Firemen’s Annuity & Benefit Fund of Chicago

Search for Investment Advisor (“SIA”)

*SECTION 1 – OVERVIEW*

1.1 INTRODUCTION

The Firemen’s Annuity & Benefit Fund of Chicago (“the Fund”) is searching for an investment advisor from qualified investment advisors (“Respondent(s)” or “Advisor(s)”) to manage the following investment mandate in a fiduciary capacity to the Fund:

 **Private Equity Fund of Funds. The approximate mandate will be up to $30 million in commitments spread over three years. Final commitment amounts will be based on factors such as the selected advisor’s fund offering frequency and updates to the Fund’s pacing and commitment strategy.**

 **The advisor shall have skillset to allocate capital globally to primary funds, including minority-owned managers, to secondary funds and to co-investments. The Fund is seeking a platform that is diversified across vintage year, industry sector, geographically, and strategy type. In order to be considered, the advisor must be raising a fund with a closing date no later than December 30, 2020.**

A qualifying investment advisor must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company similarly registered. Investment advisors must also certify the responding firm meets the minimum guidelines presented in Section 2 of this SIA. Once selected, the Retirement Board (the “Board”) requires that each investment advisor provide, in writing within a negotiated side letter, acknowledgment of fiduciary responsibility to the Fund as required in the Illinois Pension Code.

It is the public policy of the State of Illinois to encourage the Fund’s Board of Trustees 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 of Trustees to use its best efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its external investment managers and consultants (4 ILCS 5/1-109.1). Consistent with that effort, the Board will consider a broad range of candidates and actively consider minority, female and disabled person-owned business enterprises (MWDBE) that also have the required capabilities for this SIA.

The Fund shall conduct the SIA process in accordance with applicable provisions of the Illinois Pension Code, the Fund’s Ethics Policy and any other relevant authority under the Illinois Compiled Statutes. The Fund will post notice of this SIA on its website and at least one industry periodical. Neither this SIA nor any response to this SIA shall be construed as a legal offer. All material submitted in response to the SIA will become the property of the Fund. The Fund is not responsible for any costs incurred by the Respondents in responding to this SIA.

The Fund reserves the right to reject any or all proposals submitted. All proposals submitted will be evaluated by members of the Fund’s investment staff and the Fund’s consultant. Advisors may be asked to make formal presentations of their proposals to the investment staff, Investment Committee and/or the Board. Selection of the investment advisor is subject to final approval by the Board.

Pursuant to 40 ILCS 5/1-145 of the Illinois Pension Code, no Respondent shall retain a person or entity to influence (i) the outcome of an investment decision or (ii) the procurement of investment advice or services of the Fund for compensation contingent, in whole or in part, upon the decision or procurement.

1.2 TIMELINE FOR AWARD OF MANDATE

|  |  |
| --- | --- |
| **Date of Issue** | September 18, 2019 |
| **Deadline for SIA Questions** | October 4, 2019 (Noon CDT) |
| **Q&A Document posted to Fund’s website** | October 11, 2019 |
| **SIA Submission Due Date** | November 1, 2019 (3:00 PM, CDT) |
| **Finalist Presentation** | January/February 2020 |
| **Selection of Advisor** | January/February 2020 |
| **Tentative Funding Date** | TBD |

This timeline may be subject to revision. Any changes to the timeline will be posted on the Fund’s website.

Any Respondents failing to submit proposals in the time-line provided above or Respondents submitting incomplete responses will not be considered.

**QUIET PERIOD**

A Quiet Period will be in effect during the entire SIA process. The Quiet Period is the period of time beginning when the Board approves the issuance of the SIA and ends after successful contract negotiations with the selected Advisor approved by the Board. The purpose of the Quiet Period is to ensure that all Respondents have equal access to all information regarding the search objective and requirements, to be certain that communications are consistent and accurate and to make the search and selection process diligent, efficient, and fair.

Respondents shall not contact any member of the Board or staff during the Quiet Period and should direct all questions and communications as directed in Section 1.3 of this SIA. If any Board member is contacted by a Respondent, the Board member shall refer the Respondent to Fund’s consultant, Callan LLC (“Callan”).

