



MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

A Pension Trust Fund of the City of Chicago

Request for Proposal:

Hedged Equity Strategies

October 14, 2016

REQUEST FOR PROPOSAL GUIDE

I. OVERVIEW

The Municipal Employees' Annuity and Benefit Fund of Chicago (the "Fund" or "MEABF") hereby issues a request for proposals ("RFP") from qualified institutions (acting in the capacity of a fiduciary to the Fund) that provide **hedged equity investment management services**. Although subject to modification, MEABF is targeting **up to two mandates totaling approximately \$100 million**. A firm submitting a proposal shall be referred to as "Respondent" or "Firm" throughout this RFP. Marquette Associates (the "Investment Consultant") will assist MEABF with this search.

All forms needed for submitting a response to this RFP are available on the Procurement section of the Fund's website at: <http://www.meabf.org>. Respondents to this RFP are responsible for monitoring the Fund's website for information pertaining to the RFP while the RFP is outstanding.

The MEABF is a single employer defined benefit plan that was established in 1921 by an act of the Illinois General Assembly to provide disability and retirement benefits to qualified employees of the City of Chicago and the Chicago Board of Education. The sole purpose of the Fund is to pay benefits to its members, which are funded through a combination of member contributions, contributions by the City of Chicago, and investment earnings. MEABF is a component unit of the City of Chicago, and as such, is included in the City of Chicago's financial statements as a pension trust fund. MEABF's net assets total approximately \$4.4 billion as of the date of this RFP. The Fund utilizes external investment managers and is currently diversified across multiple asset classes. More information regarding MEABF can be found by reviewing the Illinois Pension Code (40 ILCS 5/ Articles 1, 1A, 8, and 20) and MEABF's website at: <http://www.meabf.org>.

It is the public policy of the State of Illinois to encourage the Fund’s Board of Trustees (the “Board”) to increase the racial, ethnic, and gender diversity of its fiduciaries to the greatest extent feasible within the bounds of financial and fiduciary prudence. In furtherance of the Illinois public policy and the requirements of the Illinois Pension Code, it is the goal of the Board to use its best efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and external investment managers. (40 ILCS 5/1-109.1). The Fund shall conduct the RFP process in accordance with applicable provisions of the Illinois Pension Code, the Fund’s Investment Policy Statement, the Fund’s Ethics Policy, and any other relevant authority under the Illinois Compiled Statutes. All interested Respondents must submit their responses in accordance with the proposal submission instructions below. The Fund reserves the right to reject any or all proposals submitted.

II. RFP TIMELINE

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| 1. Date of Issue: | October 14, 2016 |
| 2. Deadline to Submit Written Questions: | October 21, 2016, 3:00PM CST |
| 3. Q&A Document Posted: | October 28, 2016 |
| 4. Final Responses Due: | November 18, 2016, 3:00PM CST |
| 5. Staff/Consultant Review | December 2016 / January 2017 |
| 6. Presentations (if needed) & Board Review | January / February 2017 |

PLEASE NOTE: The timeline is subject to change. Any changes to the timeline will be communicated to all known Respondents and posted on the Fund’s website.

III. IMPORTANT DISCLOSURES & NOTICES

- Neither this RFP nor any response to this RFP should be construed as a legal offer.
- If it becomes necessary to revise any part of the RFP, or if additional information is necessary for a clarification of provisions within this RFP, prior to the due date for proposals, a supplement will be provided to all known Respondents and posted on the Fund’s website. If a supplement is necessary, the Fund may extend the due date to accommodate any additional requirements.
- MEABF reserves the right to reject any or all proposals submitted.
- All material submitted in response to the RFP will become the property of the Fund.
- MEABF is not responsible for any costs incurred by the Respondents in responding to this RFP.
- All ex parte communications between the Fund’s staff or Investment Consultant and interested parties, including Respondents, or non-interested parties, shall be prohibited until a contract is entered into and the RFP process is terminated. Furthermore, any

communication related to this RFP between a Respondent and any member of the Board is prohibited until a contract is entered into and the RFP process is terminated (the “Quiet Period”). Notwithstanding the prior sentence, the Fund’s staff and Investment Consultant may communicate with a particular Respondent for the sole purpose of gaining clarification regarding information provided in response to this RFP.

- Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act (5 ILCS 140). 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. Respondents claiming a statutory exception from the Illinois Freedom of Information Act for information within the Respondents’ 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 Respondent must also specify which statutory exemption applies for each piece of confidential information. The Freedom of Information Act can be found at the Illinois General Assembly’s website (<http://www.ilga.gov/>). MEABF reserves the right to make determinations of confidentiality. If MEABF disagrees with a Respondent’s confidential designation, it may either reject the proposal or discuss its interpretation of the exemptions with the Respondent. If agreement can be reached, the proposal will be considered. If agreement cannot be reached, MEABF will remove the proposal from consideration

IV. SCOPE OF SERVICES

Respondent will directly manage assets for the Fund in a separate account for a **hedged equity** portfolio mandate. The investment return objective will be a mutually agreed upon premium over an approved benchmark, net of fees, over a three- to five-year time period.

