

**RETIREMENT TRUST FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES  
PROCUREMENT POLICY and PROCEDURES FOR INVESTMENT CONSULTANTS**

A. Introduction

The Board of Trustees (“Board”) of the Retirement Trust for Chicago Transit Authority Employees (“Fund”) establishes the following Procurement Policy (“Policy”) so that all decisions to procure Investment Services from a Consultant will be made with respect for the principles of competitive selection, full disclosure, objective evaluation, and proper documentation.

B. Definitions

1. 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.
2. “Consultant” means any person or entity retained 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 Adviser(s) or partnerships.
3. “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.
4. "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.
  5. "Executive Director" means the individual selected by the Trustees, to be the Executive Director of the Plan.
  6. "Female" means a person who is a citizen or lawful permanent resident of the United States and who is of the female gender.
  7. "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.
  8. "Fiduciary" means a person or Entity with respect the Trust to the extent that the person or Entity:
    - c. 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;
    - d. 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
    - e. Has any discretionary authority or discretionary responsibility in the administration of the Plan.

9. “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 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.); and the Illinois Securities Law of 1953;
    - ii. A bank, or trust company authorized to conduct a trust business in Illinois;
    - iii. An insurance company authorized to transact business in Illinois; and
  - e. Manages the assets of the Trust in an Asset Allocation Category pursuant to the terms of an agreement with a limited liability corporation, limited liability partnership, commingled investment fund, collective investment fund, or such other similar investment vehicle.
10. “Investment Services” means services to be provided by a Consultant relating to the Trust’s investments in the Asset Allocation Categories.
11. “Minority Person” means a person who is a citizen or lawful permanent resident of the United States and who is:
- f. African American (defined as a person having origins in any of the black racial groups in Africa);
  - g. 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);
  - h. 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
  - i. Native American or Alaskan Native (defined as a person having origins in any of the original peoples of North America).

12. "Person With A Disability" means a person who is a citizen or lawful resident of the United States and is Disabled as defined herein.
  13. "Plan" means the Retirement Plan for Chicago Transit Authority Employees.
  14. "Trustees" means the individuals selected to be Trustees of the Retirement Trust for Chicago Transit Authority Employees.
- C. Application of Competitive Selection Procedures. This Policy applies to the procurement of Investment Services to be provided by an Investment Consultant, except:
1. Sole source procurements;
  2. emergency procurements; and
  3. At 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.

Any of the foregoing exceptions granted by the Trustees shall be published on the Trust's web site and shall include a brief explanation of the reason for the exception.

D. Competitive Selection Procedures

1. Uniform Documents. Uniform documents shall be used for the solicitation, evaluation, and retention of Consultants and shall be posted on the Trust's website.
2. Public Notice of Competitive Selection Procedures
  - a. Public Notice. The Trust shall determine when there shall be a search for a Consultant. The Trustees shall determine the parameters of the search. Notice of the need for a Consultant shall be determined by the Trustees at an open meeting. During the period of time commencing upon the Trustees' authorization of the public publication of an SFC and until the notification of the award of the contract, a consultant working in the area of an SFC shall not contact the Trustees or staff of the Plan except for the submission of a response to the SFC. If there is not a Trustees' authorization of the public publication of an SFC in the area of the consultant's investment activity, and if there is a consultant who desires to introduce his services to the Trustees, the Trustees will permit said consultant to schedule, through the office of the Executive Director, a brief informational meeting for the consultant with either the Investment Committee or the Real Estate Committee, dependant upon the nature of the investment, or a brief meeting with the Trustees if the Chair of the Investment Committee or the Chair of the Real Estate Committee believes that the presentation should be made to the

Trustees. The presentation by a consultant may take place in conjunction with meetings with the respective committee of the Healthcare Trustees.

