



*Laborers' and Retirement Board Employees'  
Annuity and Benefit Fund of Chicago*

## **REQUEST FOR PROPOSAL FOR INVESTMENT CONSULTANT**

### **INTRODUCTION**

The Retirement Board (“Board”) of the Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (“LABF” or “Fund”) hereby issues a request for proposals (“RFP”) from qualified investment consultants (“Investment Consultant Candidates”) to provide general investment consulting and performance measurement services (“Investment Services”) to the Board and the Fund for a period up to, but not exceeding, five years. This RFP sets forth qualifications and response requirements to ensure a fair and objective evaluation of responses.

All forms needed for submitting a response to this RFP are available on the LABF website at <http://www.labfchicago.org/investments/investment-opportunities/>. Respondents to this RFP are responsible for monitoring the LABF website for information and updates regarding the RFP while the RFP is outstanding. The Fund’s investment staff (“Staff”) shall oversee the RFP process. The Board will be responsible for the final selection of the firm hired.

### **RFP TIMELINE**

Request for Proposal Issued	February 15, 2022
Due Date to Submit Written Questions	4:00 p.m. CST on March 1, 2022
Q&A Document Posted	March 8, 2022
Due Date for Proposal	12:00 p.m. CST on March 15, 2022
Finalist Interviews	TBD Early April 2022

*Note: All dates are subject to change at the discretion of the Board. Changes to the timeline will be communicated via the LABF website.*

### **I. OVERVIEW**

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Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago  
Search for Investment Consultant

LABF is a defined benefit, public pension plan established by the Illinois General Assembly and governed by Articles 1, 1A, and 11 of the Illinois Pension Code, 40 ILCS 5/1-101 *et seq.* (“Pension Code”) which can be found at [www.ilga.gov](http://www.ilga.gov). The Fund provides retirement and disability benefits to City of Chicago employees in positions classified as labor service, and their spouses, and children. Currently, the Fund serves over 2,500 active members, over 3,600 retirees and surviving spouse annuitants. The Fund is administered by an eight-member Board of Trustees. More information about the LABF and the Board is available at <http://www.labfchicago.org/>.

As of December 31, 2021, the Fund had total assets under management of \$1.24 billion. LABF’s asset allocation, as of September 30, 2021, is available at <http://www.labfchicago.org/investments/portfolio-data/>. The portfolio is managed by outside investment managers and assets associated with separately managed accounts are held by LABF’s master custodian, The Northern Trust Company.

Pursuant to the public policy of the State of Illinois, the Board seeks to use its best efforts to increase the racial, ethnic and gender diversity of its fiduciaries to the greatest extent feasible within the bounds of financial and fiduciary prudence. Consistent with that goal, the Board will actively consider Investment Consultant Candidates that are minority-owned businesses, women-owned businesses and businesses owned by a person with a disability (“MWDBE”) that meet the required capabilities for this RFP. If an Investment Consultant Candidate is an MWDBE and meets the criteria in the RFP, then that Investment Consultant Candidate shall receive an invitation by the Board to present as a finalist. If there are multiple MWDBE Investment Consultant Candidates that meet the criteria set forth in the RFP, then the Board may choose the most qualified MWDBE Investment Consultant Candidate(s) to present.

## **II. SCOPE OF SERVICES**

This is a search for an Investment Consultant to provide Investment Services. The primary role of the Investment Consultant is to provide objective, independent advice and counsel, including performance and risk measurement services, that will enable the Board to make well-informed and well-educated decisions regarding the investment of the Fund’s assets, as well as to invest the Fund’s assets pursuant to the asset allocations determined by the Board and in accordance with the Fund’s Investment Policy Statement.

The Investment Consultant will be expected to provide a full range of Investment Services, both required and "Ad Hoc," including but not limited to those identified below. If an Investment Consultant Candidate cannot provide a particular service, please indicate the reason.

