Firemen’s Annuity & Benefit Fund of Chicago

Search for Investment Advisor (“SIA”)

*SECTION 1 – OVERVIEW*

1.1 INTRODUCTION

The Firemen’s Annuity & Benefit Fund of Chicago (“the Fund”) is searching for an investment advisor from qualified investment advisors (“Respondent(s)” or “Advisor(s)”) to manage the following investment mandate in a fiduciary capacity to the Fund:

**International Small-Cap Equity. The approximate mandate will be up to $50 million, representing a 6.0% target allocation of the total Fund. The mandate may possibly be divided by style (growth, value). The mandate will be benchmarked against a MSCI non U.S. small cap index. The exact index will be determined based on selected product.**

A qualifying investment advisor must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company similarly registered. Investment advisors must also certify the responding firm meets the minimum guidelines presented in Section 2 of this SIA. Once selected, the Retirement Board (the “Board”) requires that each investment advisor provide, in writing within a negotiated side letter, acknowledgment of fiduciary responsibility to the Fund as required in the Illinois Pension Code.

It is the public policy of the State of Illinois to encourage the Fund’s Board of Trustees to increase the racial, ethnic, and gender diversity of its fiduciaries to the greatest extent feasible within the bounds of financial and fiduciary prudence. In furtherance of the Illinois public policy and the requirements of the Illinois Pension Code, it is the goal of the Board of Trustees to use its best efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its external investment managers and consultants (4 ILCS 5/1-109.1). Consistent with that effort, the Board will consider a broad range of candidates and actively consider minority, female and disabled person-owned business enterprises (MWDBE) that also have the required capabilities for this SIA.

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

The Fund reserves the right to reject any or all proposals submitted. All proposals submitted will be evaluated by members of the Fund’s investment staff and the Fund’s consultant. Advisors may be asked to make formal presentations of their proposals to the investment staff, Investment Committee and/or the Board. Selection of the investment advisor is subject to final approval by the Board.

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.

1.2 TIMELINE FOR AWARD OF MANDATE

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| **Date of Issue** | October 16, 2019 |
| **Deadline for SIA Questions** | November 1, 2019 (Noon CDT) |
| **Q&A Document posted to Fund’s website** | November 8, 2019 |
| **SIA Submission Due Date** | December 2, 2019 (3:00 PM, CDT) |
| **Finalist Presentation** | February/March 2020 |
| **Selection of Advisor** | February/March 2020 |
| **Tentative Funding Date** | TBD |

This timeline may be subject to revision. Any changes to the timeline will be posted on the Fund’s website.

Any Respondents failing to submit proposals in the time-line provided above or Respondents submitting incomplete responses will not be considered.

**QUIET PERIOD**

A Quiet Period will be in effect during the entire SIA process. The Quiet Period is the period of time beginning when the Board approves the issuance of the SIA and ends after successful contract negotiations with the selected Advisor approved by the Board. The purpose of the Quiet Period is to ensure that all Respondents have equal access to all information regarding the search objective and requirements, to be certain that communications are consistent and accurate and to make the search and selection process diligent, efficient, and fair.

Respondents shall not contact any member of the Board or staff during the Quiet Period and should direct all questions and communications as directed in Section 1.3 of this SIA. If any Board member is contacted by a Respondent, the Board member shall refer the Respondent to Fund’s consultant, Callan LLC (“Callan”).

The Board and staff shall refrain from directly or indirectly communicating with any Respondent regarding any product or service related to the search during the Quiet Period. Communication which takes place during a formal site visit or interview conducted as part of the SIA, as directed by the Board or the Fund’s Investment Committee, is permitted. The quiet period does not prevent Board approved due diligence, client conference attendance or communications with an existing service provider that happens to be a Respondent in the ordinary course of services provided by such service provider; however, discussions related to the pending selection shall be avoided during those activities.

Respondents may be disqualified for violating the terms of the Quiet Period. Offering or providing anything of value (meals, travel, hotel, etc.) to the Board or staff is strictly prohibited and may result in immediate disqualification.

