

**PROCUREMENT POLICY FOR**  
**INVESTMENT ADVISERS AND CONSULTANTS**

**LABORERS' AND RETIREMENT BOARD EMPLOYEES'  
ANNUITY AND BENEFIT FUND OF CHICAGO**

**PROCUREMENT POLICY FOR INVESTMENT ADVISERS AND CONSULTANTS**

**A. Introduction**

The Board of Trustees ("Board") of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("Fund") establish the following Procurement Policy ("Policy") so that all decisions to procure Investment Services from an Investment Adviser or Investment Consultant will be made with respect for the principles of competitive selection, full disclosure, objective evaluation, and proper documentation.

**B. Definitions**

1. "Business Owned By A Person With A Disability" means a business that is at least 51% owned by one or more persons with a disability and the management and daily business operations of which are controlled by one or more of the persons with disabilities who own it. "Person With A Disability" means a person who is a citizen or lawful resident of the United States and is a person qualifying as being disabled. "Disabled" means a severe physical or mental disability.
2. "Emerging Investment Adviser" means a qualified Investment Adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a Minority Owned Business, Female Owned Business, or Business Owned By A Person With A Disability.
3. "Female Owned Business" means a business which is at least 51% owned by one or more females, or, in the case of a corporation, at least 51% of the stock in which is owned by one or more females; and the management and daily business operations of which are controlled by one or more of the females who own it. "Female" shall mean a person who is a citizen or lawful permanent resident of the United States and who is of the female gender.

4. “Investment Adviser” means a person is an “investment adviser,” “investment advisor,” or “investment manager” with respect to a pension fund or retirement system established under the Illinois Pension Code if the person:
  - a. is a fiduciary appointed by the Board;
  - b. has the power to manage, acquire, or dispose of any of the Fund’s assets;
  - c. has acknowledged in writing that he or she is a fiduciary with respect to the Fund; and
  - d. is at least one of the following:
    - i. registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.);
    - ii. registered as an investment adviser under the Illinois Securities Law of 1953;
    - iii. a bank, as defined in the Investment Advisers Act of 1940;
    - iv. an insurance company authorized to transact business in Illinois;
    - v. or 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.
5. “Investment Consultant” means any person or entity retained by the Board to make recommendations in developing an investment policy, assist with finding appropriate Investment Advisers, or monitor the Board’s investments. Investment Consultant 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 Adviser(s).
6. Investment Services
  - a. Definition. “Investment Services” means services to be provided by an Investment Adviser in an Asset Allocation Category.
  - b. Asset Allocation Categories. The following asset allocation categories shall be subject to this Policy:
    - i. fixed income;
    - ii. equity;

- iii. cash management;
  - iv. alternative investments through a “fund of funds” or on a direct basis;
  - v. private equity;
  - vi. real estate: domestic and international;
  - vii. international equity and fixed income; and
  - viii. other such Investment Services as the Trustees may determine.
7. “Minority Owned Business” means a business which is at least 51% owned by one or more minority persons, or in the case of a corporation, at least 51% of the stock in which is owned by one or more minority persons; and the management and daily business operations of which are controlled by one or more of the minority individuals who own it. “Minority person” shall mean a person who is a citizen or lawful permanent resident of the United States and who is:
- a. African American (a person having origins in any of the black racial groups in Africa);
  - b. Hispanic (a person of Spanish or Portuguese culture with origins in Mexico, South or Central America, or the Caribbean Islands, regardless of race);
  - c. Asian American (a person having origins in any of the original peoples of the Far East, Southeast Asia, the Indian Subcontinent or the Pacific Islands); or
  - d. Native American or Alaskan Native (a person having origins in any of the original peoples of North America).
- C. **Application of Competitive Selection Procedures.** This Policy applies to every procurement of Investment Services to be provided by an Investment Adviser or Consultant, except:
- 1. sole source procurements;
  - 2. emergency procurements; and
  - 3. in the discretion of the Board, contracts for procurements of Investment Services for less than \$20,000 that are for a nonrenewable term of one year or less.

All exceptions granted shall be published on the Fund's web site and shall include a brief explanation of the reason for the exception.

