



Chicago Teachers' Pension Fund

**Request for Proposal**  
**Fixed Income Core Passive (Index)**  
**Manager**

**June 23, 2017**

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

## **I. Summary Statement**

The Request for Proposal (RFP) has been issued by the Board of Trustees of the Public School Teachers' Pension and Retirement Fund of Chicago ("CTPF" or "Chicago Teachers' Pension Fund"). CTPF currently has a 9% target allocation to Fixed Income Core Passive Investments. The Board solicits proposals from all qualified professional firms interested in providing **Fixed Income Core Passive (Index) Services with a Bloomberg Barclay's Capital Aggregate benchmark**. 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 Investment Consultant, Callan Associates, Inc. will be receiving and analyzing all responses along with CTPF investment staff from this investment manager search. **All candidate firms must submit their fund information to the Callan database (including any previous fund performance data, where applicable); there is no charge for this process. CTPF's investment policy, procurement policy and Code of Ethics, all of which are posted on CTPF's website (www.ctpf.org), are adopted and incorporated by reference. The investment policy, procurement policy and the Code of Ethics are subject to change.**

### **Scope of Services**

The Investment Manager(s) selected will perform the following services:

1. The Investment Manager will provide CTPF with a Domestic Fixed Income Core Passive (Index) with a mandate size of \$400-\$500 million measured against the Bloomberg Barclays Capital Aggregate Bond Index.
2. The Investment Manager will provide products that must match the investment characteristics of the U.S. fixed income market index that it is designed to track, such as the Barclays Aggregate Index, using a full replication or an optimized or a stratified sampling technique.

3. The Investment Manager selected for the pool or who allocates assets must manage each such portfolio using a full replication or an optimized or stratified sampling strategy.
4. The Investment Manager will have independent discretionary authority with respect to the investment of that portion of assets managed by the Investment Manager.
5. The Investment Manager shall provide quarterly and annual performance (gross and net of fees) and portfolio valuation reports to CTPF and Callan.
6. The Investment Manager shall adhere to the due diligence responsibilities as detailed in the Investment Management Agreement and Investment Guidelines.
7. The Investment Manager will document all 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 Bank of New York Mellon.

### **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 must be: a) registered with the Securities and Exchange Commission (SEC) under the federal Investment Advisers Act of 1940 or b) a bank, as defined by the Investment Advisers Act of 1940 (40 ILCS 5/1-113.14(b)).

2. The Investment Manager or team must have a fully documented five year track record of managing a passive (index) fixed income portfolio on behalf of institutional investors. It is preferred that the track record is GIPS compliant.
3. The Investment Manager must be well capitalized and stable.
4. The Investment Manager must have sufficient assets under management to support the professional staff required to successfully manage the strategy. A minimum of \$3 billion in firm assets under management is preferred, however, smaller firms may be considered.
5. The Investment Manager and its personnel must have all authorizations, permits, licenses and certifications required by federal, state and/or local law.
6. The Investment Manager shall carry errors and omissions insurance or comparable instruments as determined by CTPF to cover negligent acts or omissions.
7. 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.
8. The Investment Manager must have a company policy and practice of equal employment opportunity and non-discrimination.
9. All candidate firms must complete the Callan due diligence questionnaire and submit their previous fund performance information to the Callan database in addition to submitting a response to this RFP. This must be done prior to or in conjunction with submitting responses to this RFP.
10. 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) Acknowledgement in writing by the Investment Manager that it 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**

This RFP is available in the Current RFPs link of the General Information tab on the CTPF website at [www.ctpf.org](http://www.ctpf.org) and on the Callan website at [www.callan.com](http://www.callan.com) under the RFP section which is located by clicking on the RFP icon on the left sidebar of the Callan home page.

Proposal must be received electronically by Callan Associates and CTPF Staff at the following addresses no later than the close of business (4:30 pm CST) on:

**Monday, July 28, 2017**

Attention: Brianne Weymouth, [weymouth@callan.com](mailto:weymouth@callan.com)

John Freihammer, [freihammerj@ctpf.org](mailto:freihammerj@ctpf.org)

Angela Miller-May, [millermaya@ctpf.org](mailto:millermaya@ctpf.org)

[rfp.invest@ctpf.org](mailto:rfp.invest@ctpf.org)

In addition, three hardcopies of the proposal must be received by CTPF at the following address no later than close of business on **Friday, July 28, 2017.**

***Chicago Teachers' Pension Fund  
203 North LaSalle Street  
Suite 2600  
Chicago, Illinois 60601  
Attn: Angela Miller-May, Director of Investments***

It is the responsibility of the Investment Manager to ensure that its Proposal is delivered in a timely manner and received via email and in the proper office on or before the deadline for responding to this RFP. All proposals must be complete in every respect and must answer concisely and clearly all questions asked in this RFP. Incomplete proposals will be disqualified. Late proposals will not be accepted. All Proposals received will be subject to public disclosures (see below for additional information on disclosure). Proposals may not be modified or withdrawn after the deadline for Proposals has passed. 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 supplement 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.