1.3 INQUIRIES

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| **Verbal inquiries from Respondents will not be accepted. All questions pertaining to this SIA should only be submitted via email to:** [**ChicagoFireSearches@callan.com**](mailto:ChicagoFireSearches@callan.com) **and CIO@fabf.org**  **All inquiries must be received no later than November 1, 2019. Generalized responses to inquiries will be posted to the Fund’s website no later than November 8, 2019.** |

During the evaluation process, the Fund retains the right to request additional information or clarification from the Respondents to this SIA.

1.4 SUBMISSION OF PROPOSAL

Callan shall oversee the SIA process in conjunction with the Fund’s investment staff. Respondents interested in submitting a proposal must submit their responses in accordance with the proposal submissions instructions below.

All proposals must be complete in every respect and must answer clearly and concisely all questions presented in this SIA.

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| **Soft copy should be sent to** [**ChicagoFireSearches@callan.com**](mailto:ChicagoFireSearches@callan.com) **and** [**CIO@fabf.org**](mailto:CIO@fabf.org)**. Submissions must be received by 3:00 PM, CDT, December 2, 2019. (No hardcopies are requested.)** |

1.5 DISCLOSURE OF SUBMITTED PROPOSALS

Illinois law requires that at the conclusion of the selection process, the contents of all proposals may be placed in the public domain and be open to inspection by interested parties consistent with the requirements of the Illinois Freedom of Information Act. Trade secrets or proprietary information must be clearly identified as such in the proposal. The Respondent must also specific which statutory exemption applies for each piece of confidential information consistent with the requirements of the Freedom of Information Act. Any claim of privileged or confidentiality is not definitive and the Fund has the right and the legal obligation to determine whether such information is exempt from disclosure under the Freedom of Information Act. The Fund reserves the right to make all determinations with respect to whether something is exempt from disclosure pursuant to the Freedom of Information Act and Respondents shall have no claim against the Fund for any materials that the Fund discloses pursuant to its obligations under the Freedom of Information Act.

1.6 SIGNATURE OF RESPONDENT

The tendered documents, and any clarifications included, shall be signed by an officer of the submitting firm or a designated agent empowered to bind the firm in a contract.

*SECTION 2 – MINIMUM REQUIREMENTS*

In order to be considered for selection, the Respondent must provide documented proof via a completed Statement of Certification (see Section 5) that 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 Advisors Act of 1940 or a bank or insurance company similarly registered.
2. Respondent agrees to act as a fiduciary to the Fund in accordance with the Illinois Pension Code.
3. Respondent and its personnel have all authorizations, permits, licenses and certifications required by federal, state and/or local law
4. Respondent must have a documented, current and verifiable three-year track record for managing international small cap portfolios. Qualified Women, Minority, or Disabled Owned Businesses are exempt and will be evaluated for further consideration at the Fund’s discretion.
5. The Firemen’s Annuity & Benefit Fund of Chicago’s investment mandate must not represent more than 20% of the Respondent’s total firm assets or 20% of the proposed strategy total assets.
6. Respondent will carry errors and omissions insurance or comparable instruments to cover negligent acts or omissions.
7. Respondent must maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems.
8. Respondent must have a company policy and practice of equal employment opportunity and non-discrimination based on race, creed and/or gender.
9. Respondent must comply with the Fund’s Minority, Women, and Disabled Business Enterprises (“MWDBE”) brokerage policy (Attachment 2).
10. Respondent must comply with the Fund’s Ethics Policy (Attachment 1) and the Fund’s Statement of Investment Policy (Attachment 2)
11. Respondent must also have their information in the Callan database (<https://questionnaire.callan.com/sign_in/?ReturnUrl=%2f>), in addition to submitting this SIA. This website includes a demographic section for organizational information as well as detailed product information sections.  All sections must be completed.