**D. Competitive Selection Procedures for Investment Advisers**

1. Prescreening. The Investment Consultant shall maintain a list of prescreened and investment search eligible ("prescreened") Investment Advisers as follows:
  - a. The Investment Consultant shall maintain or subscribe to a database open to all prospective Investment Advisers in all Asset Allocation Categories appropriate for that Investment Consultant's scope of engagement. The Investment Consultant shall encourage broad based participation by Investment Advisers in submitting data to the Investment Consultant, including but not limited to participating in industry forums established to introduce Emerging Investment Advisers and other such outreach programs. The Investment Consultant shall require data on a uniform basis and shall post uniform prescreening documents on the Investment Consultant's website.
  - b. Prospective Investment Advisers may amend statements of qualifications at any time by filing a new statement.
  - c. Failure to prescreen with an Investment Consultant may disqualify an Investment Adviser from any search for Investment Services.
  - d. When prescreening, the Investment Consultant may consider factors reasonably tailored to the specific Asset Allocation Category. Any prescreening shall require a prospective Investment Adviser to meet the requirements of Section B.4.d of this Policy, or have an application pending to meet such requirements.

The Board may elect to subscribe to a proprietary database(s) which lists Investment Advisers for the purpose of identifying potential Investment Advisers for prescreening.

2. Uniform Documents. Uniform documents shall be used for the solicitation, evaluation, and acceptance of Investment Advisers and shall be posted on the Fund's and the Investment Consultant's websites. Such documents shall include the requirements set forth in Section 1-113.14(c) of the Illinois Pension Code, 40 ILCS 5/1-101, et seq.
3. Public Notice of Competitive Selection Procedures
  - a. Public Notice. The Board shall determine when there shall be a search for an Investment Adviser. The Board shall determine the parameters of the search, including the applicable Asset Allocation Category and whether

the search is for an Emerging Investment Adviser. Notice of the need for an Investment Adviser shall be determined by the Board at an open meeting.

- b. Form and Publication. Notice of the need for an Investment Adviser shall be published by the Board and the Investment Consultant in the form of a Search for Investment Adviser (“SIA”).
4. Search for Investment Adviser. Each SIA shall be in the form specified by the Board or the Investment Consultant and shall contain, inter alia, all of the following:
- a. the applicable Asset Allocation Category.
  - b. a statement as to the amount of assets expected to be awarded.
  - c. a date by which responses to the SIA shall be returned.
  - d. the evaluation factors designated in Section D.5 of this Policy.
  - e. a copy of the Fund’s Investment Policy, with notice that such Policy is subject to change.
  - f. a statement that the Investment Adviser, in its response to the SIA, will be required to set forth its specific plan or program for complying with the Fund’s brokerage and proxy voting policy or policies, if any, (which shall be provided as part of the SIA), including an annual proxy voting report and a quarterly report on all brokerage activity.
  - g. a description of the procedures for post performance review designated in Section D.12 of this Policy.
  - h. a description of the “quiet period” guidelines designated in Section D.7 of this Policy and a copy of the Fund’s Ethics Policy/Code of Conduct.
  - i. the Fund’s standard investment manager agreement, if applicable given the parameters of the search, which shall be attached to the SIA and which shall include, inter alia, the requirements set forth in Section 1-113.14(c) of the Illinois Pension Code, 40 ILCS 5/1-101, et seq. The SIA shall note that amendments to the Fund’s standard investment manager agreement are disfavored. Any objections to the Fund’s standard investment manager agreement shall be detailed in the Investment Adviser’s response to the SIA.

- j. a requirement that the response to the SIA shall contain all required disclosures under the Illinois Pension Code and shall include the following:
  - i. the method for charging and measuring fees, based on the assets under management, including 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 Investment Adviser in connection with the provision of Investment Services to the Fund;
  - ii. the names and addresses of: the Investment Adviser; any entity that is a parent of, or owns a controlling interest in, the Investment Adviser; any entity that is a subsidiary of, or in which a controlling interest is owned by, the Investment Adviser; any persons who have an ownership or distributive income share in the Investment Adviser that is in excess of 7.5%; or serves as an executive officer of the Investment Adviser; and
  - iii. 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 4, “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.
  
- k. A statement that contingent and placement fees are prohibited.

All documents created as part of a SIA, including the responses by prospective Investment Advisers, 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.

- 5. Evaluation of Responses to SIA. Responses will be evaluated initially by the Investment Consultant 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 Advisers and the disqualified Investment Advisers, if any, and state in writing the reasons for top-qualification and disqualification. The Board will select, based on the evaluation factors, the finalist from the list of top-qualified Investment Advisers. The evaluation factors are as follows:

