

# **Firemen's Annuity and Benefit Fund of Chicago**

## **PROCUREMENT POLICY FOR SELECTION AND APPOINTMENT OF CONSULTANTS AND INVESTMENT ADVISERS**

### **I. INTRODUCTION**

The Retirement Board (the "Board") of the Firemen's Annuity and Benefit Fund of Chicago (the "Fund") has established this procurement policy (this "Policy") for the selection and appointment of Consultants and Investment Advisers to provide Investment Services to the Fund.<sup>1</sup>

This Policy generally (a) outlines the open and competitive process established by the Board for selecting and appointing Consultants and Investment Advisers to provide Investment Services and (b) specifies the respective roles of the Board, Fund staff and investment professionals in each stage of the outlined process. The Policy also takes into account the Board's goal of utilization of businesses owned by minorities, women, persons with disabilities and disabled veterans.

This Policy is consistent with the Board's long-standing commitment to transparency and making procurement decisions characterized by competitive selection, objective evaluation and proper documentation -- all in accordance with the Board's overriding fiduciary obligations and considerations. Further, this Policy is intended to comply with applicable law, including the Illinois Pension Code [40 ILCS 5/9-101 *et. seq.*]. In the event of any conflict, the applicable law will control and modify this Policy accordingly.

**A. Exceptions to Policy for Certain Investment Services Procurements.** This Policy does not apply to the following procurements for Investment Services that are/involve:

1. Sole source procurements;
2. Emergency procurements;
3. Follow-on or legacy investment(s) through closed-end funds; provided, however, that follow-on funds that are managed in distinct entities from prior investments shall be subject to the procurement requirements of this Policy; and
4. At the Board's discretion, (i) contracts valued at \$20,000 or less, (ii) that are nonrenewable and (iii) of one year or less in duration.

All exceptions to this Policy shall be published on the Fund's website, shall name the person authorizing the procurement and shall include a brief explanation of the reason for the exception.

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<sup>1</sup> Unless otherwise defined in this Policy, all capitalized terms used in this Policy shall have the meanings given such terms in the Illinois Pension Code [40 ILCS 5/1-101 *et. seq.*].

**B. Permitted Application to Investments NOT Otherwise Subject to Policy.** The Board may, in consultation with Fund investment staff and investment professionals, apply all or any relevant portion of this Policy to investment contracts not involving the selection and appointment of Consultants and Investment Advisers to provide Investment Services.

**C. Policy Effective Date; No Modification of Existing Contracts.** This Policy is effective as of the date adopted by the Board. This Policy does not amend or otherwise modify the Fund's existing investment contracts, which may only be amended or otherwise modified consistent with their terms. Further, nothing in this Policy is meant to limit the Board's right to make "follow on" investments, modify assets under management of any Investment Adviser or otherwise allocate Fund assets amongst asset categories and/or Investment Advisers, all as the Board deems prudent in light of then existing circumstances.

## **II. SELECTION OF INVESTMENT ADVISERS**

**A. In General – Uniform Documentation for Each Search.** Uniform documents shall be used for the solicitation, evaluation, and acceptance of Investment Advisers and shall be posted on the Fund's website, with a link thereto posted on the Consultant's website. While the documentation for any one search shall be uniform, documentation may differ from search-to-search based on the specific search criteria, mandate, etc. Documents shall include provisions mandated by applicable law, including, without limitation, the requirements set forth in Section 1-113.14(c) of the Illinois Pension Code [40 ILCS 5/9-1-113.14(c)].

### **B. Public Notice of Search.**

1. *Initiation of Search; Public Notice.* Upon recommendation of the Fund's investment staff and Consultant, the Board shall determine when there shall be an Investment Adviser search and the parameters of such search (including, without limitation, the applicable asset allocation category and whether the search is an Emerging Investment Manager search). Need for an Investment Adviser search shall be determined by the Board at an open meeting.

2. *Form and Publication.* Notice of an Investment Adviser search shall be in the form of a Request for Proposal ("RFP"). Fund staff shall advertise the RFP in a nationally circulated investment publication and any other publication deemed appropriate by staff or as required by law. The RFP will be published at least fourteen (14) days prior to the response date established in the RFP.

3. *Public Availability.* A copy of each RFP shall be made available for public inspection on the Fund's website, with a link thereto posted on the Consultant's website.

