



Chicago Teachers' Pension Fund

**Request for Proposal  
for a  
Value-Added  
Real Estate Investment Focused on  
Multi-family Properties**

**April 2011**

Chicago Teachers Pension Fund  
203 North LaSalle Street, Suite 2600  
Chicago, IL 60601

## **Purpose**

The Request for Proposal (RFP) has been issued by the Board of Trustees (“the Board”) of the Public School Teachers’ Pension and Retirement Fund of Chicago (“CTPF” or “Chicago Teachers Pension Fund”). The Board solicits proposals from all qualified professional firms wishing to provide **Value-Added Real Estate Investment Management Services** with a specific focus on the **Multifamily Housing** sector (“**Investment Manager**”) in a commingled fund vehicle. This RFP does not offer a contract, but seeks the submission of proposals from qualified, professional firms. Chicago Teachers Pension Fund reserves the right to reject any or all proposals and to solicit additional proposals if that is determined to be in the best interest of CTPF. The Fund’s Staff and Real Estate Investment Consultant, The Townsend Group (“Townsend”), will be receiving and analyzing all responses from this Investment Manager search. All candidate firms must submit their fund information to the Townsend database (including any previous fund performance data, where applicable); there is no charge for this process. A copy of CTPF’s Investment Policy and a copy of CTPF’s Code of Ethics, both of which are posted on CTPF’s website, are adopted and incorporated by reference. The Investment Policy and the Code of Ethics are subject to change.

## **Scope of Services**

The Investment Manager selected will perform the following services:

1. The Investment Manager will provide CTPF with real estate investment management services with a focus on value-added multifamily properties or projects in a commingled fund vehicle. The anticipated commitment to the commingled fund is \$25 million.
2. The Investment Manager will have independent discretionary authority with respect to the investment of that portion of assets managed by Investment Manager.
3. The Investment Manager shall provide quarterly and annual performance (gross and net of fees) and portfolio valuation reports in addition to annual audited financial statements to CTPF and to Townsend.

4. The Investment Manager will document all fund level investment activity with CTPF's master custodian in accordance with the usual and customary standards of practice and confirm all executed transactions from custodial account records; CTPF's current master custodian is Northern Trust.

### **Minimum Qualifications**

In order to be considered for selection as an Investment Manager, the Investment Manager must provide documented proof that the following minimum qualifications listed below are met:

1. The Investment Manager shall qualify as: a) an Investment Manager duly registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940; or b) a registered investment advisor under the Illinois Securities law of 1953; or c) a bank, as defined by the Investment Advisors Act of 1940; or d) an insurance company authorized to transact business in Illinois; or e) as any other such entity that may be provided for in Section 1-101.4(4) of the Illinois Pension Code, 40 ILCS 1-101, et seq.; or f) a manager of the assets of the Fund in an Asset Allocation category pursuant to the terms of an agreement with a limited liability corporation, limited liability partnership, commingled investment fund, collective investment fund, or such other similar investment vehicle.
2. The Investment Manager or team must have a fully documented (audited) track record of realized investments that employed the same strategy as proposed for CTPF.
3. The Investment Manager and its personnel have all authorizations, permits, licenses and certifications required by federal, state and/or local law.
4. The Investment Manager shall carry errors and omissions insurance or comparable instruments to cover negligent acts or omissions.

5. The Investment Manager must maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems.
6. The Investment Manager must have a company policy and practice of equal employment opportunity and non-discrimination.
7. All candidate firms must also submit their current fund offering information and previous fund performance information to the Townsend fund database ([www.townsendgroup.com](http://www.townsendgroup.com)), in addition to submitting this RFP. This must be done prior to or in conjunction with submitting responses to this RFP. The Townsend website will provide access to forms for submitting organizational information as well as detailed product information. All sections must be completed. Please contact Cara Wood at Townsend ([cwood@townsendgroup.com](mailto:cwood@townsendgroup.com)) if you need additional information regarding submission of data to the database.
8. Investment services provided by an Investment Manager shall be rendered pursuant to a written contract between the Investment Manager and the Board. The Illinois Pension Code Section 1-113.14 (c) requires that the contract include all of the following:
  - (1) Acknowledgment in writing by the Investment Manager that he or she is a fiduciary with respect to the pension fund or retirement system.
  - (2) The description of the Board's investment policy and notice that the policy is subject to change.
  - (3) (i) Full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the Investment Manager in connection with the provision of services to the pension fund or retirement system and (ii) a requirement that the Investment Manager update the disclosure promptly after a modification of those payments or an additional payment.