- a. Investment Philosophy and Methodology, including: the clarity and technical merits of the investment process, buy/sell discipline, efficacy of decisions made (streamlined, responsive), uniqueness of the process, trading ability;
  - b. Performance, including: long-term performance relative to benchmark, risk compared to benchmark, consistency of performance relative to benchmark, long-term performance relative to peers;
  - c. 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, manager tenure, depth of portfolio team and research team, firm's reputation including any litigation history and its record of integrity and business ethics;
  - d. Portfolio Management and Client Services, including: client servicing, and accounting and reporting;
  - e. Reasonableness of the Fees; and
  - f. The Fund's overall Investment Policy and allocations among existing Investment Advisers, including, but not limited to, the diversification of Investment Advisers in terms of style, investment philosophy, and the complementary relationship between Investment Advisers in the context of the Investment Policy.
6. Emerging Investment Advisers.
- a. Principle. The Fund does not use any criteria that would preclude an Emerging Investment Adviser from being included in the Investment Consultant's database, such as a minimum number of years in business or minimum assets under management. As part of the selection process, the Fund utilizes broad-based databases to ensure that qualified Emerging Investment Advisers are included in the pool of eligible candidates. The Fund's goal is to identify highly qualified and potentially successful Emerging Investment Advisers that can be awarded allocations or, if the Emerging Investment Adviser is participating in a "fund of funds", to be "graduated" into a separate account portfolio when openings occur or a need is identified.
  - b. Selection Process. Nothing in this Section prohibits an Emerging Investment Adviser from participating in a SIA, so long as the Emerging Investment Adviser meets the criteria set forth in the SIA. If an Emerging Investment Adviser meets the criteria in the SIA, then that Emerging



Investment Adviser shall receive an invitation by the Board to present as a finalist. If there are multiple Emerging Investment Advisers that meet the criteria set forth in the SIA, then the Investment Consultant or the Board may choose the most qualified firm or firms to present to the Board.

- c. The Board shall verify the certifications submitted to establish the Investment Adviser's status as a Minority Owned Business, Female Owned Business, or Business Owned By A Person With A Disability. The appropriate certificate from the City of Chicago or from the State of Illinois shall be acceptable proof.
7. Quiet Period. There shall be a quiet period to ensure that: prospective Investment Advisers have equal access to information regarding the search parameters; communications related to the selection are consistent and accurate; and the process of selecting an Investment Adviser is efficient, diligent and fair.
- a. The quiet period shall commence upon the Board's authorization of a SIA and end when the selection has been made by the Board and a contract is reached with the Investment Adviser.
  - b. The quiet period shall be posted to the Fund's website to prevent inadvertent violations by investment advisers responding to the SIA.
  - c. During the quiet period, all Trustees and staff shall refrain from communicating with Investment Adviser candidates regarding any product or service related to the search offered by the candidate.
  - d. During the quiet period, all fiduciaries, including the Investment Consultant, shall not accept meals, travel, lodging, entertainment or any other good or service of value from the candidates.
  - d. If any Trustee is contacted by a candidate during the quiet period, the Trustee shall refer the candidate to the Investment Consultant.
  - e. All authority related to the search process shall be exercised solely by the Board as a whole, and not by individual Trustees.
  - f. While the quiet period does not prevent Board approved due diligence meetings, conference attendance or communications with an existing Investment Adviser that is also an Investment Adviser candidate, discussion related to the pending selection shall be avoided during those activities.
  - g. An Investment Adviser candidate may be disqualified from a search process for a knowing violation of this Policy.

8. Delivery of Responses. Responses shall be submitted to the Investment Consultant in accordance with the terms in the SIA.
9. Discussions
  - a. The Investment Consultant may conduct discussions to:
    - i. determine in greater detail an Investment Adviser's qualifications; and
    - ii. negotiate the various terms of the contract, including fees.
  - b. Timing of Discussions. Discussions with the Investment Consultant may be performed before and after the responses to the SIA have been submitted.
  - c. No Disclosure of Information. The Investment Consultant shall not disclose publically any information contained in any responses until the presentation of the Investment Consultant's recommendations at a Board meeting.
10. Award of Contract
  - a. The Board shall determine the Investment Adviser(s) to be retained and the amount of assets or the percentage of the assets available for allocation to be awarded.
  - b. The Board and its agents shall negotiate the final terms of the investment manager agreement or the terms of such other agreement or subscription documents as may be necessary to make the investment. The Board may, in the interest of efficiency, negotiate with other Investment Advisers which were finalists, while negotiating with the Investment Adviser chosen.
  - c. Nothing in this Section shall prohibit the Board from making a selection that represents the best value based on qualifications, fees and other relevant factors established in the SIAs being considered.
11. Notice of Contract. The Board's decision shall be public information and shall be posted on the Fund's website. Such notice shall include the name of the successful Investment Adviser, the total amount applicable to the contract, the basis for determining the total fees to be paid, and a disclosure approved by the Board describing the factors that contributed to the selection of the Investment Adviser.