**C. Form of RFP.** The Fund's investment staff and Consultant shall coordinate and recommend the form of each RFP for Board approval. Each RFP shall contain, *inter alia*, all of the following:

1. A description of the required Investment Services.

2. A date by which responses to the RFP shall be returned and the Fund's designated point of contact.

3. The qualifying criteria and the associated evaluation factors adopted by the Board upon the recommendation of the Consultant and the Fund's investment staff.

4. A copy of the Fund's Investment Policy, which not only includes the Fund's investment guidelines, policies and objectives but also includes terms for performance review communications.

5. The Fund's standard investment manager agreement, if applicable given the parameters of the search. If applicable, the RFP shall note that amendments to the Fund's standard investment manager agreement are disfavored and require that any objections thereto shall be detailed in the Investment Adviser's response to the RFP and shall be presented in the manner specified in the RFP.

6. A requirement that the response to the RFP shall contain all required disclosures under the Illinois Pension Code and shall include the following:

- a. the method for charging and measuring fees, based on the assets under management, including disclosure of the direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the Investment Adviser in connection with the provision of Investment Services to the Fund;
- b. the names and addresses of: the Investment Adviser; any entity that is a parent of, or owns a controlling interest in, the Investment Adviser; any entity that is a subsidiary of, or in which a controlling interest is owned by, the Investment Adviser; any persons who have an ownership or distributive income share in the Investment Adviser that is in excess of 7.5%; or serves as an executive officer of the Investment Adviser; and
- c. the names and addresses of all subcontractors, if any, and the expected amount of money each will receive under the contract. For purposes of this subsection, "subcontractor" does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy voting services, services used to track compliance with legal standards, and investment fund of funds where the Board has no direct contractual relationship with the investment advisers or partnerships.

**D. Questions re: RFP.** Any questions regarding a specific RFP must be submitted in writing to the designated point of contact for the RFP in accordance with the timing and other related terms outlined in the RFP. Responses to such questions will be posted on the Fund's and/or Consultant's website.

**E. Responses to RFP; Evaluation.**

1. *Delivery of Responses.* Responses must be submitted to the designated contact in accordance with the terms in the RFP.

2. *Initial Evaluation of Responses.* Each response will be evaluated initially by the Consultant based on the adopted evaluation factors. The Consultant shall open the responses, record them and thoroughly review each for content, quality and compliance with RFP requirements. The Consultant shall compile a list of all respondents to the RFP. The Consultant will document the initial evaluations in reasonable detail and promptly provide such documentation and a summary thereof to the Fund's investment staff and, as requested, the Investment Committee and/or Board.

3. *Due Diligence.* The Consultant shall, in consultation with the Fund's investment staff and Investment Committee, conduct appropriate due diligence. As specified in Section II.G of this Policy, the Fund's Quiet Period Policy does not prevent due diligence meetings and communications. The field of candidates will be narrowed to a smaller list of the most highly qualified firms and the Fund's investment staff and Consultant may meet with representatives of such firms or conduct any other additional diligence to assess such firms' capabilities.

4. *Recommendation of Proposed Firms* Based on the due diligence and evaluation factors, the Consultant and the Fund's investment staff will recommend a subset of firms for Investment Committee and/or Board consideration. The recommendation will include a reasonably detailed summary of the evaluation and reasons for such recommendations. Generally, the proposed firms will appear before the Board and/or Investment Committee to present their firms' qualifications. Additionally, the Consultant will also provide all relevant documentation to the Fund and all provided materials shall be the property of the Fund.

#### **F. Emerging Investment Managers.**

1. *Principle.* The Fund encourages the Consultant to proactively outreach to Emerging Investment Managers and to employ search and selection practices that support the Fund's long-standing commitment to identify and utilize highly qualified Emerging Investment Managers.

2. *Selection Process.* Emerging Investment Managers may be selected pursuant to the same process outlined in this Policy in a search solely for Emerging Investment Managers. Nothing in this Section prohibits an Emerging Investment Manager from participating in any RFP, so long as the Emerging Investment Manager meets the criteria set forth in the RFP. If an Emerging Investment Manager meets the criteria in the RFP then, subject to the following sentence, that Emerging Investment Manager shall receive an invitation by the Board or the Investment Committee to present as a finalist. If there are multiple Emerging Investment Managers that meet the qualifying criteria set forth in the RFP, then the Consultant or the Board may choose the most qualified firm or firms to present to the Board or Investment Committee.

3. Certifications. The Board will establish and communicate guidelines for determining acceptable certifications to establish an Investment Adviser's status as a Minority Owned Business, Female Owned Business, or Business Owned By A Person With A Disability.