V. MINIMUM QUALIFICATIONS

Any Respondent submitting a response to this RFP must meet the following minimum qualifications: (Please note that requirements 1 through 4 are also part of the Contractual Standard and Disclosure Certification included in the proposal submission documents)

1. Respondent must be (i) registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.) or (ii) a bank, as defined in the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.). (40 ILCS 5/1-113.14 (b));
2. Respondent must acknowledge in writing that the Firm will act as a fiduciary to the Fund under the Illinois Pension Code. (40 ILCS 5/1-101.4);

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3. Respondent must not retain a person or entity to attempt to influence the outcome of an investment decision of or the procurement of investment advice or services of the Fund for compensation, contingent in whole or in part upon the decision or procurement. (40 ILCS 5/1-145);
 4. Respondent must be able to enter into an Investment Management Agreement with the Fund that complies with the Illinois Compiled Statutes requirements; (40 ILCS 5/1-113.14 (c));
 5. Respondent and its employees must have and maintain for the life of any contract all authorizations, permits, licenses, and certifications required by federal and state law to perform the services specified in this RFP;
 6. Respondent must have a GIPS compliant track record of at least three years or at least five years of experience managing assets within the asset class;
 7. Respondent must maintain at least \$5 million of Errors & Omissions Insurance;
 8. Respondent must have at least \$1 billion in Firm assets under management or \$400 million of assets under management in the particular strategy being submitted for consideration; and
 9. Respondent's Investment Management Fee must not exceed 50basis points for the proposed mandate.

VI. PROPOSAL SUBMISSION

The Fund's Investment Consultant shall oversee the submission process. If a Firm is interested in submitting a proposal, it must submit an electronic copy of the complete proposal by **3:00 PM CST, November 18, 2016** to meabf@marquetteassociates.com and carbon copy investment.operations@meabf.org.

SEARCH CONTACT:

James Wesner, CFA
Marquette Associates
180 N. LaSalle St.
Chicago, IL 60601
meabf@marquetteassociates.com
cc: investment.operations@meabf.org

Procedural and substantive questions concerning the RFP must be submitted in writing via e-mail to the Search Contact by **3:00 PM, CST, October 21, 2016**. Responses to questions properly submitted will be consolidated in a single Q&A document and posted on the Fund's website on or about **October 28, 2016**. The Q&A document will not identify the source of the query.

PLEASE NOTE: Respondents WILL NOT receive individualized responses from the Search Contact, in response to questions submitted. Respondents must review the Q&A document posted on the Fund’s website to receive answers to all questions submitted.

If the Fund’s staff or Investment Consultant has questions regarding how to interpret a Respondent’s proposal, the Fund’s staff or Investment Consultant is authorized to request additional information from that Respondent.

ANY PROPOSAL THAT IS EITHER INCOMPLETE OR RECEIVED AFTER THE NOVEMBER 18, 2016 FINAL RESPONSES SUBMISSION DEADLINE WILL NOT BE CONSIDERED.

PROPOSALS MUST CONTAIN THE FOLLOWING DOCUMENTS:

1. Transmittal Letter. A transmittal letter must be submitted on the Respondent’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 legally bind the Respondent. An unsigned proposal shall be rejected. The letter must also contain the following:
 - A. Statement that the proposal is being made without fraud or collusion; that the Respondent 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 Respondent’s proposal or the Fund’s selection.
 - B. An acknowledgement by the Respondent that the proposal is a firm and irrevocable offer good for one (1) year from the date of the proposal.
 - C. Statement that discloses any current business relationship or any current negotiations for prospective business with the Fund, the Fund’s Executive Director, the Fund’s Chief Investment Officer, the Fund’s Investment Consultant or any member of the Board or proxy acting on a Board member’s behalf.
 - D. A statement that the Respondent is willing and able to perform the services described in the Scope of Services section of this RFP.
 - E. A statement that the Respondent has available the staff and other resources required to perform all services required by the RFP and to provide all required deliverables within the specified time frames.
 - F. Statement that the Respondent meets the minimum qualifications as specified in Section V of this RFP document.
 - G. The name, title or position, e-mail address, and telephone number of the individual signing the transmittal letter on behalf of the Respondent.
 - H. Required Fee Arrangement Information
2. Contractual Standard and Disclosure Certification. The certification must be submitted on the Respondent’s official business letterhead. The Respondent must respond to all questions in the order listed in the certification. The certification must be signed by an individual authorized to legally bind the Respondent.
3. Investment Consultant Questionnaire. The Respondent must address the questionnaire items in the RFP in the order in which they appear in the RFP. Further, each question number and question in the RFP shall be repeated in its entirety before stating the answer.

Any supporting documentation requested in the Investment Consultant Questionnaire must be provided.

4. Investment Consultant Datasheet: The Respondent must complete and submit the Investment Consultant Datasheet that is posted along with this RFP.
5. Employee Diversity Table. The Respondent must complete and submit the Employee Diversity Table that is posted along with this RFP.

VII. EVALUATION AND SELECTION CRITERIA

The Investment Consultant and or Fund's staff shall review each response received by the RFP submission deadline for content, quality, and compliance with the RFP's requirements. The Investment Consultant and or Fund's staff reserve the right to meet with representatives of each Respondent to obtain an independent assessment of the Respondent's capabilities.

Review of Respondents shall include:

1. Organization
2. Product, Philosophy, and Process
3. Compliance
4. Performance and Risk
5. Fees
6. Completeness and Quality of Proposal

Following the review process, the Investment Consultant and or Fund's staff shall present to the Board a list of all Respondents and profiles of the most qualified Respondents for consideration. The Board may accept, modify, or reject the selected Respondents list. Respondents may be asked to appear before the Board to present the Firm's qualifications.

The Board, in its sole discretion, shall accept or modify Investment Consultant and Fund staff's recommendation and the make the final selection, if satisfied with the Respondent(s)'s capabilities.

The Fund will attempt to negotiate an agreement with the selected Firm(s). The agreement shall include requirements from applicable laws, including, but not limited to, the Illinois Pension Code (40 ILCS 5/1-113.14(c)), as amended. If the Fund is unable to do so, the Fund reserves the right to award and negotiate with the next most qualified Respondent.

Thank you for your interest in this RFP and the MEABF looks forward to your response.