

**RETIREMENT TRUST FOR THE CHICAGO TRANSIT AUTHORITY EMPLOYEES
PROCUREMENT POLICY AND PROCEDURES**

- I. It is hereby declared to be the Policy of the Retirement Trust for Chicago Transit Authority Employees (“Trust”):
- a. To use emerging investment managers in managing its assets, (the “Fund”) encompassing all Asset Allocation Categories to the greatest extent feasible within the bounds of financial and fiduciary prudence;
 - b. To increase the racial, ethnic, and gender diversity of its Fiduciaries and senior staff;
 - c. To take affirmative steps to remove any barriers to the full participation in investment opportunities;
 - d. To utilize Businesses owned by Minorities, Females, and Persons With Disabilities for all contracts and services;
 - e. To increase the utilization of minority owned brokers-dealers; and
 - f. To implement the principles of competitive selection, full disclosure, objective evaluation, and proper documentation in procuring investment services.

To accomplish this Policy the Trustees of the Trust establish the following procedures (“Procedures”):

A. Definitions

- a. Asset Allocation Categories. The following asset allocation categories shall be subject to this Procedure:
 - 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 investments as the Trustees may determine.

1. As used in this Procedure, “Business” means a business that has average annual gross sales over the three most recent calendar years of less than \$31,400,000 as evidenced by the federal income tax return of the Business.
2. “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.
3. “Consultant” means any person or entity retained or employed as a Fiduciary by the Trustees to make recommendations in developing an investment strategy, to assist with finding appropriate Investment Advisers, and to monitor the Trust’s investments. “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 Trust has no direct contractual relationship with the Investment Advisers.
4. “Control” means the exclusive or ultimate and sole control of a business including, but not limited to, capital investment and all other financial matters, property, acquisitions, contract negotiations, legal matters, officer-director-employee selection and comprehensive hiring, operating responsibilities, cost-control matters, income and dividend matters, financial transactions and the rights of other shareholders or joint partners. Control shall be real, substantial and continuing, not pro forma. Control shall include the power to direct or cause the direction of the management and policies of the business and to make the day-to-day as well as major decisions in matters of policy management and operations. Control shall be exemplified by possessing the requisite knowledge and expertise to run the particular business and control shall not include simple majority or absentee ownership.
5. “Disabled” means a severe physical or mental disability that:
 - a. results from: amputation; arthritis; autism; blindness; burn injury; cancer; cerebral palsy; cystic fibrosis; deafness; head injury; heart disease; hemiplegia; hemophilia; respiratory or pulmonary dysfunction; mental retardation; mental illness; multiple sclerosis; muscular dystrophy; musculoskeletal disorders; neurological disorders, including stroke and epilepsy; paraplegia; quadriplegia and other spinal cord conditions; sickle cell anemia; specific learning disabilities; end stage renal failure disease; or any other disability or combination of disabilities that is determined by an evaluation of rehabilitation potential to cause a comparable degree of substantial functional limitation similar to the previously listed disabilities; and
 - b. substantially limits one or more of the person's major life activities.

6. “Emerging Investment Adviser” means an 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.
7. “Executive Director” means the individual selected by the Trustees, to be the Executive Director of the Plan.
8. “Female” means a person who is a citizen or lawful permanent resident of the United States and who is of the female gender.
9. “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.
10. “Fiduciary” means a person or Entity with respect the Trust to the extent that the person or Entity:
 - a. Exercises any discretionary authority or discretionary control respecting management of the Trust or Plan, or exercises any authority or control respecting management or disposition of the assets of the Trust;
 - b. Renders investment advice or renders advice on the selection of Fiduciaries for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the Trust, or has any authority or responsibility to do so; or
 - c. Has any discretionary authority or discretionary responsibility in the administration of the Plan.
11. “Investment Adviser” means any person or entity that:
 - a. is a Fiduciary appointed by the Trustees;
 - b. has the power to manage, acquire, or dispose of any of the Trust’s assets;
 - c. has acknowledged in writing that he or she is a Fiduciary with respect to the Trust; and
 - d. is 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.) and the Illinois Securities Law of 1953;
 - ii. a bank, or trust company authorized to conduct a trust business in Illinois;

- iii. a life insurance company authorized to transact business in Illinois;
 - iv. an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953;
 - v. any other Entity that is defined in Section 1-101.4(4) of the Illinois Pension Code, or
 - vi. manages the assets of the Trust in an asset allocation category pursuant to the terms of a limited liability corporation, limited liability partnership, commingled investment fund, or a similar investment vehicle.
12. “Investment Services” means services to be provided by an Investment Adviser in an Asset Allocation Category.
13. “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. When a business concern is owned at least 51% by any combination of minority persons, females, or persons with disabilities, even though none of the three aforesaid groups alone holds at least a 51% interest, the ownership requirement for purposes of this Procedure is considered to be met.
14. “Minority Person” means a person who is a citizen or lawful permanent resident of the United States and who is:
- a. African American (defined as a person having origins in any of the black racial groups in Africa);
 - b. Hispanic (defined as 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 (defined as 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 (defined as a person having origins in any of the original peoples of North America).
15. “Person With A Disability” means a person who is a citizen or lawful resident of the United States and is Disabled as defined herein.

