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**Introduction:**

The Chicago Transit Authority Retiree Health Care Trust (the “Trust”), a Section 115 Trust, is requesting proposals from MWDBE investment management firms interested in providing index strategy investment management services to the Trust.

**Goal:**

The Board of Trustees is soliciting firms to provide index strategy investment management services. This Request for Proposal (RFP) is not an offer to contract but seeks the submission of proposals from qualified, professional firms. The Trust reserves the right to reject any or all proposals and to solicit additional proposals if that is determined to be in the best interests of the Trust.

Timeline:

RFP Date of Issue: October 14, 2024

RFP Due Date: November 1, 2024

Proposal Evaluation (Tentative): November 2024

Finalists Notification (Tentative): November 2024

Finalists Presentations (Tentative): December 2024

**Submission Process:**

The RFP process will be overseen by the Plan’s investment consultant, Marquette Associates. Questions concerning the RFP must be submitted via email to [**research5@marquetteassociates.com**](mailto:research5@marquetteassociates.com) and **rdelapenaalanis@marquetteassociates.com**. Any responses received after the deadline will not be considered for this search.

**Scope of Services:**

The manager shall serve as a fiduciary to the Trust and have independent discretionary authority with respect to the management of the portfolio and subject to the agreed upon objectives and guidelines. The portfolio objectives and guidelines will be illustrated in the IMA, once agreed upon by the Trust and the investment manager. The Respondent, a qualified investment adviser, will directly manage assets for the Board in a commingled fund or separate account, depending on the index strategy selected.

**Minimum Qualifications:**

To be qualified to participate in the RFP, all respondents must meet all the following minimum qualifying criteria. The respondent must:

1. Accept responsibility as a co-fiduciary with respect to the work performed and investment recommendations made by the Firm.
2. The firm must be a registered investment advisor with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended, and the registration must be current.
3. The firm/manager must have an Errors & Omissions Insurance Policy minimum of $5 million.
4. Comply with all applicable Federal and State laws regarding investment entities.
5. Maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems.
6. Maintain sufficient cybersecurity procedures and capabilities to ensure the safety of client data and assets.
7. The Investment Manager must acknowledge that it has reviewed the Illinois Pension Code and that the proposed investment will be subject to the applicable provisions of the Illinois Pension Code (40 ILCS 5/1).  For a complete review, please visit:

* [40 ILCS 5/ Illinois Pension Code. (ilga.gov)](https://linkprotect.cudasvc.com/url?a=https%3a%2f%2fnam12.safelinks.protection.outlook.com%2f%3furl%3dhttps%253A%252F%252Fwww.ilga.gov%252Flegislation%252Filcs%252Filcs4.asp%253FActID%253D638%2526ChapterID%253D9%2526SeqStart%253D100000%2526SeqEnd%253D6300000%26data%3d05%257C01%257Csrosenblat%2540baumsigman.com%257Ce0e87d50fd644371a3b608db2c8b09db%257C5d2c26b2d95c4196a9ecddc05de2db48%257C1%257C0%257C638152747924471081%257CUnknown%257CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%253D%257C3000%257C%257C%257C%26sdata%3drbS9ibxTNWHMHcQCQQ08hl6XRzCs9Y7AfqqBlw67I%252Bw%253D%26reserved%3d0&c=E,1,U-Dk_UDBfWgsD8PUEOOuaFpvqIn1KIqjh9bpOk7tx6zxnrvyFjtr119CiEDgBdusj624rAyfi-p0hIdrnLvLXcr4YjcO042mXuV0R9XXJtfPqg,,&typo=1)

1. The respondent firms must be at least 51% minority, women, or disabled owned.

If respondent does not meet any of the minimum qualification requirements above, respondent should not submit a proposal to the Trust.

**Evaluation Criteria:**

1. Investment Philosophy and Methodology
2. Firm Background, Experience and Reputation
3. Portfolio Management and Client Services
4. Reasonableness of Fees
5. Fit with the Plan’s Overall Investment Policy and Allocations Among Existing Investment Advisers
6. Performance

The Plan will select the Manager it determines to be fully qualified and best suited among those submitting proposals. ***All proposals received in response to this RFP may be rejected and the Plan may seek new or additional proposals or may decline to select any Manager.***

The consultant, with the guidance of the Plan’s staff, shall determine how well the proposal meets the review criteria. The consultant shall present a list of higher qualified respondents to Plan staff.