- b. Form and Publication. Notice of the need for a Consultant shall be published by the Trust in the form of a Search for Consultant (“SFC”). An SFC may be publicized in a relevant trade journal or publication or other communication at least 30 days prior to the return date established in the SFC.
  - c. Public Availability. A copy of each SFC shall be made available for public inspection on the Fund’s website.
3. Search for Consultant. Each SFC shall be in the form specified by the Trustees and shall contain, inter alia, all of the following:
- a. A requirement that the response shall contain the consultant’s contact information.
  - b. A date by which a response shall be returned.
  - c. The evaluation factors designated in Section D.4 of this Policy.
  - d. A copy of the Trust’s current Investment Policy.
  - e. A listing of the Trust’s current Advisers in the Asset Allocation Categories for which the Consultant will be responsible and the assets under management with each Investment Adviser.
  - f. A copy of the “quiet period” guidelines designated in Section D.5 of this Policy and a copy of the Trust’s Code of Conduct. The SFC shall note that the Consultant must agree to comply with the Trust’s Code of Conduct at all times.
  - g. The Trust’s standard Consultant Agreement, which shall be attached to the SFC and which shall include, inter alia, the requirements set forth in Section 1.113.5 of the Illinois Pension Code. The SFC shall note that amendments to the Trust’s standard Consultant Agreement are disfavored. Any objections to the Trust’s standard Consultant Agreement shall be detailed in the response to the SFC.
  - h. A requirement that the response to the SFC shall contain all required disclosures under the Illinois Pension Code and shall include the following:
    - i. The method for charging and measuring fees 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 consultant in connection with the provision of Investment Services to the Trust;

- ii. The names and addresses of: the consultant; any entity that is a parent of, or owns a controlling interest in, the consultant; any entity that is a subsidiary of, or in which a controlling interest is owned by, the consultant; any persons who have an ownership or distributive income share in the consultant that is in excess of 7.5% of the total distribution income; or serves as an executive officer of the consultant; and
- iii. A statement that contingent and placement fees are prohibited and the names and addresses of all subcontractors, if any, including third party individuals that the consultant uses to market its services and the expected amount of money each will receive under the contract.

All documents created as part of an SFC, including the responses by prospective Consultants, 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.

4. Evaluation of Responses to SFC. Responses will be evaluated by the Trustees based on the following evaluation factors only. The relative importance of the evaluation factors will vary based on the parameters of the search. The evaluation factors are as follows:
  - a. The respondent's financial and investment consulting client information, including:
    - i. The total number, market value and revenues derived from the respondent's investment consulting clients as of the prior year-end;
    - ii. The percentage of the respondent's gross revenue that is contributed by the investment consulting department;
    - iii. Any other businesses in which the respondent is involved;
    - iv. References from at least 3 public fund investment consulting clients;
    - v. The history of the respondent's relationship with its 10 largest investment consulting clients; and
    - vi. The number and size of client relationships gained and lost in each of the last three calendar years and year-to-date.

- b. History of the respondent, including when the respondent was established and when consulting services were first provided under the current structure.
- c. The respondent's experience advising large defined benefit plans with respect to the Asset Allocation Categories, Investment Adviser selection and oversight, and related Investment Services experience.
- d. The qualifications and depth of the respondent's professional staff and adequacy of the respondent's client servicing capabilities, including:
  - i. The firm's approach to account servicing;
  - ii. The maximum number of account relationships assigned to a consultant;
  - iii. The identity of the primary consultant on the Trust's account and whether another specific person is designated to handle matters when the primary consultant is not available;
  - iv. An organizational chart indicating the number of employees, including the average employee tenure, education, EEO data, etc., in each reporting unit for the respondent's consulting area; and
  - v. Brief biographical information for the primary consultant and any other individuals expected to be assigned to the Trust's account, including number of years in the most recent position.
- e. The respondent's litigation history within the last 10 years relating to professional services rendered.
- f. The respondent's internal Ethics and Conflicts of Interest Policies.
- g. The respondent's process for the search and selection of Investment Advisers and Emerging Investment Advisers, including:
  - i. A description of the database(s) used to track and evaluate Investment Advisers and Emerging Investment Advisers, including: the number of Investment Advisers and Emerging Investment Advisers 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 Advisers to access the database;