16. “Plan” means the Retirement Plan for Chicago Transit Authority Employees.

17. “Trustees” means the individuals selected to be Trustees of the Retirement Trust for Chicago Transit Authority Employees.

B. Application of Competitive Selection Procedures. This Procedure applies to the procurement of Investment Services to be provided by an Investment Adviser, except:

1. sole source procurements;
2. emergency procurements; and
3. in the discretion of the Trustees, contracts for procurements of Investment Services for less than \$20,000 that are for a nonrenewable term of one year or less.

All exceptions approved by the Trustees shall be published on the Trust’s web site and shall include a brief explanation of the reason for the exception.

C. Competitive Selection Procedures

1. Prescreening. The Consultant shall maintain a list of prescreened and investment search eligible (“Prescreened”) Investment Advisers and shall accomplish the following:

a. The Consultant shall maintain or subscribe to a database open to all prospective Investment Advisers in all Asset Allocation Categories appropriate for that Investment Adviser’s scope of engagement. The Consultant with the guidance of the Trustees and staff shall encourage broad based participation by prospective Investment Advisers in submitting data to the Consultant, including but not limited to participating in industry forums established to introduce Emerging Investment Managers and other such outreach programs. In addition the Investment Consultant will have an open door policy for interviewing and visiting with all prospective Investment Advisers and Investment Advisers appropriate for the Consultant’s scope of engagement, including emerging Investment Advisers. The prescreening process will include but not be limited to the following:

i. Determination that the prospective Investment Adviser meets the minimum objective requirements for future consideration in a prospective Search for Investment Adviser (“SIA”) or that the Investment Adviser understands said requirements that it has not achieved and how to achieve said requirements..

- ii. Investment Advisers shall be instructed by Consultants on how to use the resources of the Consultant to realize their goals to increase their access to new business opportunities. The Consultant shall require data on a uniform basis and shall post uniform prescreening documents on the 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 the Consultant may disqualify an Investment Adviser from any search for Investment Services.
- d. When prescreening, the Consultant may with the guidance of the Fund's Trustees and staff consider factors reasonably tailored to the specific Asset Allocation Category. Any prescreening shall require a prospective Investment Adviser to satisfy the definition of an Investment Adviser, or have an application pending to meet such requirements.

The Trustees 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 Trust's and the Consultant's websites. Such documents shall satisfy the requirements set forth in Section 1-113.5 of the Illinois Pension Code.
3. Public Notice of Competitive Selection Procedures
 - a. Public Notice. The Trustees shall determine when there shall be a search for an Investment Adviser. The Trustees shall determine at an open meeting the parameters of the search, including the applicable Asset Allocation Category and whether the search is for an Emerging Investment Adviser or an Investment Manager
 - b. Form and Publication. Notice of the need for an Investment Adviser shall be published by the Trustees and the Investment Consultant in the form of a Search for Investment Adviser ("SIA"). A SIA may be publicized in a relevant trade journal or publication or other public communication at least 30 days prior to the return date established in the SIA.
 - c. Public Availability. A copy of each SIA shall be made available for public inspection on the Trust's website.
4. Search for an Investment Adviser. Each SIA shall be in the form specified by the Consultant with the guidance of the Trust's staff 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 5 of this Procedure.
- e. a copy of the Trust's Investment Policy, with notice that such Policy is subject to change.
- f. a statement that the Investment Adviser or Investment Manager, in its response to the SIA, will be required to set forth its specific plan or program for complying with the Trust'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 described in Section 12 of this Procedure.
- h. a description of the "quiet period" guidelines designated in Section 7 of this Procedure and a copy of the Trust's Code of Conduct. The SIA shall note that the Investment Adviser must agree to comply with the Trust's Code of Conduct at all times.
- i. the Trust's standard Investment Manager Agreement, if applicable, given the parameters of the search, shall be attached to the SIA and shall include the requirements set forth in Section 1-113.5 of the Illinois Pension Code. The SIA shall note that amendments to the Trust's standard Investment Manager Agreement are disfavored. Any objections to the Trust's standard Investment Manager Agreement shall be detailed in the 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 or in connection with the provision of Investment Services to the Trust;

