



The Retirement Board of the  
**Policemen's Annuity and Benefit Fund of Chicago**

221 North LaSalle St – Suite 1626, Chicago, IL 60601  
(312) 744-3891 [www.chipabf.org](http://www.chipabf.org)

## **Request for Proposal (RFP)**

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## **INVESTMENT CONSULTANT**

**Issued January 31, 2022**

The Retirement Board of the Policemen’s Annuity and Benefit Fund of Chicago  
**DRAFT Request for Proposal**  
**Investment Consultant**  
**Important Dates**

Release Date	<b>January 31, 2022</b>
Proposal Due Date	<b>March 10, 2022</b> (4:00 p.m. CST)
RFP Administrator	Justin Kugler, Fund Counsel Email: <a href="mailto:jkugler@chipabf.org">jkugler@chipabf.org</a>
Questions	Must be emailed to the Request for Proposal (RFP) Administrator by 4:00 p.m. CST on <b>February 14, 2022</b> .
Responses	Responses to all questions will be posted on the Fund’s website: <a href="https://chipabf.org">https://chipabf.org</a> by 4:00 p.m. CST on <b>February 22, 2022</b> .
Official RFP Notices/Addendum	All requirements are specified in this RFP to ensure no respondent is provided advantage over another. Any changes to the requirements will be posted as an addendum to the RFP on the Fund’s website, <a href="http://www.chipabf.org">www.chipabf.org</a> . Respondents are solely responsible for monitoring the website and adhering to RFP notices/addendums.
Prohibited Communication	Respondents are prohibited from communicating with Board members or staff, other than the RFP Administrator, concerning this RFP or the resulting contract from the RFP release date until a contract for these services is fully executed.

## I. OVERVIEW

The Policemen's Annuity and Benefit Fund of Chicago ("PABF" or the "Fund") is a defined benefit, single employer benefit plan established by the Illinois General Assembly and governed by Article 5 of the Illinois Pension Code, 40 ILCS 5/5-101 *et seq.* ("Pension Code") which can be found at [www.ilga.gov](http://www.ilga.gov). The purpose of the Fund is to provide retirement, survivors, and disability benefits to sworn members of the Chicago Police Department ("CPD"), their spouses, and children. Currently, the Fund serves over 12,000 active members, over 14,000 retiree and widow annuitants. The Fund is administered by an eight-member Board of Trustees ("Board"). The Board includes three elected police officers (consisting of one Police Officer, one Sergeant and one Lieutenant), one elected annuitant and four Mayoral appointees.

The Board issues this Request for Proposal ("RFP") seeking responses from qualified firms to provide investment consultant services ("Investment Consultant Candidates" or "Respondents") to the Board and the Fund for a period up to, but not exceeding, five years. All forms needed for submitting a response to this RFP are available on the Fund's website at <https://chipabf.org>.

Pursuant to the public policy of the State of Illinois, the Board seeks to use its best efforts to increase the racial, ethnic and gender diversity of its fiduciaries to the greatest extent feasible within the bounds of financial and fiduciary prudence. Consistent with that goal, the Board will actively consider Investment Consultant Candidates that are minority-owned businesses, women-owned businesses and businesses owned by a person with a disability ("MWDBE") that meet the required capabilities for this RFP. If an Investment Consultant Candidate is an MWDBE and meets the criteria in the RFP, then that Investment Consultant Candidate shall receive an invitation by the Board to present as a finalist. If there are multiple emerging or MWDBE Investment Consultant Candidates that meet the criteria set forth in the RFP, then the Board may choose the most qualified firm or firms to present.

The Fund shall conduct the RFP process in accordance with applicable provisions of the Pension Code, the Fund's Ethics Policy and any other relevant authority under the Illinois Compiled Statutes. The Fund will post notice of this RFP on its website and in at least one industry periodical. Neither this RFP nor any response to this RFP shall be construed as a legal offer. All material submitted in response to the RFP will become the property of the Fund. The Fund is not responsible for any costs incurred by the Respondents in responding to this RFP.

Pursuant to 40 ILCS 5/1-145 of the Illinois Pension Code, no Respondent shall retain a person or entity to influence (i) the outcome of an investment decision or (ii) the procurement of investment advice or services of the Fund for compensation contingent, in whole or in part, upon the decision or procurement.

In addition to the requested documentation, the Board may request a formal presentation from the Investment Consultant Candidates. All proposals will be evaluated by members of the Board, Fund staff and its attorneys. The award of the contract to the Investment Consultant is subject to final approval by the Board. The Fund reserves the right to reject any or all proposals submitted.