- (4) A requirement that the Investment Manager, in conjunction with the Board's Staff, submit periodic written reports, on at least a quarterly basis, for the Board's review at its regularly scheduled meetings. All returns on investment shall be reported as both gross and net returns after payment of all fees, commissions, and any other compensation.
- (5) Disclosure of the names and addresses of (i) the Investment Manager; (ii) any entity that is a parent of, or owns a controlling interest in, the Investment Manager; (iii) any entity that is a subsidiary of, or in which a controlling interest is owned by, the Investment Manager; (iv) any persons who have an ownership or distributive income share in the Investment Manager that is in excess of 7.5%; or (v) serves as an executive officer of the Investment Manager.
- (6) A disclosure of the names and addresses of all subcontractors, if applicable, and the expected amount of money each will receive under the contract, including an acknowledgment that the contractor must promptly make notification, in writing, if at any time during the term of the contract a contractor adds or changes any subcontractors. For purposes of this subparagraph (6), "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 Managers or partnerships.
- (7) A description of service to be performed.
- (8) A description of the need for the service.
- (9) A description of the plan for the post-performance review.
- (10) A description of the qualifications necessary.
- (11) The duration of the contract.
- (12) The method for charging and measuring cost.

## **Submission of Proposal**

Two hard copies of an Investment Manager's Proposal must be sent to each of the following addresses and received by:

Wednesday, May 18, 2011

Cara M. Wood, Consultant  
The Townsend Group  
1660 W Second Street  
Suite 450  
Cleveland, OH, 44113

Ben Ruff, Portfolio Manager  
Chicago Teachers' Pension Fund  
203 N LaSalle Street  
Suite 2600  
Chicago, IL, 60601

Additionally, an electronic copy of an Investment Manager's Proposal must be sent to the following address by Wednesday, May 18, 2011 (5:00 CDT):

[multifamily2011@ctpf.org](mailto:multifamily2011@ctpf.org)

with "RFP" in the subject line.

It is the responsibility of the Investment Manager to ensure that its Proposal is delivered and received in the proper office on or before the deadline for responding to this RFP. All Proposals received will be subject to public disclosures. Modifications or a withdrawal of a Proposal after the specified receipt date will not be considered. If it becomes necessary to revise any part of this RFP or if any additional data is necessary for an exact interpretation of the provisions of this RFP prior to the due date for Proposals, a supplemental will be posted by Chicago Teachers' Pension Fund on its website [www.ctpf.org](http://www.ctpf.org). In such an event, Chicago Teachers' Pension Fund reserves the right to extend the deadline date of Proposals to accommodate such interpretations or additional requirements.

**Projected Timeline (dates are subject to change)**

<b>RFP Posted</b>	<b>April 18, 2011</b>
<b>Deadline for RFP Inquiries</b>	<b>April 29, 2011 (5:00 CDT)</b>
<b>Inquiry responses posted to CTPF website</b>	<b>May 6, 2011</b>
<b>RFP Submission Due Date</b>	<b>May 18, 2011 (5:00 CDT)</b>
<b>Finalists Selected</b>	<b>July 1, 2011</b>
<b>Finalist Presentations</b>	<b>July 14, 2011</b>
<b>Expected Board Decision Date</b>	<b>July 21, 2011</b>

**All inquiries regarding this RFP should be submitted  
via email only to the following address:**

[multifamily2011@ctpf.org](mailto:multifamily2011@ctpf.org)

**with “RFP” in the subject line.**

**Inquiries will only be accepted until April 29, 2011 at 5:00 CDT, and will be  
responded to publicly on or before May 6, 2011 on the CTPF website.**

**Evaluation and Selection**

All Proposals received by the requested deadline will be reviewed and evaluated. After the review and evaluation of the Proposal, the Board may conduct interviews of the finalist candidates. The Board will select the manager it determines, in its sole discretion, to be fully qualified and best suited among those submitting proposals on the basis of the evaluations.

Responses will be evaluated initially by Investment Consultant, with the Investment Committee’s and the Staff’s assistance, based on the following evaluation factors only.

The relative importance of the evaluation factors will vary based on the parameters of the search. The Investment Consultant will determine, based on the evaluation factors, the top-qualified Investment Manager and non-finalists. The Board will select, based on the evaluation factors, an Investment Manager from the list of top-qualified Investment Managers. The evaluation factors are as follows:

- Investment Philosophy and Methodology, including: the clarity and technical merits of the investment process, buy/sell discipline, efficacy of decisions made (streamlined, responsive). Consistency of application, risk controls, uniqueness of the process, trading ability;
- Performance, including: long-term performance relative to benchmark, risk compared to benchmark, consistency of performance relative to peers;
- Firm Background, Experience, Reputation, including: the firm's experience in the management of institutional portfolios, the background and qualifications of principals and professional staff, the size of the firm and the products offered, organizational structure, manager tenure, depth of portfolio team and research team, firm's reputation including any litigation history, record of integrity and business ethics;
- Portfolio Management and Client Services, including: client servicing, and accounting and reporting;
- Reasonableness of the fees; and
- The Fund's overall Investment Policy and allocations among existing Investment Managers, including, but not limited to, the diversification of Investment Managers in terms of style, investment philosophy, and the complementary relationship between Investment Managers in the context of the Investment Policy.

Once the Board has selected an Investment Manager, negotiations for contract terms and conditions will be finalized. The Board may also reject all candidates and begin a new

search or seek other candidates from the respondents of the original RFP. The Board may also withdraw the RFP without selecting an Investment Manager at any time.