*SECTION 3 – SELECTION AND EVALUATION PROCESS*

3.1 – CANDIDATE REVIEW PROCESS

The Fund’s investment staff and its consultant shall objectively review the responses received to identify qualified candidates based solely on the criteria presented in the SIA. Callan will identify all SIA’s received from minority, women and disabled person’s business enterprises (“MWDBE”).

Fund Trustees, investment staff and consultant members may interview all, some, or none of the Respondents. Investment Committee members, investment staff and consultant may undertake site visits to Respondent offices, and conduct such other due diligence the Fund’s Investment Committee deems appropriate.

Fund investment staff and consultant will recommend finalists to the Investment Committee or Board during a public meeting of the Investment Committee or Board, including at least one qualified MWDBE respondent, if appropriate.

The Investment Committee may interview finalists and will determine if a recommendation for the award of a contract will be made to the Board.

The Fund reserves the right to award this mandate to the Advisor which, in its sole opinion, will provide the best match to the requirements of the SIA, to reject any Respondents due to noncompliance with the requirements and instructions in the SIA and not to hire or defer the hiring of an Advisor for investment management services.

3.2 – CALLAN’S MANAGER DATABASE

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| All Respondents must accurately submit their information into the Callan database  **prior to the response deadline.** Candidates who have incorrectly entered (e.g. – missing performance data & asset levels) their information may not be considered for this award.  Investment return data streams and asset level data  (firm-wide and at the product level) should be updated through September 30, 2019  **To gain access to Callan’s Manager Database**  **please visit** (<https://questionnaire.callan.com/sign_in/?ReturnUrl=%2f>)  **OR**  **Send an email directly to database@callan.com**  **for access details and further instructions** |

Neither the Fund nor Callan will be held responsible for any manager who does not gain access and upload their information to the database prior to the response deadline.

*SECTION 4 – FUND INFORMATION*

4.1 PLAN DESCRIPTION

The Firemen’s Annuity & Benefit Fund of Chicago is a public employee retirement system established and governed by the Illinois Pension Code (40 ILCS 5/1-101 *et seq*). The Fund is established to provide for the present and future benefit payments for all active and retired Chicago firefighter participants and their beneficiaries. The Fund currently has nearly 9,400 participants.

4.2 SUMMARY OF INVESTMENT OBJECTIVES

The primary investment objective of the Fund is to obtain the highest return possible on Fund investments within corresponding acceptable levels of investment risk and liquidity requirements, in recognition of prudent person standards and compliance with the Illinois Statutes governing the operation and activities of the Fund.

Due to the underfunding of the Fund’s actuarial liabilities, the investment strategy of the Fund must emphasize the greater need for longer term growth of capital while fulfilling the immediate liquidity requirements of the Fund’s benefit payout. To maximize the potential gain on assets, the Fund has decided to maintain a fully invested position in accordance with the established target asset allocation.

4.3 PORTFOLIO DESCRIPTION

The Fund’s portfolio is a fully invested, diversified, global portfolio managed entirely by external investment advisors. Total invested assets held by the Fund at the end of the first quarter of 2019 were $897 million. The Fund’s target allocation, as of June 30, 2019, is as follows:

Broad US Equity 35%

Global ex-US Equity 25%

Fixed Income 20%

Real Assets:

TIPS 2%

Commodities 2%

Global REITs 4%

Real Estate 4%

Private Equity 4%

Liquid Diversifying Assets 4%

*SECTION 5 –SEARCH for INVESTMENT ADVISOR QUESTIONNAIRE*

5.1 SUBMISSION REQUIREMENTS:

Respondents are required to provide an electronic response that includes the Statement of Certification, answers to the SIA questionnaire (including requested supporting documents), and additional disclosures.

5.2 PRESENTATION FORMAT:

The Statement of Certification included in this SIA must be displayed ahead of the Advisor’s responses to the SIA Questionnaire.