12. Post Performance Review. All post performance review, including termination, shall be conducted in accordance with the Fund's Investment Policy.

**E. Competitive Selection Procedures for Investment Consultant.**

The search process for a Consultant shall be a competitive proposal process and shall generally follow the guidelines listed below:

1. Advertisements for the search process shall be placed on the Fund's website and in an industry publication at least 14 days before the response to the offer is due.
2. Uniform documents shall be used in the form of a Search for Investment Consultant ("SIC") for the solicitation, review, and acceptance of investment services and will be posted on the Fund's website. Documents may differ based on the specific search mandate.
3. All interested respondents shall return their responses to Fund staff, which shall open and record them, providing a list of all respondents to the Board of Trustees.
4. Following review and evaluation of the responses from interested firms, the field of candidates is narrowed by the trustees to a smaller list of the most highly qualified firms.
5. From the smaller list, the trustees will select one or more of the Consultants for presentations before the Board to present their firms qualifications.
6. The Board will make the final decision.
7. Contracts are then completed with the selected firm(s). The Fund shall not enter into a contract with a Consultant that exceeds 5 years in duration. No contract to provide consulting services may be renewed or extended. At the end of the term of a contract, however, the Consultant is eligible to compete for a new contract as provided in this section.
8. The Fund shall post the name(s) of the successful respondent(s) on the Fund website, along with a disclosure including the total amount applicable to the contract, the total fees paid or to be paid, and a description of the factors that contributed to the selection of the Consultant.

## SEARCH for an INVESTMENT ADVISOR (SIA)

Date Search Authorized by Board:

Asset Allocation Category:

Mandate:

Expected Size of Mandate:

Response Due:

Reply To: Becker Burke Associates

Evaluation factors:

*Link to future LABF website for: Fund Investment Policy, Ethics Policy, Procurement Policy and Post Performance Review.*

In completing this form the investment advisor responder agrees it will provide a program for complying with the Fund's brokerage, proxy and investment policy guidelines if selected by the Fund to become a fiduciary on its behalf as an investment advisor retained by the Fund.

Please attach responses to all required disclosures under the Illinois Pension Code, including the following to our Investment Consultant:

1. the method for charging and measuring fees, based on the assets under management, including disclosure of and direct or indirect fees, commissions, penalties and other compensation, including reimbursement for expenses that may be paid by or on behalf of the Investment Advisor in connection with the provision of Investment Services to the Fund;
2. The names and addresses of: the Investment Advisor, any entity that is a parent of, or owns a controlling interest in, an entity that is subsidiary of or in which a controlling interest is owned by the Investment Advisor, any persons who have an ownership or distributive income share in the Investment Advisor that is in excess of 7.5%; or serves as an executive officer of the Investment Advisor; and
3. The names and addresses of all subcontractors, if any, and the expected amount of money in compensation 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 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 Advisors.
4. A statement that contingent and placement fees are prohibited.

SEARCH for an INVESTMENT ADVISOR (SIA)

pg. 2

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (print)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Firm

\_\_\_\_\_  
Date

Please be aware that all documents created as part of an SIA, including the responses provided by your firm as the responding Investment Advisor, 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.

## SEARCH for an INVESTMENT CONSULTANT (SIC)

Date Search Authorized by Board:

Consultant Role: Primary or Secondary

Response Due:

Evaluation factors:

*Link to future LABF website for Investment Policy, Ethics Policy, Procurement Policy and Post Performance Review.*

In completing this search the Board of Trustees will direct staff to prepare a Search for an Investment Consultant (SIC) document that will be made available on the Fund's website for public inspection. Responses sent to staff will be summarized for the Board, at which time a field of finalists will be selected for board presentation, consideration and selection. An SIC process initiated by the Board for an investment consultant shall adhere to the same guidelines of inclusion detailed in the Board's investment manager search guidelines with respect to inclusion of minority owned consulting firms. Respondent firms shall respond to all items requested and conditions set within the SIC to allow the Board of Trustees and staff its proper due diligence. Failure to comply may result in the exclusion from further consideration in the search process. If selected by the Fund to become a fiduciary on its behalf as an investment consultant retained by the Board the consultant agrees to meet all the requirements put forth in Public Act 096-0006 of the Illinois Pension Code.

SEARCH for an INVESTMENT CONSULTANT (SIA)

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\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (print)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Firm

\_\_\_\_\_  
Date

Please be aware that all documents created as part of an SIA, including the responses provided by your firm as the responding Investment Consultant, 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.