The Board and staff shall refrain from directly or indirectly communicating with any Respondent regarding any product or service related to the search during the Quiet Period. Communication which takes place during a formal site visit or interview conducted as part of the SIA, as directed by the Board or the Fund’s Investment Committee, is permitted. The quiet period does not prevent Board approved due diligence, client conference attendance or communications with an existing service provider that happens to be a Respondent in the ordinary course of services provided by such service provider; however, discussions related to the pending selection shall be avoided during those activities.

Respondents may be disqualified for violating the terms of the Quiet Period. Offering or providing anything of value (meals, travel, hotel, etc.) to the Board or staff is strictly prohibited and may result in immediate disqualification.

1.3 INQUIRIES

|  |
| --- |
| **Verbal inquiries from Respondents will not be accepted. All questions pertaining to this SIA should only be submitted via email to:** **ChicagoFireSearches@callan.com** **and CIO@fabf.org****All inquiries must be received no later than October 4, 2019. Generalized responses to inquiries will be posted to the Fund’s website no later than October 11, 2019.** |

During the evaluation process, the Fund retains the right to request additional information or clarification from the Respondents to this SIA.

1.4 SUBMISSION OF PROPOSAL

Callan shall oversee the SIA process in conjunction with the Fund’s investment staff. Respondents interested in submitting a proposal must submit their responses in accordance with the proposal submissions instructions below.

All proposals must be complete in every respect and must answer clearly and concisely all questions presented in this SIA.

|  |
| --- |
| **Soft copy should be sent to** **ChicagoFireSearches@callan.com** **and** **CIO@fabf.org****. Submissions must be received by 3:00 PM, CDT, November 1, 2019. (No hardcopies are requested.)** |

1.5 DISCLOSURE OF SUBMITTED PROPOSALS

Illinois law requires that at the conclusion of the selection process, the contents of all proposals may be placed in the public domain and be open to inspection by interested parties consistent with the requirements of the Illinois Freedom of Information Act. Trade secrets or proprietary information must be clearly identified as such in the proposal. The Respondent must also specific which statutory exemption applies for each piece of confidential information consistent with the requirements of the Freedom of Information Act. Any claim of privileged or confidentiality is not definitive and the Fund has the right and the legal obligation to determine whether such information is exempt from disclosure under the Freedom of Information Act. The Fund reserves the right to make all determinations with respect to whether something is exempt from disclosure pursuant to the Freedom of Information Act and Respondents shall have no claim against the Fund for any materials that the Fund discloses pursuant to its obligations under the Freedom of Information Act.

1.6 SIGNATURE OF RESPONDENT

The tendered documents, and any clarifications included, shall be signed by an officer of the submitting firm or a designated agent empowered to bind the firm in a contract.

*SECTION 2 – MINIMUM REQUIREMENTS*

In order to be considered for selection, the Respondent must provide documented proof via a completed Statement of Certification (see Section 5) that the following minimum qualifications listed below are met:

1. Respondent is an investment adviser registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940 or a bank or insurance company similarly registered.
2. Respondent agrees to act as a fiduciary to the Fund in accordance with the Illinois Pension Code.
3. Respondent and its personnel have all authorizations, permits, licenses and certifications required by federal, state and/or local law
4. Respondent must have an existing global, diversified private equity fund-of-funds platform, including both dedicated primary and secondary products.
5. Respondent must have five years or more experience managing global, diversified private equity fund-of-funds portfolios, including both dedicated primary and secondary products. Qualified Women, Minority, or Disabled Owned Businesses are exempt and will be evaluated for further consideration at the Fund’s discretion.
6. Respondent must have raised at least $3 billion in previous commingled vehicles. Qualified Women, Minority, or Disabled Owned Businesses are exempt and will be evaluated for further consideration at the Fund’s discretion.
7. Respondents must have raised at least two prior funds and will be raising at least $500 million in the current fund. Qualified Women, Minority, or Disabled Owned Businesses are exempt and will be evaluated for further consideration at the Fund’s discretion.
8. Respondent will carry errors and omissions insurance or comparable instruments to cover negligent acts or omissions.
9. Respondent must maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems.
10. Respondent must have a company policy and practice of equal employment opportunity and non-discrimination based on race, creed and/or gender.
11. Respondent must comply with the Fund’s Ethics Policy (Attachment 1) and the Fund’s Statement of Investment Policy (Attachment 2)

*SECTION 3 – SELECTION AND EVALUATION PROCESS*

The Fund’s investment staff and its consultant shall objectively review the responses received to identify qualified candidates based solely on the criteria presented in the SIA. Callan will identify all SIA’s received from minority, women and disabled person’s business enterprises (“MWDBE”).