*Sample Format Only:*

*Sample Presentation Format Only:*

Section 1: Statement of Certification

Section 2: Responses to Search for Investment Advisor Questionnaire

1. Organizational Information
2. Investment Team and Strategy Information
3. Fee Information
4. Contact Information
5. Additional Disclosures

Section 1

***STATEMENT OF CERTIFICATION***

By submitting this Search for Investment Advisor Questionnaire, (Advisor Name) certifies the following statements are true:

⁮ The Advisor is duly registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940 or a bank or insurance company similarly registered.

⁮ The Advisor agrees to act as a fiduciary to the Fund in accordance with the Illinois Pension Code.

⁮ The Advisor and its personnel have all authorizations, permits, licenses and certifications required by federal, state and/or local law

⁮ Respondent must have a documented, current and verifiable three-year track record for managing international small cap portfolios. Qualified Women, Minority, or Disabled Owned Businesses are exempt and will be evaluated for further consideration at the Fund’s discretion.

⁮ The Firemen’s Annuity & Benefit Fund of Chicago’s investment mandate must not represent more than 20% of the Respondent’s total firm assets or 20% of the proposed strategy total assets.

⁮ The Advisor carries errors and omissions insurance to cover negligent acts or omissions.

⁮ The Advisor has procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems.

⁮ The Advisor has a company policy and practice of equal employment opportunity and non-discrimination based on race, gender and/or creed.

⁮ There are no past or present litigation or regulatory actions against the Advisor or any current employees at the time of submitting the SIA.

⁮ No fees, direct or indirect, commissions, penalties and other compensation including reimbursement for expenses for expenses paid by or on behalf of the Advisor in connection with the provision of services to the Fund or responding to this SIA have been paid by the Advisor.

⁮ All requested firm information has been submitted to Callan’s database (<https://questionnaire.callan.com/sign_in/?ReturnUrl=%2f>)

⁮ The Advisor understands and will comply with the Fund’s Quiet Period, defined in section 1.2 of the SIA.

⁮ The Advisor understands and will comply with the Fund’s Ethics Policy and the Fund’s Investment Policy Statement.

⁮ The firm understands and will comply with the Fund’s MWDBE Brokerage Policy.

⁮ The firm understands and will comply with the Fund’s reporting requirements.

⁮ The Advisor understands that the Fund accepts no obligation for costs incurred by the Respondents in anticipation of being awarded a contract.

⁮ The Advisor understands that the Fund is exempt from federal, state and local taxes and will not be responsible for any taxes levied on the Respondent as a result of any contract resulting from this SIA.

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Signature Name

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Date Title

Section 2

***SEARCH for INVESTMENT ADVISOR QUESTIONNAIRE***

**Respondents are required to provide an electronic response in .pdf format.**

**1. Organizational Information**

* + Diversity chart



* + Firm inception date and brief history
  + Ownership structure
  + All related and affiliated firms
  + Regulatory authority registration
  + Organizational chart, with brief biographies of all key personnel.
  + Firm succession plans
  + Insurance coverage disclosure ($): fidelity bonds, E&O, D&O, etc
  + Firm compensation philosophy
  + Expiration of employment contracts disclosure, if applicable
  + Number of institutional clients and summary by investor type (E&F, corporate, public, etc)
  + Number and name of public plan clients
  + Number and location of additional offices
  + Investment team turnover for the last five years
  + Current assets under management for the firm, investment division and strategy
  + Historical assets under management for the firm, investment division and strategy, since inception or last 10 years
  + Plans to develop and expand resources
  + Plans to merge with or acquire other firms
  + Plans to spin off subsidiaries or to be spun off by a parent firm
  + Cybersecurity (include policy, testing, breaches, etc)
  + Documents: Compliance Policy/Table of Contents, Code of Ethics/Table of Contents, Disaster Recovery Plan, GIPS composite for proposed strategy