### **Quiet Period**

A “quiet period” will commence upon issuance of this RFP and end when an agreement is reached with the Investment Manager. The objectives of the quiet period policy are to ensure that:

- Prospective Investment Managers have equal access to information regarding the search parameters;
- Communications related to the selection are consistent and accurate;
- The process of selecting the investment manger is efficient, diligent, and fair.
- Initiation, continuation and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations
- An Investment Manager candidate may be disqualified from a search process for a willful material violation of this policy.

### **Policy Guidelines**

The following guidelines and the Fund’s Code of Ethics shall apply to the Board, to the Consultant, to the Fund’s Staff, and to the candidates during a search for an Investment Manager:

- Except as provided in the Procurement Policy, all Board members and Staff shall refrain from communicating with candidates regarding any product or service related to the search offered by the candidate throughout the quiet period;
- Shall refrain from accepting meals, travel, lodging, entertainment or any other good or service of value from the candidates;
- Throughout the quiet period, if any Board member or Staff member is contacted by a candidate, the Board member or Staff member shall refer the candidate to

CTPF's Director of Investments, Carmen Heredia-Lopez or Executive Director, Kevin Huber;

- All authority related to the search process shall be exercised solely by the Board as a whole and not by individual Board Members;
- All information related to the search process shall be communicated by CTPF Consultant and Staff to the relevant Committee or Board as a whole, and not to individual Board Members; and
- The quiet period does not prevent the Board, CTPF Consultant or CTPF Staff from approved due diligence, client conference attendance or communications with an existing Investment Manager that happens to be a candidate in the ordinary course of services provided by such Investment Manager; however, discussions related to the pending selection shall be avoided during those activities.
- The provisions of this policy will apply to Investment Manager candidates throughout the quiet period and shall be communicated to candidates in conjunction with any Request for Proposal or Request for Information.
- A candidate may be disqualified from a search process for a willful material violation of this policy.

**Firm Name**

---

**Firm Primary Location**

---

---

**Primary Contact Name**

---

**Contact Number/Email Address**

---

**Product Name**

---

**Strategy Description**

---

---

**Date of first close/final close**

---

**Total commitments to strategy as of 12/31/2010**

\$ 

---

**Total value of fully realized investments in strategy as of 12/31/2010**

\$ 

---

**Is your firm a certified MWDBE firm? (If you mark yes please provide certification)**

Yes

No

## **Request for Information**

### **Firm Information:**

Please provide an overview of your firm including the following:

- a. EEOC Chart (please use template available on CTPF website)
- b. Ownership Structure, per certifications below
- c. All related and affiliated firms, per certifications below
- d. Organizational chart, with brief biographies of all key personnel
- e. Number of institutional clients
- f. Number of public plan clients

### **Fees and Disclosure Information:**

Please provide a detailed description of:

- a. The method for charging and measuring any fees;
- b. The direct and indirect fees including commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the candidate Investment Manager in connection with the provision of Investment services to the Fund;
- c. The names and addresses of any subcontractors, including third party marketers or individuals that an Investment Manager uses to market its products and the expected amount of money each will receive under the contract;
- d. The names and addresses of any entity that is a parent of, or owns a controlling interest in, the candidate; any entity that is a subsidiary of, or in which a controlling interest is owned by, the candidate; any persons who have an ownership or distributive income share in the candidate that is in excess of 7.5%; or serves as an executive officer of the candidate;
- e. Any payments made by the Investment Manager or a Principal Shareholder in excess of \$1,000 per calendar year within the prior five (5) calendar years and/or formal involvement with any Illinois-based community or not-for-profit organization relating to public education. For purposes hereof, "Principal Shareholder" shall mean any Person who owns 7.5% or more of the outstanding shares of the Investment Manager;
- f. Any involvement by the Investment Manager or a Principal Shareholder as a member or director of a charter school. For purposes hereof, "Principal Shareholder" shall mean any Person who owns 7.5% or more of the outstanding shares of the Investment Manager.

Please note that contingent and placement fees are prohibited.

All documents submitted as part of this RFP, including the responses by prospective Investment Managers, shall be considered public records and shall 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.

By submitting this proposal, I certify that the following statements and the information and representations submitted by the candidate are true

regarding \_\_\_\_\_  
(Investment Manager Name)

- All of the firms' personnel have all the authorizations, permits, licenses and certifications required by federal, state and local law
- The firm that I represent is duly registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940 or is otherwise qualified to manage assets on behalf of Chicago Teachers Pension Fund
- The firm carries errors and omissions insurance to cover negligent acts or omissions
- The firm has a company policy and practice of equal employment opportunity and non-discrimination
- All requested firm information has been submitted to Townsend's database (www.townsendgroup.com)
- The firm understands and will be able to comply with the Chicago Teachers Pension Fund quarterly and annual reporting requirements
- The firm understands and will comply with the Chicago Teachers Pension Fund Procurement Policy and Code of Ethics.
- The firm understands that Chicago Teachers Pension Fund accepts no obligation for costs incurred by the candidate in anticipation of being awarded a contract
- The firm understands that Chicago Teachers' Pension Fund is exempt from federal, state and local taxes and will not be responsible for any taxes levied on the Investment Manager as a result of any contract resulting from this RFP

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title