- ii. A specific description of the respondent's policy for increasing access by and outreach to Emerging Investment Advisers;
    - iii. The process used to select Investment Advisers for specific Asset Allocation Categories; and
    - iv. How the firm coordinates AIMR performance standards.
  - h. The respondent's process of monitoring and evaluating the performance of Investment Advisers, including:
    - i. The indices and composites used to evaluate Investment Advisers' performance within a specific Asset Allocation Category, as well as a fund's overall investment performance;
    - ii. A description of the peer group and performance benchmarks used; and
    - iii. A description of the process for determining when to recommend termination of an Investment Adviser.
  - i. The respondent's value-added services to its clients, including: investment policy development; asset and liability modeling; performance evaluation; custodian search and evaluation; and fee negotiations.
  - j. The respondent's performance measurement systems environment.
  - k. The reasonableness of the proposed fees, including the respondent's proposed retainer and fees for each service performed.
- 5. Quiet Period. There shall be a quiet period to ensure that the process of selecting a Consultant is efficient, diligent and fair.
  - a. The quiet period shall commence upon the deadline for the responses to the SFC and end when the selection has been made by the Board.
  - b. Initiation, continuation and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations.
  - c. During the quiet period, no Fiduciary shall accept meals, travel, lodging, entertainment or any other good or service of value from the respondents.
  - d. All authority related to the search process shall be exercised solely by the Trustees as a whole, and not by individual Trustees.

- e. While the quiet period does not prevent Trustee approved meetings or communications with an existing Consultant that is also a Consultant candidate, discussion related to the pending selection should be avoided during those activities.
  - f. A consultant candidate may be disqualified from a search process for a willful material violation of this Policy.
6. Delivery of Responses. Responses shall be submitted to the Executive Director in accordance with the terms in the SFC.
7. Discussions
- a. Notwithstanding the quiet period provided for in Section D.5 of this Policy, the Trustee through any designated Trustee, the Executive Director and staff may conduct discussions with consultant candidates to:
    - i. Determine in greater detail a consultant's qualifications; and
    - ii. Negotiate the various terms of the contract, including fees.
  - b. Timing of Discussions. Discussions with any designated Trustee, and with the Executive Director and staff, may be held before and after the responses to the SFC have been submitted.
  - c. No Disclosure of Information. The Trustees, Executive Director and staff shall not disclose publically any information contained in any responses until the presentation of the finalists at a Trustee meeting.
8. Award of Contract
- a. The Trustees shall select the Consultant(s) to be retained. The Trustees need not select the low bidding respondent or any respondent.
  - b. The Trustees through its designated Trustee, Executive Director, staff and counsel shall negotiate the final terms of the Consultant's agreement or the terms of any such other agreement as may be necessary. The Trustees may, in the interest of efficiency, negotiate with other consultants which were finalists, while negotiating with the Consultant chosen.
  - c. Nothing in this Section shall prohibit the Trustee from making a selection that represents the best value based on qualifications, fees and other relevant factors established in the responses being considered.
  - d. The Trustees shall not enter into a contract with a Consultant that exceeds 5 years in duration. No contract with a Consultant may be renewed or

extended, although at the end of the term of a contract a current Consultant is eligible to compete for a new contract, subject to the terms of this Procedure.

9. Notice of Contract. The Trust's decision(s) shall be public information and shall be posted on the Trust's website. Such notice shall include the name of the Consultant selected, the basis for determining the total fees to be paid, and a disclosure approved by the Trustees describing the factors that contributed to the selection of the Consultant(s).
10. Performance Review. Every twenty-four months each Investment Advisor will appear before the Investment Subcommittee or the Real Estate Subcommittee of the Trust and report upon the Trust investment with the Investment Adviser. The presentation will be preceded by a written report from the Investment Adviser for dissemination at least two weeks prior to the meeting with the Subcommittee. At the presentation the Consultant will critique the performance of the Investment Adviser. All performance reviews, 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.