**2. Investment Team and Strategy Information**

* Name of strategy within Callan database
* Investment philosophy
* Investment strategy
* Preferred benchmark and rationale
* Investment team (Organization Chart); indicate % of time spent on proposed strategy.
* Differentiating factors/competitive advantage of proposed strategy
* Discussion of return drivers of strategy
* Investment Process (idea generation, due diligence, decision making; roles/responsibilities; portfolio construction, sell decision, etc)
* Role of ESG/sustainable investing principles in investment process. Is firm a signatory of the Principals for Responsible Investment (PRI)?
* Volatility target (determination of target, frequency, changes, etc)
* Risk controls/monitoring (risk definition, hedging strategies, tools, team, include counterparty management etc)
* Investment restrictions
* Historical risk/return characteristics, annual turnover, # of securities, avg holding period
* Market conditions where strategy would underperform/outperform.
* Trading: broker selection, commissions (soft, CCA/CSA, etc)-monitoring/use; best execution management, “life of trade” chart;
* Strategy capacity limitations

**3. Fee Information**

* Proposed Fees and Breakpoints for separately managed account or pooled funds managed under the strategy proposed. Please indicate separate account asset minimums, if applicable.
* Available Vehicle Types including Legal Structure and Tickers if Applicable

**4. Contact Information**

Please include Contact name, Title, Firm name, business address, business telephone number, email address and business fax number.

**5. Additional Disclosures**

In accordance with the Fund’s Procurement Policy and Illinois Pension Code, all respondents are required to disclose the following information along with their proposal:

* + 1. The 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 Adviser in connection with the provisions of Investment Services to the Fund;
    2. The names and addresses of: the Adviser; any entity that is a parent of, or owns a controlling interest in, the Adviser; any entity that is a subsidiary of, or in which a controlling interest is owned by the Adviser; any persons who have an ownership or distributive income share in the Adviser that is in excess of 7.5%; or serves as an executive officer of the Adviser; and
    3. 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.
    4. 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 forms 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.
    5. Statement that discloses any current business relationship or any current negotiations for prospective business with the Fund, the Fund’s Executive Director, the Fund’s Investment Staff, or any member of the Board. (See [www.fabf.org](http://www.fabf.org) for contacts).
    6. Public Act 98-1022 amends the Illinois Pension Code to require certain disclosures regarding utilization of minorities, females and persons with a disability. The terms “minority owned business,” “female owned business”, and “business owned by a person with a disability” are as defined in the Business Enterprise for Minorities, Females and Persons with Disabilities Act. In accordance with the Act, all vendors submitting bidding proposals the Fund must disclosure the following numerical data:

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 woman, and (iii) a person with a disability1.

***[A numerical value must be entered in each box. If this information is not available or your firm does not track, enter 0.]***

|  |  |  |
| --- | --- | --- |
| **Staff Classification** | **Number of Investment and Senior Staff Who Are** | **% Percentage of Investment and Senior Staff Who Are** |
| Minority person |  | % |
| Woman |  | % |
| Person with a Disability |  | % |

1. The number of contracts, oral or written, for investment services, consulting services and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority owned business, (ii) a women owned business, or (iii) a business owned by a person with a disability1.

***[A numerical value must be entered in each box. If this information is not available or your firm does not track, enter 0.]***

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| --- | --- |
| **Business Classification** | **Number of Contracts** |
| Minority owned business |  |
| Women owned business |  |
| Business owned by a person with a disability |  |

1. The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services the investment advisor, consultant, or private market fund has with a business other than (i) a minority owned business, (ii) a women 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 woman, and (iii) a person with a disability1.

***[A numerical value must be entered in each box. If this information is not available or your firm does not track, enter 0.]***

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| **Classification of Person Performing Services at Majority owned firm** | **Number of Contracts** |
| Minority person |  |
| Woman |  |
| Person with a Disability |  |

*SECTION 6 – CLOSING*

On behalf of the Fund participants, Trustees, investment consultant and investment staff, the Firemen’s Annuity & Benefit Fund of Chicago thanks you for your interest, time and effort in responding to this Search for Investment Advisor.

***Attachments to this Search for Investment Advisor:***

1. FABF Ethics Policy



1. FABF Statement of Investment Policy



3. FABF sample Investment Management Agreement