**Quiet Period:**According to the Trust’s Procurement Policy for Investment Advisers, the Quiet Period shall begin as of the publication date of this RFP and end when the selection has been made by the Board. The Quiet Period prohibits respondents from communicating with the Board or staff regarding any product relative to this search. During the Quiet Period, the Board, staff and consultant cannot accept meals, travel, lodging or any other goods or service of value from the respondents. A respondent will be disqualified for violating the Quiet Period. Questions regarding the search shall be forwarded to the consultant.

**Post Performance Review Process:**

Post performance review, including termination, shall be conducted in accordance with the Trust’s Formal Investment Policy.  
  
**Disclosure of Proposal Content:**

Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act, 5 ILCS 140. The law requires that at the conclusion of the selection process, the contents of all proposals be placed in the public domain and be open to inspection by interested parties. Trade secrets, confidential or proprietary information must be clearly identified as such in the proposal and will not be released to the extent permitted by law.

**Disposition of Proposals:**

All proposals become the property of the Trust and will not be returned to the respondent. The Trust reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance of the conditions contained in this RFP.

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**Index Manager Request for Information**

**I. Firm**

1. Please provide the year your firm was established and give a brief history of your firm.
2. Please provide the organization’s name, and the name, title, address, phone number, fax number, and email address of the individual who will be our primary contact.

1. Please provide the address and website of the firm’s headquarters and all branch offices.
2. Please comment on the financial solvency of your firm.
3. Please provide a brief description of your firm’s plans for growth, such as asset growth, personnel growth, succession planning, over the next 3-5 years.
4. Please give succession plans for key employees if retirements are planned within 5 years.

**II. Ownership**

1. Please discuss your general ownership structure, including what percentage of your firm is owned by current active employees.
2. Have there been any changes in the ownership structure of your firm in the past five years? If yes, please explain in detail.
3. Please explain any known or potential changes in firm ownership or personnel.

**III. Client Breakdown**

1. Please provide the firm’s breakdown by clients as of the current date (as measured by % of assets under management) using the following format. Please provide a brief explanation as to the contents of “other.”

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Corporate** | **Foundation/**  **Endowment** | **HNW/**  **Family** | **Insurance/**  **Financial** | **Mutual Fund** | **Public** |
| **Firm** |  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Religious** | **Taft-Hartley** | **Sub-Advisory** | **Wrap\*** | **Other** |
| **Firm** |  |  |  |  |  |

1. Please provide the approximate client turnover at the *firm* using the format below.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **YTD** |
| **# of Clients Gained** |  |  |  |  |  |  |  |
| **Assets ($MM) Gained** |  |  |  |  |  |  |  |
| **# of Clients Lost** |  |  |  |  |  |  |  |
| **Assets ($MM) Lost** |  |  |  |  |  |  |  |

**IV. Investment Professionals**

*Firm Specific:*

1. Please provide brief biographies of the key investment professionals (analysts/portfolio managers/traders) at the firm.
2. Please discuss the compensation plan of the investment professionals.
3. Please specifically describe whether the bonus plans are based on asset growth, investment performance, or some combination. If any or part of the compensation is based on investment performance, please specifically cite the performance measurement (performance vs. peers, vs. benchmark) and the time period involved (1 year, 3 years, or a weighted measurement).
4. Are the investment professionals under employment contracts with the firm?
5. Discuss all turnover of investment professionals (analysts/portfolio managers/traders/ marketers) in the firm during the last three years.
6. Is your firm represented by any third party firm or individual whose purpose is marketing and/or gathering assets for the firm? If so, list all relationships and compensation structure.
7. Are you a registered MWDBE (at least 51% minority owned) investment manager? If so, please attach state or local registration. Please provide a specific ownership breakdown that supports your MWDBE status.

*Index Product Specific:*

1. Please provide brief biographies of the investment professionals (analysts/portfolio managers/traders/operational due-diligence personnel) that work on index products.
2. What is the estimated percentage of time each professional devotes solely to index products?

**V. Products Offered**

1. What are the total assets for the various index products offered by your firm using the following table:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **AUM (millions)** | | |  | |
| **Product** | **2022** | **2023** | **YTD** | | **Vehicle: CF, SA, or MF** | |
| Russell 3000 |  |  |  | |  | |
|  |  |  |  | |  | |
| List All Strategies |  |  |  | |  | |
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1. What are the minimum account sizes for all your index products and vehicles? Please specify by index.