- A. Formulation and Review of Investment Goals, Policies and Objectives
- B. Asset/Liability and Asset Allocation Studies with specific recommendations.
- C. General Consulting Services – provide general consulting services as requested by the Board, including but not limited to investment manager and custodial search and selection, due diligence for public and private market managers, investment manager research and market research and education.
- D. Investment Manager Searches, Performance Measurement & Monitoring – assist the Board with searches for, and monitoring and evaluating the performance of, investment manager(s).

- E. Manager Diversification – help develop an investment manager structure that provides adequate diversification with respect to the number and types of investment managers.
- F. Attendance at Board Meetings, Investment Meetings and Trustee Education Events – the Board holds twelve (12) monthly Board meetings and approximately two (2) special investment meetings per year. Additionally, Trustee Education Events may be held at various times throughout the year. The Investment Consultant must attend all meetings, events, investment manager presentations and staff planning sessions.
- G. Reports – provide monthly, quarterly and annual reports to the Board which must include commentary on investment manager performance and overall market trends. All returns on investments shall be reported as net of all fees, commissions, and any other disclosed compensation.
- H. Other – review custodial operations, transition management procedures, securities lending structure and guidelines. Recommend best practices regarding these professional services, as appropriate. Work with the Fund’s third-party providers and other investment related professionals.

### III. ALL PROPOSALS MUST CONTAIN THE FOLLOWING DOCUMENTS:

- A. **Transmittal Letter** - A transmittal letter must be submitted on the Investment Consultant Candidate’s official business letterhead. The letter must identify all documents provided in response to the RFP and must be signed by an individual authorized to contractually bind the Investment Consultant Candidate. The letter must also include:
  - 1. A statement that the proposal is being made without fraud or collusion; that the Investment Consultant Candidate has not offered/received any finder’s fees, inducements or any other form of remuneration, monetary or non-monetary, to/from any individual or entity relating to the RFP, the Investment Consultant Candidate’s proposal or the Board’s selection.
  - 2. Response to Section IV – Information Required from All Candidates.
- B. **Statement of Certification** - The Investment Consultant Candidate must certify and provide documented proof via a completed Statement of Minimum Qualification Certification (Exhibit A) that, in addition to adhering to the Fund’s policies, the following minimum qualifications listed below are met:
  - 1. Investment Consultant Candidate is an investment adviser registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisers Act of 1940.
  - 2. Investment Consultant Candidate agrees to act as a fiduciary to the Fund in its investment advisory capacity in accordance with the Pension Code.
  - 3. Investment Consultant Candidate must be knowledgeable of and be willing to comply with Articles 1, 1A, and 11 of the Illinois Pension Code.
  - 4. Investment Consultant Candidate must agree to comply at all times with the Fund’s Ethics Policy and the Fund’s Investment Policy Statement, which are subject to change and can be found on the Fund’s website (<http://www.labfchicago.org/investments/policies/>).
  - 5. Investment Consultant Candidate must agree to execute and comply with the Fund’s standard Investment Consulting Services Agreement (Exhibit B) or must specify any objections to the standard Investment Consulting Services Agreement (amendments to

the standard Agreement are strongly disfavored).

6. Investment Consultant Candidate must have proven experience in providing investment consulting services to large public and Taft-Hartley defined benefit pension plans.
7. Investment Consultant Candidate has dedicated resources to assist the Board's efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its external investment managers.

C. **Required Disclosures** – The Investment Consultant Candidate must provide completed responses to Required Disclosures (Exhibit C).