**All questions regarding this RFP should be submitted via email only to the following addresses no later than the close of business (4:30 pm CST) on:**

**Friday, June 30, 2017**

Brianne Weymouth: [weymouth@callan.com](mailto:weymouth@callan.com)

Angela Miller-May: [MillerMayA@ctpf.org](mailto:MillerMayA@ctpf.org)

CC: John Freihammer: [freihammerj@ctpf.org](mailto:freihammerj@ctpf.org)

CC: [rfp.invest@ctpf.org](mailto:rfp.invest@ctpf.org)

(In all cases, written communications will override verbal communications)

### **Evaluation and Selection**

All Proposals received by the requested deadline will be reviewed and evaluated. Staff and Consultant shall objectively review the proposals to identify qualified candidates based on the criteria presented in the RFP as supplemented by material provided by the Consultant. Staff and Consultant and members of the Board may interview all, some or none of the RFP respondents, undertake site visits to respondent offices, and conduct such other due diligence as is prudent under the circumstances. Staff and Consultant will prepare a report and present the report to the Board of Trustees during a public meeting of the Board of Trustees.

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 Board shall then act on the recommendation of the Investment Committee.



During the selection process all respondents to the RFP will be evaluated and ranked on four primary factors:

**People** - stability of the organization, ownership structure, documented experience in the management of institutional portfolios, reputation of key professionals, manager tenure, depth of portfolio team and research team and length of team cohesiveness, record of integrity and business ethics.

**Process** - clearly defined, reasonable, and repeatable investment strategy, consistency of application, risk controls and uniqueness of the process.

**Performance** - documented ability to meet investment long-term performance relative benchmarks, risk compared to benchmarks, consistency of performance relative to peers.

**Pricing** - fee schedule and associated costs

Staff is required to identify all minority and female-owned firms and firms owned by persons with a disability in the report presented to the Board of Trustees. Staff must specify the reasons when these firms are not brought forward as finalists.

The Board will select the manager(s) they determine, in their sole discretions, to be fully qualified and best suited among those submitting proposals on the basis of the evaluations. 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.

## **Timeline**

- A. Requests for Proposal will be publicized by CTPF on [www.ctpf.org](http://www.ctpf.org) (under General Information tab, Current RFP link) and on the Callan website [www.callan.com](http://www.callan.com) under the RFP Section on **June 23, 2017**.
- B. Inquiries for interpretation must be received by **June 30, 2017**.
- C. Responses to inquiries will be posted to [www.ctpf.org](http://www.ctpf.org) (under General Information tab, Current RFP link) website by **July 7, 2017**.
- D. Proposals must be received by close of business day (4:30 pm CST) on **July 28, 2017**.

While there is no fixed date for the selection of a fixed income passive (index) management firm(s), it is anticipated that the finalist presentations will occur on **October 19, 2017**. Following selection, it is expected that contract negotiations will be completed by **December 31, 2017**.

## **Disclosure of Proposal Content**

The laws of Illinois require that at the conclusion of the selection process, the contents of all proposals be placed in the public domain and be open to inspection by interested parties. Trade secrets or proprietary information must be clearly identified as such in the proposal and will not be released to the extent permitted by law.

## **Disposition of Proposals**

All proposals become the property of CTPF and will not be returned to the respondent. CTPF reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between CTPF and the firm selected.

### **Signature of Respondent Agent**

The tendered proposal, and any clarifications to the proposal, shall be signed by an officer of the responding firm or a designated agent empowered to bind the firm in a contract. All proposals submitted electronically must be submitted by an officer of the responding firm.

### **Quiet Period**

The following guidelines shall apply during the RFP process. A “quiet period” will commence as of **June 23, 2017**, and end when a contract is executed 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 manager is efficient, diligent, and fair.
- The initiation, continuation and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations.

### **Policy Guidelines**

The following guidelines and CTPF’s Code of Ethics shall apply to the Board, to the Consultant, to CTPF’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;
- Board members, CTPF’s staff, and the Consultant 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 Callan, CTPF's Director of Investments, Angela Miller-May, or CTPF's Executive Director, Chuck A. Burbridge;
- 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's 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 Board 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 are hereby communicated to candidates in conjunction with this Request for Proposal.

A candidate may be disqualified from a search process for a willful material violation of this policy.

**Information Profile**

**II. Overview of Organization**

**Firm Name**

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**Firm Primary Location**

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**Primary Contact Name**

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**Contact Number/Email Address**

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**Product Name**

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**Proposed Chicago-focused / Strategy Description**

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**Total Assets Under Management as of 03/31/2017**

\$ \_\_\_\_\_

**Total commitments to strategy as of 3/31/2017**

\$ \_\_\_\_\_

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

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. Vendor EEOC (please use template available on CTPF website)
- c. Ownership Structure, per certifications below
- d. All related and affiliated firms, per certifications below
- e. Organizational chart, with brief biographies of all key personnel
- f. Number of institutional clients
- g. 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, if applicable, and the expected amount of money each will receive under the contract. The term subcontractor, as used herein, 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, and services used to track compliance with legal standards;