**G. Quiet Period.** A Quiet Period will be in effect during the entire RFP process. The Quiet Period does not prevent due diligence communications and meetings, conference attendance or communication with an existing Investment Adviser that is also a search candidate; however, discussion related to the pending selection shall be avoided during such activities. Trustees of the Fund, who also sit as trustees of other public pension funds, shall not be deemed to be in violation of this Policy if during a Quiet Period they meet or have discussions with an Investment Adviser that may be an existing vendor to the Fund or a candidate participating in a RFP, if such meeting or discussion is in furtherance of the trustee's duties and obligations to the other pension funds. For the avoidance of doubt, any action at a Board meeting that is open to the public shall not be subject to the requirements of the Quiet Period.

Once a search has been distributed to the public, the following principles shall govern:

- a. The quiet period shall commence as of the date the issuance of the RFP is approved by the Board and end following the completion of successful contract negotiations.
- b. Initiation, continuation and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations.
- c. During the quiet period, Board members and Fund staff should refrain from communicating with Investment Adviser candidates regarding any product or service specifically related to the Fund's search covered by the RFP. Trustees who serve on other public pension funds are permitted during the quiet period to communicate with Investment Adviser candidates who may be existing or potential vendors to the other public pension funds so long as the Fund's pending RFP is not discussed.
- d. During the quiet period, no fiduciary including the Investment Consultant, shall accept meals, travel, lodging, entertainment or any other good or service of value from the candidates.
- e. If any Board member or Fund staff member is contacted by a candidate during the quiet period about a matter relating to the pending selection, the Board member or Fund staff member should refer the candidate to the Investment Consultant.
- f. All authority related to the search process shall be exercised solely by the Board as a whole, and not by individual Board members.
- g. While the quiet period does not prevent Board approved meetings, conference attendance or communications with an existing Investment

Adviser that is also an Investment Adviser candidate, discussion related to the pending selection should be avoided during those activities.

- h. An Investment Adviser candidate may be disqualified from a search process for a willful material violation of the quiet period policy.

#### **H. Making/Effecting Selection; Notice of Selection.**

1. Selection from Proposed Firms The Board will accept or modify the recommendation and make the final decision with respect to any selection/appointment resulting from the search. The Board may select one or more Investment Adviser candidates, as appropriate.

2. Negotiation of Contract. The Board and its agents shall negotiate the final terms of the investment manager agreement or the terms of such other agreement or subscription documents as may be necessary to effect the selection/appointment. Should the Board and its agents fail to successfully complete a contract with any selected candidate, the Board may select another candidate from among the remaining finalists.

3. Consideration of Best Value. Nothing in this Policy shall prohibit the Board from making a selection that represents the best value based on qualifications, fees and other relevant factors established in the RFP.

4. Notice of Contract; Public Documentation. Following successful completion of the related contract(s), the Board's decision shall be public information and shall be posted on the Fund's website. Such notice shall include the name of the successful Investment Adviser(s), the total amount applicable to the contract(s), the basis for determining the total fees to be paid, and a disclosure approved by the Board describing the factors that contributed to the selection of the Investment Adviser(s). Following selection and completion of the contracts, all documents created as part of a RFP and within the possession of the Fund, including the responses by prospective Investment Advisers, may be considered public records and may be made available for inspection and copying as provided in Section 3 of the Illinois Freedom of Information Act, 5 ILCS 140/1, et seq.

### **III. SELECTION OF CONSULTANT**

**A. In General; Substantially Same Process as Investment Adviser Search.** The search process for a Consultant shall be a competitive proposal process that is substantially the same as that outlined in this Policy for an Investment Adviser search, except that the Fund's investment staff shall perform the functions otherwise designated to the Consultant in the RFP process.

**B. 5-Year Limitation.** The Fund shall not enter into a contract with a Consultant that exceeds 5 years in duration. No contract to provide consulting services may be renewed or

extended. At the end of the term of such contract, the Consultant is eligible to compete for a new contract. The Fund will not attempt to avoid or contravene this restriction by any means.

C. **Written Contract.** Investment Services provided by a Consultant shall be rendered pursuant to a written contract between the Consultant and the Fund. The agreement shall be in compliance with all applicable laws, including, without limitation, the provisions of the Illinois Pension Code [40 ILCS 5/9-101 *et. seq.*].

D. **Registered Investment Adviser or Bank Requirement.** To provide Investment Services to the Fund, a Consultant must be a registered as an investment adviser under the federal Investment Advisers Act of 1940 [15 U.S.C. 80b-1, *et. seq.*] or a bank, as defined in the federal Investment Advisers Act of 1940.

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