#### **IV. INFORMATION REQUIRED FROM ALL CANDIDATES**

##### **A. Professional Qualifications**

1. Provide your firm's contact information.
2. Provide a history of the firm, including when the firm was established and when investment consulting services were first provided.
3. Provide: (a) the number of full time employees in your firm, including a breakdown by classification (e.g., consultant, managerial, clerical, etc.) both nationally and in Chicago; (b) The number of senior professionals who have left or joined your firm in the last three (3) years; and (c) the firm's succession plan for key employees.
4. Describe the firm's approach to account servicing, including:
  - a. The maximum number of account relationships assigned to a consultant;
  - b. The identity of the primary consultant on the account and whether a specific person is designated to handle matters when the primary consultant is not available;
  - c. An organizational chart indicating the number of employees, including the average employee tenure, education, EEO data, etc., in each reporting unit for the firm's consulting area; and
  - d. Brief biographical information for the primary consultant and any other individuals expected to be assigned to the Fund's account, including number of years in the most recent position and the number of account relationships currently assigned to the primary consultant.
5. Describe the firm's experience advising large defined benefit plans with respect to the Asset Allocation Categories, investment manager selection and oversight, and related Investment Services experience, as those terms are defined in the Fund's Procurement Policy.
6. Disclose formal or informal business relationships with investment managers or other service providers.
7. Please indicate whether, within the last ten (10) years, your firm has been involved in any actual or threatened litigation or regulatory proceeding arising out of the firm's performance as an investment consultant, including, but not limited to, any actual or

threatened litigation against your firm by any current or former employees. For each matter, please summarize the claims, provide a copy of the relevant complaint, and describe the ultimate disposition of the matter.

8. In the event that there are any changes to your responses under this Section prior to the Board awarding the contract, please supplement your responses as soon as possible and please explain fully the reason for such supplemental response.

#### B. Investment Consulting Client Information

1. The firm's total number of clients and total assets under advisement;
2. A breakdown of the firm's fiscal year 2021 gross revenue, including the percentage derived from investment consulting services;
3. Any other businesses in which the firm is involved;
4. References from at least three (3) public fund investment consulting clients;
5. The history of the firm's relationship with its ten (10) largest investment consulting clients; and
6. The number and size of client relationships gained and lost in each of the last five (5) calendar years and year-to-date.

#### C. Investment Policy/Asset Allocation Guidelines

1. Provide an outline of the principal steps you follow when developing an asset allocation structure and investment policy. Does your investment policy and asset allocation analysis fully integrate liabilities with assets?
2. Provide an outline of the issues and items that would be covered in a typical investment policy statement.
3. Please include a table of expected risk and return assumptions that you currently use in portfolio asset allocation modeling. Please discuss factors that influence assumptions. What is unique about your firm's approach?
4. How often should a formal asset allocation review be conducted? What is your view on tactical asset allocation?
5. What is your preferred level of client involvement in formulating policy, goals, asset allocation and investment manager decisions? How are client initiatives received and perceived? Provide examples, if any, of client initiatives implemented.
6. What factors do you analyze to when creating an asset allocation recommendation for clients? What are your views on active versus passive investment for public pension plans?

#### D. Investment Manager Selection

1. Describe in detail the process and criteria you follow in the selection and recommendation of investment managers for specific asset allocation categories. Do

you have a pre-approved list of managers? If so, discuss how the use of a preferred list factors in during a review of RFP respondents.

2. A description of the database(s) used to track and evaluate investment managers and emerging investment managers, including: the number of investment managers and emerging investment managers in the database; whether a fee must be paid to be included in the database, and if so, how much; whether the database is proprietary; whether the requirements for access are uniformly applied; and the ability of investment managers to access the database.
3. How much emphasis is given to fee structure when recommending investment managers for hire?
4. Detail whether you monitor your success in selecting investment managers and describe how you measure the level of success of existing investment managers.
5. Describe your process for the search and selection of investment managers and emerging and MWDBE investment managers, including:
  - a. A description of the database(s) used to track and evaluate Investment Advisers, Emerging Investment Advisers, and MWDBE investment managers and emerging and MWDBE investment managers including: the number of investment managers and emerging and MWDBE investment managers in the database; whether a fee must be paid to be included in the database, and, if so, how much; whether the database is proprietary; whether the requirements for access are uniformly applied; and the ability of investment managers and emerging and MWDBE investment managers to access the database;
  - b. A specific description of the firm's policy for increasing access by and outreach to emerging and MWDBE investment managers; and
  - c. The process used to select investment managers for specific Asset Allocation Categories.
6. Detail the role your firm would like to take in manager presentations to the Board.