**VI. Compliance**

1. Please attach a copy of your firm’s Code of Ethics.
2. Is your firm affiliated with a broker dealer?
3. Are you compliant with GIPS® Standards? If not, please explain why.
4. Have you contracted with an outside firm to conduct a GIPS® verification? If yes, please indicate the last verification year and name of outside firm. If yes, please provide the most recent verification letter.
5. Are you a registered investment advisor? Please attach a copy of your ADV Part II.
6. Please provide a brief description of any past or pending regulatory action, litigation, or other legal proceedings involving the firm or any registered employees and/or principals as defendants in the last 5 years.
7. Are you currently, or have you ever been, out of compliance with the SEC, DOL, or any other regulatory agency in the past 5 years? If yes, please explain.
8. Has your firm been audited by the SEC, DOL, or any regulatory agency in the past 5 years?
9. What is your firm’s Errors & Omissions (E&O) Insurance policy limit in millions? Please attach proof of E&O Insurance coverage.
10. When was your last audit by the SEC, DOL or any regulatory agency? Please be specific and provide month and year.
11. Please explain any and all findings on your most recent SEC audit, including minor deficiencies. Please attach a copy of the SEC Review findings and firm responses.
12. Do you have a dedicated compliance officer?
13. Does your compliance officer serve other roles within the firm? If so, please describe.
14. Who is the firm’s independent auditor?
15. How long has the firm’s independent auditor been serving in this capacity?
16. Who is the firm’s legal counsel or do you use an in-house legal team?
17. Please provide a copy of your firm’s disaster recovery and business continuity plans.
18. Please address the most recent dates and the numbers of times you have practiced and tested your disaster recovery procedures in the past 5 years, and the results of those exercises.
19. Please address your back-up capabilities and/or offsite location, particularly related to your trading desk, in the event your primary office location was inaccessible.
20. Please provide a copy of your firm’s cybersecurity policy. Have you ever experienced a breach in security? Please explain.
21. What is your firm’s personal trading policy?
22. What are your procedures for personal trading policy violations?
23. How many violations of your personal trading policy have occurred in the past 12 months? Please describe the nature of each violation.
24. What software, systems and/or processes ensure client-specific guidelines and regulations are adhered to?

**VII. Trading and Soft Dollars**

1. Please describe your firm’s policy on soft dollar trading.
2. Please list the top five brokers utilized in the **last calendar year**:

|  |
| --- |
| **Broker** |
| **1)** |
| **2)** |
| **3)** |
| **4)** |
| **5)** |

1. If a client requests no soft dollars be used in the construction of their separate account, can you comply?

1. Please describe the trading platforms utilized by your firm’s trading desk.
2. Do you utilize minority-owned brokerage firms for trades?
3. Please provide a list of the top 5 minority-owned brokerage firms you utilize.

|  |
| --- |
| **Broker** |
| **1)** |
| **2)** |
| **3)** |
| **4)** |
| **5)** |

1. Are you conducting step-outs or direct trades with minority-brokerage firms?
2. What percentage of your firm’s actual trades are with minority-owned brokerage firms?
3. Please discuss your portfolio manager’s interaction with your trading desk.
4. How are orders communicated, does the portfolio manager specify price, etc.
5. Do you utilize securities lending withing your index funds? If so, please provide guidelines for each fund that utilizes securities lending.

**VIII. Product Investment Process**

1. What distinguishes your firm from other investment managers with respect to index products?
2. How does your firm replicate the index – full replication or sampling? If different for various index products, please list each index product and the replication strategy utilized.
3. What is the expected tracking error of the index product options at your firm?
4. How are trading and transaction costs minimized?
5. How do the product options manage index reconstitution (if applicable)?
6. Has there been a time when any product options have either underperformed or outperformed the relevant index by more than expected in any given year? Please detail all periods and provide details on why.
7. How is liquidity managed for the product options? If cash is held, how is equity exposure maintained?

**IX. Fees and Other**

1. What are your standard fee schedules for all available index products?
2. What are your proposed fee schedules for this mandate specifically?
3. What is the current Most Favored Nations Policy?
4. How do you ensure compliance with this policy?
5. Please provide three references, including contact phone number and email address.

**X. Attachments and Disclosure**

Please check off items included as attachments. If any **required** items are excluded, please indicate an alternate means for our review of requested items.

**Required Included?**

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ADV Part II

SEC Review Findings Letter

Disaster Recovery and Business Continuity Plans

Cybersecurity Policy and Procedures

Code of Ethics

Proof of E&O Insurance Coverage

Historical Monthly Returns for available products in excel

**Include, if Applicable Included?**

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|  |

State or Local Registration for MWDBE

GIPS Verification Letter

**Chief Compliance Officer Signature**

I, chief compliance officer of , have reviewed all of the aforementioned statements and documents. To the best of our ability, we believe all statements and documents to be accurate, truthful and timely.

Signature

Print Name