

**PUBLIC SCHOOL TEACHERS' PENSION AND
RETIREMENT FUND OF CHICAGO**

**RESPONSIBLE CONTRACTOR POLICY
ADOPTED
June 11, 2015**

I. Purpose

The Responsible Contractor Policy (“Policy”) of the Public School Teachers’ Pension and Retirement Fund of Chicago (“Fund”) is designed to guide the Fund’s real estate investment managers/advisers and other investment fiduciaries and professionals, including general partners of and/or investment managers to real estate limited partnerships (collectively “investment manager/advisers” or “ investment fiduciaries”), in the process of selecting contractors to provide building operations services and construction services to the real estate properties owned directly or indirectly by the Fund or leased by the Fund, i.e. the Fund’s Chicago office.

II. Introduction

The Fund has a deep interest in the condition of the workers employed at real estate properties owned directly or indirectly by the Fund. Through this Policy, the Fund supports and encourages fair wages and fair benefits for workers employed by contractors and subcontractors, and an equal and fair business opportunity for minority businesses, on any property in which the Fund has a financial interest, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on the Fund’s real estate investments.

Utilization of “Responsible Contractors” adds value to investments by ensuring essential building operations and construction services are provided by trained, experienced, diverse, and motivated workers and contractors. Building operations and property values may be adversely affected by economic action or protected concerted activity being taken by workers. A diverse, adequately compensated, and well-trained workforce can be expected to deliver a higher quality product and service.

III. Definition of a Responsible Contractor

A Responsible Contractor is a contractor or subcontractor, including a firm or contractor of diversity, who (1) has the appropriate experience, reputation, employee labor relations, responsiveness, fees, and dependability to perform the required work, and (2) provides workers a living wage and fair benefits as evidenced by verifiable payroll and employee records. “Fair benefits” are defined as including, but are not limited to, employer-paid family health care coverage, pension benefits, and access to apprenticeship programs. What constitutes a “fair wage” and “fair benefit” depends on the wages and benefits paid on comparable real estate projects, based upon local market factors that include the nature of the project (e.g. residential or commercial; public or private), comparable job or trade classifications, and the scope and complexity of services provided.

IV. Initial Requirements of the Responsible Contractor Policy

A. Duty of Loyalty: Notwithstanding any other considerations, Fund assets shall be managed by investment fiduciaries for the exclusive benefit of the Fund's participants and their beneficiaries. The fiduciary duties owed to participants and their beneficiaries shall be primary to any duty or obligation established by this Policy.

B. Prudence: The Fund, Fund staff, and investment managers/advisers are charged with the fiduciary duty to exercise the care, skill, prudence, and diligence appropriate to the circumstance.

C. Competitive Return: To comply with the duties of loyalty and prudence, all investments and services must be made and managed in a manner that produces a competitive risk-adjusted return.

D. Competitive Bidding: Contractors and their subcontractors for construction and building operations services shall be selected through a competitive bidding and selection process. The purpose of this provision is to encourage fair competition among all qualified sources within an area. Investment fiduciaries and property managers shall create a bidding process that includes notification and invitations to bid, distributed to a broad spectrum of potential bidders, particularly those identified as Responsible Contractors which are MWDBE firms¹. Investment fiduciaries and property managers should seek input from trade and service unions to develop lists of Responsible Contractors to facilitate their inclusion into the bidding process. Merely soliciting a large number of bids will not by itself ensure inclusion of Responsible Contractors.

The review of the bids shall include consideration of loyalty, prudence, and competitive risk-adjusted returns. Factors to be considered include experience, reputation for honesty, compliance with all applicable laws, integrity, timeliness, dependability, fees, diversity of the workforce, safety record, and historical adherence to the Responsible Contractor Policy.

E. Local, State, and National Laws: All investment managers/advisers, property managers, contractors, and their subcontractors shall observe all Illinois or other applicable state laws, Chicago or other applicable municipal ordinances, and national laws (including, by way of illustration, those pertaining to insurance, withholding taxes, minimum wage, labor relations, utilization of minority firms as subcontractors/vendors, economic development, and health and occupational safety).

F. Non-discrimination: The investment fiduciaries shall give equal consideration to MWDBE firms, and ventures involving those firms, that meet the selection criteria for contractors and service providers.