#### E. Performance Evaluation

1. Describe your investment manager performance evaluation system and the philosophy behind it, including whether such system is purchased or proprietary.
2. Describe the indices, universes, and composites used to evaluate investment managers' performance within a specific Asset Allocation Category, as well as a fund's overall investment performance;
3. A description of the peer group and performance benchmarks used; and
4. Briefly describe the manager rating system. Describe what factors result in a ratings upgrade/downgrade.
5. Briefly describe the process of obtaining portfolio and performance data from the Fund's custodian and investment managers. Describe current quality control procedures for data. How is the accuracy of data received from the custodian and investment managers verified? How often does this verification take place?

6. Briefly describe the performance reporting procedures used for illiquid and alternative investments. Briefly describe any supplemental analysis provided for these asset classes, if any.
7. List what measurements are used when evaluating risk. At what level are these risk measurements used: total portfolio, asset class, asset style, investment manager? Which measurements are most important in the analysis of risk? Explain your position on investment manager tracking error.
8. A description of the process for determining when to recommend termination of an investment manager.

#### F. Investments

1. Describe your investment philosophy, including your frequency of reporting investment performance to clients (e.g. monthly, quarterly) and portfolio evaluation.
2. Describe your recommended asset allocation and estimated annual rate of return for one, three, five and ten years.
3. Attach an organization chart of your research staff. Discuss departures and hiring of key personnel in last three (3) years. Discuss any anticipated growth/changes to research group. How many managers does the average analyst follow? Distinguish between invested managers—i.e. with client money vs. prospective managers.

#### G. Environmental, Social, and Governance (ESG)

Describe your approach to considering corporate governance and leadership factors, environmental factors, social capital factors, human capital factors, and business model and innovation factors in providing investment consulting services and investment manager evaluation, selection, and monitoring.

Provide a copy of your ESG policy.

#### H. Insurance

Provide current certificates of insurance for your Errors & Omissions Insurance and Cyber Liability Insurance policies, and the AM Best ratings for the respective carriers.

#### I. IT and Cyber Security

1. Describe your firm's disaster recovery and business continuity plans.
2. Provide the most recent date and the numbers of times you have practiced and tested your disaster recovery procedures in the past five (5) years, and the results of those exercises.
3. Describe your back-up capabilities and/or offsite location, in the event your primary office location was inaccessible.
4. Describe the firm's security environment. Specifically cover the physical, digital security, and policy measure safeguards that you have put in place to control access to portfolio reporting systems and client account information.

5. Do your firm's information technology systems meet or exceed industry best practices related to cyber-security, including but not limited to the U.S. Department of Labor's Cybersecurity Program Best Practices and the requirements of the State of Illinois Cybersecurity Strategy and the NIST Cybersecurity Framework? If no, please explain why.
6. Describe your firm's approach to securing email and web communications.
7. How does your firm defend against cyber-attacks?
8. How does your firm secure mobile devices such as phones, tablets, and laptops?
9. Have you had your security assessed by a third party? If so, when was this last completed and by which provider?
10. Has your firm ever had a data security breach? If so, describe the incident as well as the corrective actions.
11. Have you had a cybersecurity audit? If so, provide a copy of your most recent AICPA Service Organization Control 1 and/or 2 reports.

J. Fees

1. The stated fee schedule must include all charges associated with your service and must reflect your costs in their entirety, including but not limited to the cost of attending monthly Board meetings.
2. You will be expected to agree to a most favored nation (MFN) clause with respect to fees.

K. Policies

Please provide copies of your firm's ethics or conflict of interest policy and proxy voting policy, if applicable.

## V. DISCLOSURE AND USE OF SUBMITTED PROPOSALS

Neither this RFP nor any response to this RFP should be construed as a legal offer. LABF reserves the right to reject any or all responses. All material submitted in response to the RFP will become the property of the Fund. LABF is not responsible for any costs incurred by the Investment Consultant Candidates in responding to this RFP.