## II. SCOPE OF SERVICES

This is a search for an Investment Consultant to provide investment consultant services. The primary role of the Investment Consultant is to provide objective, independent advice and counsel, including performance and risk measurement services, that will enable the Board to make well-informed and well-educated decisions regarding the investment of the Fund's assets, as well as to invest the Fund's assets pursuant to the asset allocations determined by the Board and in accordance with the Fund's Investment Policy. Respondents must be a registered investment advisor under the Investment Advisors Act of 1940. Once selected, the Investment Consultant must acknowledge in writing its fiduciary responsibility to the Fund as required in the Illinois Pension Code.

The Investment Consultant will be expected to provide a full range of investment consultant services, both required and

"Ad Hoc," including but not limited to those identified below. If a Respondent cannot provide a particular service, please indicate the reason.

- A. Formulation and Review of Investment Goals, Policies and Objectives
- B. Asset/Liability and Asset Allocation Studies with specific recommendations.
- C. General Consulting Services – provide general consulting services as requested by the Board, including but not limited to investment manager and custodial search and selection, due diligence for public and private market managers, investment manager research and market research and education.
- D. Performance Measurement & Monitoring – monitoring and evaluating the performance of the investment manager(s).
- E. Manager Diversification – help develop an investment manager structure that provides adequate diversification with respect to the number and types of investment managers.
- F. Attendance at Board Meetings, Investment Committee Meetings and Trustee Education Events – the Board holds twelve (12) monthly Board meetings and approximately nine (9) Investment Committee meetings per year. Additionally, Trustee Education Events may be held at various times throughout the year. The Investment Consultant must attend all meetings, events, investment manager presentations and staff planning sessions.
- G. Reports – provide monthly, quarterly and annual reports to the Board which must include commentary on investment manager performance and overall market trends. All returns on investments shall be reported as net of all fees, commissions, and any other disclosed compensation.
- H. Other – review custodial operations, transition management procedures, securities lending structure and guidelines. Recommend best practices regarding these professional services, as appropriate. Work with the Fund's third-party providers and other investment related professionals.

### III. ALL PROPOSALS MUST CONTAIN THE FOLLOWING DOCUMENTS:

- A. **Transmittal Letter** - A transmittal letter must be submitted on the Respondent's official business letterhead. The letter must identify all documents provided in response to the RFP, and must be signed by an individual authorized to contractually bind the Respondent. The letter must also include:
  - 1. A statement that the proposal is being made without fraud or collusion; that the Respondent has not offered/received any finder's fees, inducements or any other form of remuneration, monetary or non-monetary, to/from any individual or entity relating to the RFP, the Respondent's proposal or the Fund's selection.
  - 2. Response to Section IV – Information Required from All Candidates.
- B. **Statement of Certification** - The Respondent must provide documented proof via a completed Statement of Minimum Qualification Certification (Exhibit A) that, in addition to adhering to the Fund's policies, the following minimum qualifications listed below are met:
  - 1. Respondent is an investment adviser registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisers Act of 1940.
  - 2. Respondent agrees to act as a fiduciary to the Fund in its investment advisory capacity in accordance with the Pension Code.
  - 3. Respondent must be knowledgeable of and be willing to comply with Articles 1 and 5 of the Illinois Pension Code.
  - 4. Respondent must have proven experience in providing investment consulting services to large corporate, public, and Taft-Hartley defined benefit pension plans, foundations and endowments.

5. Respondent must demonstrate, through available current references, that it has provided investment consulting services, inclusive of all traditional assets and alternative investments, and performance and risk measurement, consistent with those outlined in Section 5, for a minimum period of seven (7) years, to a minimum of seven (7) U.S. public employee retirement systems, two or more of which have assets of at least \$5 billion.
6. PABF's assets must not represent more than 20% of the Respondent's total firm assets under advisement.
7. Respondent has dedicated resources to assist the Board's efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its external investment managers.

