any departures.
5. Who will represent your firm at customer meetings?
6. Provide copies of your firm's ADV parts 1 and 2.
7. Provide details of any litigation, past or pending, relating to your firm, personnel, or to the management of customer assets.
8. Disclose details of any SEC, state, self-regulatory organization, or professional organization action taken against the firm, owners, principals, or other personnel.
9. Please detail your firm's insurance coverage.

C. Qualifications and Experience of Primary Personnel, Firm

1. List the primary personnel for whom no substitutions will be made without notice. Provide biographies including:
 - Job title and responsibilities
 - Education and experience
2. What were the total number of fixed income accounts and total fixed income assets under management as of December 31, 2018?
3. What were the total number of fixed-income accounts and total fixed-income assets under management for the product presented in this RFP as of December 31, 2018?
4. Please list all of your Illinois firefighter and/or police pension fund clients for whom your firm manages fixed income assets. List the size of each account and the total asset value for all of these accounts combined.
5. List Illinois firefighter and/or police pension fund fixed income clients obtained within the past two years and client contacts.
6. List Illinois firefighter and/or police pension fund fixed income clients who have terminated in the last two years and client contacts.

D. Firm Competitive Advantage

1. Describe the competitive advantage your firm enjoys over its competitors.
2. Describe how your firm adds value to your client's investments portfolios.

E. Business Arrangements

1. Provide the name and description of the product presented.
2. Provide a proposed management fee schedule including initial fees, annual fees, and all other fees.
3. Describe the method of computation of fees and the payment schedule.
4. List brokers executing more than 10% of dollar volume over the last 12 months, and disclose their percentage.
5. List total value of soft dollar services received over the last 12 months.
6. Specify how your firm will handle transfer of assets. Describe how your firm will assist in transition management.
7. Discuss recommendations for custody, including costs.
8. Provide sample reports for accounting and auditing purposes.
9. Provide a specimen contract.

F. Technical Data

1. Please submit performance for a composite of fixed-income portfolios, benchmarked against the BCIGCI, for each of the last 40 quarters ending December 31, 2018. Summary statistics should be calculated using the following guidelines:
 - The composite should be asset weighted.
 - Accrual accounting for interest payments should be used.
 - Accrued interest must be included in numerator and denominator for calculation of returns.
 - Trade date accounting should be used.
 - Composite performance should be presented gross of management fees.

NOTE: Performance will only be evaluated if a composite of fixed-income portfolios is submitted.

Calculate the following summary statistics, gross of management fees, for a composite of fixed income accounts your firm manages that is benchmarked against the BCIGCI and meets the requirements pertaining to Article 3 and 4 (police and fire) pension funds as described in the Illinois Pension Code.

- a) Number of portfolios and total assets in this composite.
- b) Percentage of the firm's total assets that this composite represents.
- c) Market-weighted duration for each of the last 40 quarters, ending December 31, 2018.
- d) Market weighted average maturity for each of the last 40 quarters, ending December 31, 2018.
- e) Cash and cash equivalents, U.S. Treasury, agency, agency MBS, municipal, non-agency MBS, corporate, ABS, CMBS, cash and other instruments as a percent of assets for each of the last 40 quarters, ending December 31, 2018.
- f) List the securities held on December 31, 2018, and the portfolio yield to worst, current coupon, time to maturity, and average credit quality.
- g) Credit quality breakdown of holdings as of December 31, 2018.
- h) Maturity of holdings by under 1-year, 1-3, 3-5, 5-7, 7-10, 10-20, and over 20 years.
- i) Number of issues and proportion of market value represented by the largest 10 holdings for each of the last 40 quarters, ending December 31, 2018.
- j) Time weighted rate of return for each of the last 120 **months**, ending December 31, 2018.
- k) Annualized time weighted rate of return and **annualized** standard deviation of returns over the entire 120 months.
- l) Portfolio turnover measured as the lesser of purchases and sales divided by the average market value of assets for each of the last 40 quarters, ending December 31, 2018.

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- m) Beta, annual alpha (expressed as a percentage), and R-Squared vs. the BCIGCI over the entire 40 quarters, ending December 31, 2018.
 - n) Is this product compliant with GIPS® standards? Have the performance numbers been verified by an independent third party? If so please include the disclosure statement, and if not please explain why.
2. In addition to this written response please include an Excel computer file spreadsheet which includes the following quarterly data:

Columns

Monthly time weighted rate of return for composite before fees
 Monthly time weighted rate of return for composite less proposed fee
 Monthly risk free rate (disclose investment vehicle)
 Monthly time weighted rate of return for benchmark (BCIGCI)
 End of quarter modified duration (for both portfolio and benchmark)
 End of quarter convexity (for both portfolio and benchmark)
 End of quarter yield to worst (for both portfolio and benchmark)
 End of quarter current coupon (for both portfolio and benchmark)
 End of quarter time to maturity (for both portfolio and benchmark)
 End of quarter average quality (for both portfolio and benchmark)

Rows

The rows of the spreadsheet should be populated with the dates of the past 120 quarters, with the oldest month in the first row. The spreadsheet should be able to be sorted by the date column.

Note: Please send the file for this item to Craig Larsen at larsen@ahcadvisors.com.

- 3. What is your main source of research used in managing the portfolio?
- 4. Disclose any compensation (monetary or non-monetary), outside of the management fee paid by clients, received by your firm in connection with the product presented in this RFP.
- 5. Regarding the composite please answer the following:
 - a) Disclose if other accounts that are managed in this manner were left out of the composite. If so, why were they excluded?
 - b) Did the accounts that have been included in the composite have the BCIGCI as the best-fit benchmark throughout the last 40 quarters, ending December 31, 2018? If not please give details.
 - c) What is firm policy regarding adding portfolios to and removing portfolios from the composite?

G. Provide a detailed description of management style vs. the Barclay's Capital Intermediate Government Credit Bond Index

- 1. Specify decision rules for purchases and sales.
- 2. Provide a detailed description of how your firm optimizes portfolio holdings.
- 3. Detail your investment philosophy as it pertains to non-benchmark allocations in the portfolio. What is the maximum allocation?
- 4. Name the portfolio manager(s) who will be making trading decisions, and describe the process of making trading decisions.

H. Provide a detailed description of resources

- 1. What software and trading systems are used to implement strategies?
- 2. What electronic databases are used for price data? How is accuracy ensured?
- 3. What is your firm's source of bond pricing data? Under what conditions can custodial bond pricing be overridden by other sources?

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I. Provide samples of client reports

J. PA 98-1022 Required Disclosures

1. The number of its investment and senior staff and the percentage of its investment and senior staff who are (i) a minority person, (ii) a female, and (iii) a person with a disability; and
2. The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the consultant, has with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and
3. The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services the consultant, has with a business other than (i) a minority owned business, (ii) a female owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a female, and (iii) a person with a disability.
4. For the purposes of this Section, the terms "minority person", "female", "person with a disability", "minority owned business", "female owned business", and "business owned by a person with a disability" have the same meaning as those terms have in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

K. Please include a copy of this RFP request as the last exhibit of your response