¹ An MWDBE firm is one that is a Minority or Female Owned Business, or a Business Owned by a Person with a Disability, as those terms are further defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act, 30 ILCS 575/0.01, *et seq.*

V. Selection Preference for Responsible Contractors

If the initial requirements set forth above are satisfied, the Fund expresses a strong preference that Responsible Contractors be hired.

VI. Administration, Monitoring, and Enforcement

A. Applicable Contracts - This Policy applies to all contractors and subcontractors who provide building operations and construction services to real estate properties that are wholly owned by or leased by the Fund. In those instances where the Fund does not have 100% ownership and/or full control of a real estate investment, the Board of Trustees, Fund staff, and the Investment Consultant shall make every reasonable effort to encourage all investment fiduciaries to comply with the Policy.

B. Minimum Contract Size – This Policy shall apply to all contracts valued at \$25,000 or more. Contract value refers to the total project work to be contracted for without desegregation by trade or task. For example, a \$25,000 contract to paint two buildings in a single office complex would qualify and it would not be treated as two \$12,500 contracts for purposes of this Policy.

C. Notification – All current real estate investment fiduciaries shall be provided with a copy of this Policy.

D. Contract Solicitation – All requests for proposals and invitations to bid on investment services or contracts covered by this Policy shall include this Policy. Responses by bidders shall include information to assist the Trustees, staff, and the Investment Consultant in evaluating the bid.

E. Contracts and Renewals – All investment manager agreements and all contracts for construction services entered into after the effective date of this Policy and pertaining to applicable real estate investments, including renewals of earlier agreements and participation in follow-on real estate commingled investment funds and/or limited partnerships, shall include this Policy.

F. Reporting – All investment fiduciaries and contractors shall collect and retain adequate data documenting their compliance with this Policy and shall be prepared to produce to the Fund such data for review upon request.

G. Neutrality – The Fund recognizes the rights of employees to representation and strongly encourages a position of neutrality in the event there is a legitimate attempt by a labor organization to organize workers employed in construction, maintenance, and operations at a property in which the Fund has a direct or indirect investment or leasehold interest.

H. Responsibilities – The responsibilities of Fund staff, investment fiduciaries, the Fund’s Investment Consultant, property managers, and the role of local unions under this Policy, are as follows:

1. Fund staff shall:
 - Review investment fiduciaries’ annual report and performance reports regarding compliance with this Policy.
 - Develop and maintain manager/adviser contact information and provide copies to inquiring parties.
 - Report periodically to the Fund’s Investment Committee on compliance with this Policy, making recommendations for enforcement action as necessary.

2. Investment managers/advisers/fiduciaries shall:
 - Communicate this Policy to all property managers.
 - Maintain a simplified bid summary for each applicable contract. The summary should include identification of the successful bidder and that bidder’s status with respect to being a Responsible Contractor.
 - Provide an annual report to Fund staff describing its compliance with this Policy as well as any actions taken by property managers and their subcontractors to comply with this Policy.
 - Monitor and enforce compliance with this Policy, including reasonable efforts to investigate potential violations.

3. Property managers shall be requested to:
 - Communicate this Policy to contractors seeking to secure construction or building operations service contracts.
 - Ensure there is a competitive bidding process that is inclusive of potentially eligible Responsible Contractors.
 - Require bidders to supply such information as is necessary to certify them as a Responsible Contractor.
 - Prepare and send to investment fiduciaries a contract listing for applicable service contracts for each property under management. The building and service trades and other potential bidders will have access to this list.
 - Provide managers/advisers with a simplified bid summary for each contract.
 - Maintain documentation for successful bidders.
 - Seek trade and service union input on the development of Responsible Contractor lists.
 - Maintain a list of any interested Responsible Contractors that shall include their names, addresses, and telephone numbers.

4. Contractors shall:
 - Submit to the property manager all information sufficient to allow certification as a Responsible Contractor.
 - Communicate this Policy to any and all subcontractors.

5. Trade and service unions shall:
 - Deliver to the property manager or investment manager/adviser lists of names and contact information of Responsible Contractors.
 - Refer any interested and qualified Responsible Contractors to the property manager.
 - Monitor those on the list of Responsible Contractors to ensure continued accuracy.
 - Provide other input as appropriate.

I. Enforcement – Any investment fiduciary or property manager who fails to comply with this Policy will be placed on a watch list. The Fund shall take into account the failure of any investment fiduciary or property manager to comply with this Policy when reviewing the investment fiduciary’s performance or participating in future separate accounts, commingled funds, or limited partnerships sponsored by the investment fiduciary.