- 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 or that is in excess of 7.5% of the total distribution income share; or serves as an executive officer of the Investment Adviser; and
- iii. a statement that contingent and placement fees are prohibited; the names and addresses of all subcontractors, if any, including third party individuals or individuals that are Investment Advisers uses to market its funds and the expected amount of money each will receive under the contract

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 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 Consultant will determine, based on the evaluation factors, the finalist Investment Advisers and the non-finalist Investment Advisers, if any, and state in writing the reasons for top-qualification and for not being a finalist. The Trustees, based on the evaluation factors, will select one finalist from the list of finalist Investment Advisers to be awarded the contract. 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), consistency of application, risk controls, uniqueness of the process, and trading ability;
 - b. Performance, including: long-term performance relative to benchmark, risk compared to benchmark, consistency of performance relative to benchmark, and 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, organizational structure, 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 Trust'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 complimentary relationship between Investment Advisers in the context of the Trust's Investment Policy.
6. Emerging Investment Advisers.
- a. Principle. The Trust does not use any criteria that would preclude an Emerging Investment Adviser from being included in the Consultant's database, such as a minimum number of years in business. As part of the selection process, the Trust will use, when available, broad-based databases to ensure that qualified Emerging Investment Advisers are included in the pool of eligible candidates. The Trust'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. Emerging Investment Advisers shall be selected pursuant to this Procedure in a search solely for Emerging Investment Advisers. The purpose of having a separate search for Emerging Investment Managers is to ensure that Trust's goal of utilizing and developing Emerging Investment Advisers is met. 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 Trustees may choose the most qualified firm or firms to make presentations. The Trustees will use asset allocation and selection techniques to select Emerging Investment Advisers, who will be complimentary to the Trust's other Investment Advisers.
 - c. The Trustees shall establish and publish guidelines for determining and verifying 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 the process of selecting an Investment Adviser is efficient, diligent and fair.
 - a. The quiet period shall commence on the public publication of an SIA and end when the selection of the finalist to be awarded the contract has been made by the Trustees and a contract is entered into with the Investment Adviser.
 - b. Initiation, continuation and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations;
 - c. During the quiet period, all Trustees and staff shall refrain from communicating with Investment Adviser candidates regarding any product or service offered by the candidate.
 - d. During the quiet period, all Fiduciaries, including the Consultant, shall not accept meals, travel, lodging, entertainment or any other good or service of value from the candidates.
 - d. If any Trustee or staff member is contacted by a candidate for Investment Adviser during the quiet period, the Trustee or staff member shall refer the candidate to the Consultant.
 - e. All authority related to the search process shall be exercised solely by the Trustees as a whole, and not by individual Trustees.
 - f. While the quiet period does not prevent Trust approved due diligence meetings, conference attendance or communications related to the pending selection with an existing Investment Adviser who is also an Investment Adviser candidate, shall be avoided.
 - g. An Investment Adviser candidate may be disqualified from a search process for a knowing violation of this Procedure.
8. Delivery of Responses. Responses shall be submitted to the Consultant in accordance with the terms in the SIA.
9. Discussions
 - a. The Consultant and the Trust's staff may conduct discussions with candidates 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 by the candidates with and initiated by the Consultant and the Trust's staff may be held before and after the responses to the SIA have been submitted.
 - c. **No Disclosure of Information.** The Consultant, Trustees and Trust staff shall not disclose publically any information contained in any responses until the presentation of the Consultant's recommendations at a Board meeting.
10. **Award of Contract**
- a. The Trustees shall select the Investment Adviser to be retained based on the determination and their sole judgment of the candidate best able to meet the needs of the Trust. The Trustees need not select the low bidder or any bidder. The Trustees shall determine the amount of assets or the percentage of the assets available for allocation to be awarded to its selected candidate.
 - b. The Trustees through their agents shall negotiate the final terms of the Investment Advisor agreement or the terms of such other agreement or subscription documents as may be necessary to make the investment. The Trustees may, in the interest of efficiency, negotiate with other Investment Advisers who were finalists, while negotiating with the Investment Adviser chosen.
11. **Notice of Contract.** The Trust's decision shall be public information and shall be posted on the Trust's website. Such notice shall include the name of the successful Investment Advisor, the total amount applicable to the contract, the basis for determining the total fees to be paid, and a disclosure approved by the Trustee 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.
13. In their discretion the Trustees may waive, or amend any provision of these procedures. No individuals or entity shall have any basis for a claim against the Trustees, the Consultant, the Trust, the Executor Director or the Plan, for any alleged failure to adhere to the Policy and Procedure.