



**Responses to questions for the Firemen's Annuity & Benefit Fund of Chicago ("FABF")
Request for Proposal (RFP): Investment Consulting, Performance and Risk
Measurement Services**

(Please note that similar questions have been grouped together.)

1. *Aside from current contractual reasons, is there a catalyst for your RFP? Is your current consultant invited to rebid? Do you have any specific issues in regards to your current consultant? Are you looking to add to your current service level or scope of services at this time?*

Answer: The Investment Consultant RFP is being issued due to expiration of current consulting contract on June 30, 2021, and the requirement per the Illinois Pension Code (40 ILCS 5/1-113.14) that investment consulting services be subject to a competitive process.

The current consultant is invited to re-bid. There are no specific issues with performance of current consultant. There are no changes to current service level.

2. *How much are you paying your current consultant? What are the annual fees for the existing contract that the Board is paying to its current consultant? Are there project-related fees associated with the current arrangement that are not part of the base fee?*

Answer: The current consulting contract is for \$280,000/year. Services not included in this base fee include custodian search (\$65,000) and transition manager search (\$18,000). In responding to RFP, please provide an all-inclusive fee as well as an a la carte fee.

3. *How many meetings in total did your consultant attend over the last year between IC, Board, manager related, staff planning, etc.? Are all meetings in-person under normal circumstances (pre-pandemic) or can the consultant attend certain meetings by phone? In light of current events surrounding COVID-19, would the Board and Investment Committee be open to the hired consultant attending meetings via a virtual platform? The RFP for the Firemen's Annuity & Benefit Fund of Chicago references Investment Committee meetings in several places. Are these investment committees regularly scheduled (i.e. monthly or quarterly) or are these scheduled as necessary on an ad hoc basis? Is the Investment Committee meeting schedule for 2021 available? If so, can you please provide it? Can you please provide the date(s) for the Investment Manager Symposium referenced in Section 5?*

Answer: In 2020, the consultant attended 12 Board meetings and 3 Investment Committee meetings. Staff planning meetings consisted of weekly phone calls. Other meetings requiring investment consultant participation included Senate MWDBE hearing and various trustee meetings. (Trustees will request ad-hoc meetings/conversations related to Fund performance, risk/return expectations, investment strategy discussions, and education.) In 2020, all of these conversations happened virtually. Under normal conditions, it is expected that the Investment Consultant will be physically present for Board Meetings, Investment Committee meetings, and any trustee meetings. Currently, Investment Committee meetings are scheduled ad-hoc. In

2019 and 2020, the Investment Committee convened primarily to hear finalist presentations related to RFPs.

The date for the Investment Manager Symposium has not been set for 2021. Typically, this annual meeting is a ½ day event for trustees to hear updates directly from the Fund’s investment managers. We typically target late September for this meeting. The event was not held in 2020 due to the pandemic.

4. *How many manager searches have been conducted each year, over the last 3 years?*

Answer:

Investment manager searches by year (issue date):

2018: 2

2019: 4

2020: 0

Note: Of the six (6) searches, five (5) were launched as a result of 2016/17 asset allocation review. One (1) search was due to closure of strategy by an existing manager.

5. *What is the assumed/target rate of return for the Fund? What is the funded status of the Fund?*

Answer: The assumed rate of investment return is 6.75%. As of December 31, 2019, the funded ratio is 18.4% on a market value basis.

6. *When was the last time the Fund performed a liability-based asset allocation study? How often do you conduct asset-liability studies? When was the last one conducted, and when will the next one be conducted? Is the Fund expecting to have an Asset Liability study done in 2021? When was the last study conducted?*

Answer: FABF’s asset allocation was last reviewed in 2016/2017. The Board reviews the Fund’s asset allocation every five years. The next asset allocation review is expected to begin this year (2021).

7. *Do you plan on making any significant changes to your asset allocation? In particular, are you considering adding to private assets or direct hedge funds (alternatives broadly)? Do you anticipate making any changes to the asset allocation of the Fund? Are you considering any new asset classes?*

Answer: The Board relies on its Investment Consultant to perform an asset-liability study and to recommend asset allocation changes based on the result of this study. In reviewing asset class allocations, one factor to consider is that, effective this year, the Fund is expected to be cash-flow positive—ie yearly City contributions will meet or exceed projected benefit payments. Thus, it is conceivable that the Fund could increase its investments in illiquid asset classes, depending on expected return assumptions. Other asset classes that may be considered are infrastructure, private credit, or other diversifying investments.

8. *Are you considering cash-driven investment solutions in light of the plan's funded status?*

Answer: The Board is open to discuss any investment solutions with its investment consultant.

9. *What do you think is the single most important characteristic of an investment consulting firm?*

Answer: There is not one single characteristic that is considered most important in an investment consulting firm. Ideally, the investment consulting firm will offer a balance of high-quality customer service, thorough research, deep operational resources, and online analytical tools, all for a modest fee.

10. *What is the most important investment issue your Fund is currently facing?*

Answer: A critical investment issue that the Fund faces is the achievement of the 6.75% investment return assumption.