- 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 direct or indirect payments made by the candidate, any executive officer of the candidate, any parent entity, the executive officers of any entity that is a parent of, or owns a controlling interest in, the candidate, and any Shareholder of candidate, 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; and any involvement by candidate, any executive officer of the candidate, or by any executive officer of any entity that is a parent of, or owns a controlling interest in, the candidate, and any Shareholder as a member or director of a charter school that contributes to the Fund. For purposes of this Section (e) and (f), "Shareholder" shall mean any person who has an ownership or distributive income share in the candidate;
- f. Any direct or indirect financial support made by the candidate, any parent entity, the executive officers of any entity that is a parent of, or owns a controlling interest in, the candidate, and any Shareholder of candidate, in excess of \$1,000 per calendar year within the prior five (5) calendar years and/or formal involvement with any community or not-for-profit organization with a central purpose of influencing public policy related to budgetary and fiscal policy which directly or indirectly relates to the continued availability and long-term viability of defined benefit pensions in the public sector, education policy, and retirement security policy. For

purposes hereof, an organizations has a “central purposes” of influencing policy if it is understood with the exercise of reasonable due diligence, including but not limited to the examination of the organization’s IRS filing and other publicly-available statements of purpose, that the organization intends to affect policy or engage in lobbying or other advocacy activity. A candidate is not required to disclose conditions to organizations that engage in such activities in furtherance of providing medical research, aid to the poor, disaster relief, or other such tangible goods and service. The Trustees have determined that the organizations listed in Exhibit A to the Fund’s Procurement Policy presently fall under this required disclosure policy;

- g. The candidate and any parent, controlling entity, subsidiary, or affiliate have disclosed any direct or indirect financial relationships, transactions, investments, investment related agreements, or investment related contracts with the Board of Education of the City of Chicago entered into within the five (5) year period prior to the execution of this Agreement. Any such direct or indirect financial relationships, transactions, investments, investment related agreements, or investment related contracts with the Board of Education of the City of Chicago entered into on or after the execution of this Agreement shall be identified in an amended candidate disclosure pursuant to (i) below within thirty (30) days of any new relationship, transaction, investment, agreement, or contract with the Board of Education of the City of Chicago;
- h. Pursuant to Section 1-113.21 of the Illinois Pension Code, the candidate shall annually disclose on or about each September 1<sup>st</sup>, the number of its investment and senior staff and the percentage of that staff that are a minority person, a female, a veteran, and a person with a disability. Further, the candidate shall disclose the number of contracts for investment, consulting, professional, and artistic services the candidate has



with a minority or female owned business, a veteran owned small business, or a business owned by a person with a disability. The candidate shall also disclose the number of contracts for investment, consulting, professional, and artistic services which the candidate has with a business other than a minority or female owned business, a veteran owned small business, or a business owned by a person with a disability, if more than 50% of the services performed pursuant to that contract are performed by a minority person, a female, a veteran, or a person with a disability. For the purposes of this subsection, the terms “minority person”, “female”, “person with a disability”, “minority owned business”, “female owned business”, and “business owned by a person with a disability” have the same meaning as those terms have in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. For the purposes of this subsection, the terms “veteran” and “veteran owned small business” shall have the same meanings as those terms have in 30 ILCS 500/45-57. For the purposes of this subsection, the terms “professional service” and “artistic service” have the same meanings as those terms have in 30 ILCS 500/1-15.60;

- i. All Fund required disclosures and representations made by the candidate during the procurement and selection process are affirmed and adopted and incorporated herein by reference (the “Disclosures”; attached as Exhibit B.) The candidate further agrees that it will promptly notify the Fund, in writing, if at any time the information contained in the candidate Disclosures changes in a material way.
- j. Please confirm that no contingent or placement fees will be utilized in conjunction with a potential investment by CTPF, as contingent and placement fees are prohibited.

## Due Diligence Questionnaire

Please complete the components of the Callan Due Diligence Questionnaire which is available on the Callan website.

The Questionnaire must be returned electronically to the Callan at the following address  
no later than the close of business (4:30 CST) on:

**Friday, July 28, 2017**

Attention: Brianne Weymouth, [Weymouth@callan.com](mailto:Weymouth@callan.com)

John Freihammer, [freihammerj@ctpf.org](mailto:freihammerj@ctpf.org)

Angela Miller-May, [millermaya@ctpf.org](mailto:millermaya@ctpf.org)

[rfp.invest@ctpf.org](mailto:rfp.invest@ctpf.org)

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)

The product that I am submitting for review is a fixed income core passive (index) product in which the management team has a five year track record of investing under the proposed strategy for this mandate

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

The firm hereby warrants and attests that no finder's fee was paid, or will be paid, to any outside entity or person *or* any persons employed or affiliated with CTPF

The firm will act as a fiduciary to the pension fund or retirement system

All requested information, including the Callan Due Diligence Questionnaire, has been completed and submitted to Callan and Chicago Teachers' Pension Fund's staff

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 Invest Manager as a result of any contract resulting from this RFP

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Signature

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Name

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Date

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Title