C. **Required Disclosures** – The Respondent must provide completed responses to Required Disclosures (Exhibit B).

#### IV. INFORMATION REQUIRED FROM ALL CANDIDATES

##### A. Professional Qualifications

1. Provide your firm's contact information.
2. Provide a history of the firm, including when the firm was established and when investment consulting services were first provided.
3. Provide: (a) the number of full time employees in your firm, including a breakdown by classification (e.g., consultant, managerial, clerical, etc.) both nationally and in Chicago; (b) The number of senior professionals who have left or joined your firm in the last three (3) years; and (c) the firm's succession plan for key employees.
4. Describe the firm's approach to account servicing, including:
  - a. The maximum number of account relationships assigned to a consultant;
  - b. The identity of the primary consultant on the account and whether a specific person is designated to handle matters when the primary consultant is not available;
  - c. An organizational chart indicating the number of employees, including the average employee tenure, education, EEO data, etc., in each reporting unit for the firm's consulting area; and
  - d. Brief biographical information for the primary consultant and any other individuals expected to be assigned to the Fund's account, including number of years in the most recent position and the number of account relationships currently assigned to the primary consultant.
5. Describe the firm's experience advising large defined benefit plans with respect to the Asset Allocation Categories, investment manager selection and oversight, and related Investment Services experience, as those terms are defined in the Fund's Procurement Policy.
6. Disclose formal or informal business relationships with investment managers or other service providers.
7. Please indicate whether, within the last ten (10) years, your firm has been involved in any actual or threatened litigation or regulatory proceeding arising out of the firm's performance as an investment consultant, including, but not limited to, any actual or threatened litigation against your firm by any current or former employees. For each matter please summarize the claims, provide a copy of the relevant complaint, and describe the ultimate disposition of the matter.
8. In the event that there are any changes to your responses under this Section prior to the Board awarding the contract, please supplement your responses as soon as possible and please explain fully the reason for such supplemental response.

## B. Investment Consulting Client Information

1. The firm's total number of clients and total assets under advisement;
2. A breakdown of the firm's fiscal year 2021 gross revenue, including the percentage derived from investment consulting services;
3. Any other businesses in which the firm is involved;
4. References from at least three (3) public fund investment consulting clients;
5. The history of the firm's relationship with its ten (10) largest investment consulting clients; and
6. The number and size of client relationships gained and lost in each of the last five (5) calendar years and year-to-date.

## C. Investment Policy/Asset Allocation Guidelines

1. Provide an outline of the principal steps you follow when developing an asset allocation structure and investment policy. Does your investment policy and asset allocation analysis fully integrate liabilities with assets?
2. Provide an outline of the issues and items that would be covered in a typical investment policy statement.
3. Please include a table of expected risk and return assumptions that you currently use in portfolio asset allocation modeling. Please discuss factors that influence assumptions. What is unique about your firm's approach?
4. How often should a formal asset allocation review be conducted? What is your view on tactical asset allocation?
5. What is your preferred level of client involvement in formulating policy, goals, asset allocation and investment manager decisions? How are client initiatives received and perceived? Provide examples, if any, of client initiatives implemented.
6. What factors do you analyze to when creating an asset allocation recommendation for clients? What are your views on active versus passive investment for public pension plans?

## D. Investment Manager Selection

1. Describe in detail the process and criteria you follow in the selection and recommendation of investment managers for specific asset allocation categories. Do you have a pre-approved list of managers? If so, discuss how the use of a preferred list factors in during a review of RFP respondents.
2. A description of the database(s) used to track and evaluate investment managers and emerging investment managers, including: the number of investment managers and emerging investment managers in the database; whether a fee must be paid to be included in the database, and if so, how much; whether the database is proprietary; whether the requirements for access are uniformly applied; and the ability of investment managers to access the database.
3. How much emphasis is given to fee structure when recommending investment managers for hire?
4. Detail whether you monitor your success in selecting investment managers and describe how you measure the level of success of existing investment managers.

5. Describe your process for the search and selection of investment managers and emerging and MWDBE investment managers, including:
  - a. A description of the database(s) used to track and evaluate Investment Advisers, Emerging Investment Advisers, and MWDBE investment managers and emerging and MWDBE investment managers including: the number of investment managers and emerging and MWDBE investment managers in the database; whether a fee must be paid to be included in the database, and, if so, how much; whether the database is proprietary; whether the requirements for access are uniformly applied; and the ability of investment managers and emerging and MWDBE investment managers to access the database;
  - b. A specific description of the firm's policy for increasing access by and outreach to emerging and MWDBE investment managers; and
  - c. The process used to select investment managers for specific Asset Allocation Categories.
6. Detail the role your firm would like to take in manager presentations to the Board.