Investment Consultant Candidates are advised that proposal materials are subject to the Illinois Freedom of Information Act, 5 ILCS 140, *et seq.* ("FOIA"), which can be found [here](#). After completion of the RFP, selection by the Fund and successful negotiation of a contract, if any, proposals submitted may be viewed and copied by any member of the public, including news agencies and competitors. Investment Consultant Candidates claiming a statutory exemption under FOIA for information within the Investment Consultant Candidates' proposals must identify relevant language as confidential and identify in the email transmission of the proposal whether confidential information is included. Further, each page of confidential documentation must be labeled as such. The Investment Consultant Candidate must also specify which statutory exemption applies for each piece of confidential information. The Fund reserves the right to make determinations of confidentiality. If the Fund disagrees with an Investment Consultant Candidate's



confidential designation, it may either reject the proposal or discuss its interpretation of the exemption(s) with the Investment Consultant Candidate. If agreement can be reached, the proposal will be considered. If agreement cannot be reached, then the Fund will not consider the proposal.

## **VI. QUIET PERIOD**

A quiet period will be in effect during from February 15, 2022, until the contract with the selected Investment Consultant Candidate is executed or the search is cancelled. The purpose of the quiet period is to ensure that: all Investment Consultant Candidates have equal access to all information regarding the search, communications with Investment Consultant Candidates are consistent and accurate; and the process of selecting an Investment Consultant Candidate is efficient, diligent, and fair.

During the quiet period, an Investment Consultant Candidate, its agents, officers, and employees may not contact any member of the Board or Staff directly or indirectly pertaining to the RFP. Similarly, all members of the Board and Staff shall not knowingly communicate with any party financially interested in any prospective contract or agreement with the LABF regarding the contract or agreement, the services to be provided, or the selection. Board members and Staff shall not accept meals, travel, lodging, entertainment, or any other good or service of value from any Investment Consultant Candidate.

During the quiet period, it shall be the sole responsibility of the Investment Consultant Candidates to visit the Fund's website periodically for information regarding this RFP. Investment Consultant Candidates will be disqualified for violating the terms of the quiet period. Investment Consultant Candidates may send written questions concerning the RFP via e-mail to [RFP@labfchicago.org](mailto:RFP@labfchicago.org) by 4:00 p.m. CST on March 1, 2022. Verbal inquiries will not be accepted. Responses to properly submitted questions will be consolidated in a single Q & A document and posted on the Fund's website by 4:00 p.m. CST on March 8, 2022. The source of the questions will not be disclosed.

## **VII. QUESTIONS AND PROPOSAL SUBMISSION**

Investment Consultant Candidates may send written questions concerning the RFP via e-mail to [RFP@labfchicago.org](mailto:RFP@labfchicago.org) by 4:00 p.m. CST on March 1, 2022. Verbal inquiries will not be accepted. Responses to properly submitted questions will be consolidated in a single Q & A document and posted on the Fund's website by 4:00 p.m. CST on March 8, 2022. The source of the questions will not be disclosed.

Investment Consultant Candidates must submit electronic copies of their responses by 4:00 p.m. CST on **March 15, 2022**, by emailing them to [RFP@labfchicago.org](mailto:RFP@labfchicago.org). The Fund will not consider any proposal that is received after the deadline.

If Staff has questions regarding how to interpret an Investment Consultant Candidate's proposal, Staff is authorized to request additional information or clarification from that Investment Consultant Candidate.

## **VIII. Award Criteria**

One or more finalists may be invited to make a presentation to the Board. The Board may, at its own discretion, require one or more finalists to supply additional information, make subsequent presentations, and/or attend subsequent interviews prior to awarding a contract.

The Board will award the contract to the Investment Consultant Candidate whose proposal it considers to be the best of those submitted, and with whom the Fund is able to negotiate a fair agreement and reasonable fee structure.

Staff shall present to the Board a summary of all responsive Investment Consultant Candidates and an analysis on the most qualified Investment Consultant Candidates regarding key aspects identified below:

1. Completeness and Quality of Proposal
2. Organization
3. Key Personnel
4. Process
5. Fees

If the Fund is unable to negotiate an agreement with the selected Investment Consultant Candidate, the Fund reserves the right to select and negotiate with the next most qualified Investment Consultant Candidate.