#### E. Performance Evaluation

1. Describe your investment manager performance evaluation system and the philosophy behind it, including whether such system is purchased or proprietary.
2. Describe the indices, universes, and composites used to evaluate investment managers' performance within a specific Asset Allocation Category, as well as a fund's overall investment performance;
3. A description of the peer group and performance benchmarks used; and
4. Briefly describe the manager rating system. Describe what factors result in a ratings upgrade/downgrade.
5. Briefly describe the process of obtaining portfolio and performance data from the Fund's custodian and investment managers. Describe current quality control procedures for data. How is the accuracy of data received from the custodian and investment managers verified? How often does this verification take place?
6. Briefly describe the performance reporting procedures used for illiquid and alternative investments. Briefly describe any supplemental analysis provided for these asset classes, if any.
7. List what measurements are used when evaluating risk. At what level are these risk measurements used: total portfolio, asset class, asset style, investment manager? Which measurements are most important in the analysis of risk? Explain your position on investment manager tracking error.
8. A description of the process for determining when to recommend termination of an Investment Adviser.

#### F. Investments

1. Describe your recommended asset allocation for PABF and estimated annual rate of return for one year.
2. Attach an organization chart of your research staff. Discuss departures and hiring of key personnel in last three (3) years. Discuss any anticipated growth/changes to research group. How many managers does the average analyst follow? Distinguish between invested managers—i.e. with client money vs. prospective managers.

#### G. Environmental, Social, and Governance (ESG)

Describe your approach to considering environmental factors, social capital factors, human capital factors, and business model and innovation factors in providing investment consulting services and investment manager evaluation, selection, and monitoring.

Provide a copy of your ESG policy.

#### H. Insurance

1. Provide current certificates of insurance for your Errors & Omissions Insurance and Cyber Liability Insurance policies, and the AM Best ratings for the respective carriers.

#### I. IT and Cyber Security

1. Describe your firm's disaster recovery and business continuity plans.
2. Provide the most recent date and the numbers of times you have practiced and tested your disaster recovery procedures in the past five (5) years, and the results of those exercises.
3. Describe your back-up capabilities and/or offsite location, in the event your primary office location was inaccessible.
4. Describe the firm's security environment. Specifically cover the physical, digital security, and policy measure safeguards that you have put in place to control access to portfolio reporting systems and client account information.
5. Do your firm's information technology systems meet or exceed industry best practices related to cyber-security, including but not limited to the U.S. Department of Labor's Cybersecurity Program Best Practices and the requirements of the State of Illinois Cybersecurity Strategy and the NIST Cybersecurity Framework? If no, please explain why.
6. Describe your firm's approach to securing email and web communications.
7. How does your firm defend against cyber-attacks?
8. How does your firm secure mobile devices such as phones, tablets, and laptops?
9. Have you had your security assessed by a third party? If so, when was this last completed and by which provider?
10. Has your firm ever had a data security breach? If so, describe the incident as well as the corrective actions.
11. Have you had a cybersecurity audit? If so, provide a copy of your most recent AICPA Service Organization Control 1 and/or 2 reports.

#### J. Fees

1. The stated fee schedule must include all charges associated with your service and must reflect your costs in their entirety, including but not limited to the cost of attending monthly Board meetings.
2. You will be expected to agree to a most favored nation (MFN) clause with respect to fees.

#### K. Policies

Please provide copies of your firm's ethics or conflict of interest policy and proxy voting policy, if applicable.



## V. RFP TIMELINE

### Proposal Calendar

Request for proposals issued

**January 31, 2022**

Due date for proposals

**March 10, 2022 (4:00 p.m. CST)**

Oral presentations (by invitation)

**TBD – expected April 2022**

### Notification and Contract Dates (tentative)

Selected firm notified

**TBD –expected May, 2022**

## VI. PABF RFP PROCEDURES

The Fund will post notice of the RFP on its website <https://chipabf.org/>. Neither this RFP nor any response to this RFP should be construed as a legal offer.

All responses must be submitted in accordance with the proposal submission instructions below. PABF reserves the right to reject any or all responses. All material submitted in response to the RFP will become the property of the Fund. PABF is not responsible for any costs incurred by the Respondents in responding to this RFP.

If, prior to the due date, the RFP is revised or additional information is provided, then an addendum will be provided to all known Respondents and posted on the Fund’s website. If an addendum is necessary, the Fund may extend the due date.

Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act, 5 ILCS 140, *et seq.* (“FOIA”), which can be found [here](#). After completion of the RFP, selection by the Fund and successful negotiation of a contract, if any, proposals submitted may be viewed and copied by any member of the public, including news agencies and competitors. Respondents claiming a statutory exemption under FOIA for information within the Respondents’ proposals must identify relevant language as confidential, and identify in the email transmission of the proposal whether confidential information is included. Further, each page of confidential documentation must be labeled as such. The Respondent must also specify which statutory exemption applies for each piece of confidential information. The Fund reserves the right to make determinations of confidentiality. If the Fund disagrees with a Respondent’s confidential designation, it may either reject the proposal or discuss its interpretation of the exemption(s) with the Respondent. If agreement can be reached, the proposal will be considered. If agreement cannot be reached, then the Fund will not consider the proposal.

The Fund’s staff shall open the responses and review each for content, quality, and compliance with the RFP’s requirements. Following the review, the Fund may narrow the field of Respondents. Finalists may be asked to present their qualifications before the Board. If satisfied with the capabilities of one or more Respondents, the Board will make a final selection.

### **Quiet Period**

A quiet period will be in effect during the entire RFP process. The quiet period will begin when the RFP is issued and will end when the Board declares the process complete. The purpose of the quiet period is to ensure that all prospective investment consultants have equal access to all information regarding the search objective and to ensure that communications with prospective investment consultants are consistent and accurate in order to make the search process as efficient and fair as possible.

During the quiet period, a prospective Respondent, its agents, officers, and employees may not contact any member of the Board or Fund administrative staff directly or indirectly pertaining to the RFP. Notwithstanding, the Fund’s RFP Administrator and Counsel Justin Kugler, 312-676-0408 or [jkugler@chipabf.org](mailto:jkugler@chipabf.org) may communicate with a particular

Respondent for the sole purpose of gaining clarification regarding information provided in response to this RFP. Similarly, all members of the Board and Fund administrative staff will refrain from communicating directly or indirectly with prospective Respondents regarding this RFP. During the quiet period, it shall be the sole responsibility of the prospective investment consultants to visit the Fund's website periodically for information regarding this RFP.

Respondents may send written questions concerning the RFP via e-mail to the Justin Kugler by 4:00 p.m. CST on **February 14, 2022**. Verbal inquiries from Respondents will not be accepted. Responses to properly submitted questions will be consolidated in a single Q & A document and posted on the Fund's website by 4:00 p.m. CST on **February 22, 2022**. The source of the questions will not be disclosed.

Respondents may be disqualified for violating the terms of the quiet period. Offering or providing anything of value to the Board or staff is strictly prohibited and may result in immediate disqualification.

## **VII. PROPOSAL SUBMISSION**

Fund Counsel shall oversee the RFP process. Respondents must submit electronic copies of their responses by 4:00 p.m. CST on **March 10, 2022**, by emailing them to:

**SEARCH CONTACT:** Justin Kugler  
Fund Counsel  
[jkugler@chipabf.org](mailto:jkugler@chipabf.org)

If the Fund's staff has questions regarding how to interpret a Respondent's proposal, the Fund's staff is authorized to request additional information or clarification from that Respondent. In addition, the Fund will not consider any proposal that is either incomplete or received after 4:00 p.m. CST on **March 10, 2022**.

## **VIII. Award Criteria**

Award will be considered to the Respondent whose proposal is responsive, is considered the best of those submitted, and with whom the Fund is able to negotiate a fair agreement and reasonable fee structure.

Fund counsel and staff shall determine how well the proposal meets the review criteria. Fund counsel and staff shall present to the Board a summary of all responsive Respondents and an analysis on the most qualified Respondents regarding key aspects identified below:

1. Completeness and Quality of Proposal
2. Organization
3. Key Personnel
4. Process
5. Fees

The Fund will attempt to negotiate a fair agreement and reasonable fee structure with the awarded Respondent. If the Fund is unable to do so, the Fund reserves the right to award and negotiate with the next most qualified Respondent. The Fund shall consider the offer, including the Respondent's qualifications, reputation, fees, and other relevant factors, in negotiating a fair agreement and reasonable fee structure.

An electronic copy of your proposal, in a pdf format, must be received by PABF by 4:00 p.m. CST on **March 10, 2022**. The proposers bear sole responsibility for ensuring that their proposals are delivered on time. To be eligible for consideration, the completed proposal, must be delivered by the deadline to:

Justin Kugler, Fund Counsel

Email for electronic delivery: [jkugler@chipabf.org](mailto:jkugler@chipabf.org)