Fund Trustees, investment staff and consultant members may interview all, some, or none of the Respondents. Investment Committee members, investment staff and consultant may undertake site visits to Respondent offices, and conduct such other due diligence the Fund’s Investment Committee deems appropriate.

Fund investment staff and consultant will recommend finalists to the Investment Committee or Board during a public meeting of the Investment Committee or Board, including at least one qualified MWDBE respondent, if appropriate.

The Investment Committee may interview finalists and will determine if a recommendation for the award of a contract will be made to the Board.

The Fund reserves the right to award this mandate to the Advisor which, in its sole opinion, will provide the best match to the requirements of the SIA, to reject any Respondents due to noncompliance with the requirements and instructions in the SIA and not to hire or defer the hiring of an Advisor for investment management services.

*SECTION 4 – FUND INFORMATION*

4.1 PLAN DESCRIPTION

The Firemen’s Annuity & Benefit Fund of Chicago is a public employee retirement system established and governed by the Illinois Pension Code (40 ILCS 5/1-101 *et seq*). The Fund is established to provide for the present and future benefit payments for all active and retired Chicago firefighter participants and their beneficiaries. The Fund currently has nearly 9,400 participants.

4.2 SUMMARY OF INVESTMENT OBJECTIVES

The primary investment objective of the Fund is to obtain the highest return possible on Fund investments within corresponding acceptable levels of investment risk and liquidity requirements, in recognition of prudent person standards and compliance with the Illinois Statutes governing the operation and activities of the Fund.

Due to the underfunding of the Fund’s actuarial liabilities, the investment strategy of the Fund must emphasize the greater need for longer term growth of capital while fulfilling the immediate liquidity requirements of the Fund’s benefit payout. To maximize the potential gain on assets, the Fund has decided to maintain a fully invested position in accordance with the established target asset allocation.

4.3 PORTFOLIO DESCRIPTION

The Fund’s portfolio is a fully invested, diversified, global portfolio managed entirely by external investment advisors. Total invested assets held by the Fund at the end of the first quarter of 2019 were $897 million. The Fund’s target allocation, as of June 30, 2019, is as follows:

 Broad US Equity 35%

 Global ex-US Equity 25%

 Fixed Income 20%

 Real Return:

 TIPS 2%

 Commodities 2%

 Global REITs 4%

 Real Estate 4%

 Private Equity 4%

Liquid Diversifying Assets 4%

*SECTION 5 –SEARCH for INVESTMENT ADVISOR QUESTIONNAIRE*

5.1 SUBMISSION REQUIREMENTS:

Respondents are required to provide an electronic response that includes the Statement of Certification, answers to the SIA questionnaire (including requested supporting documents), and additional disclosures.

5.2 PRESENTATION FORMAT:

The Statement of Certification included in this SIA must be displayed ahead of the Advisor’s responses to the SIA Questionnaire.

*Sample Format Only:*

Section 1: Statement of Certification

Section 2: Responses to Search for Investment Advisor Questionnaire

1. Organization
2. Personnel
3. Private Equity Investments Under Management and Services
4. Investment Approach
5. Investment History
6. Other
7. Sustainable Investing Principles
8. Fees
9. Proposed Product
10. Contact Information
11. Additional Disclosures

Section 1

***STATEMENT OF CERTIFICATION***

By submitting this Search for Investment Advisor Questionnaire, (Advisor Name) certifies the following statements are true:

⁮ The Advisor is duly registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940 or a bank or insurance company similarly registered.

⁮ The Advisor agrees to act as a fiduciary to the Fund in accordance with the Illinois Pension Code.

⁮ The Advisor and its personnel have all authorizations, permits, licenses and certifications required by federal, state and/or local law

⁮ The Advisor has an existing global, diversified private equity fund-of-funds platform, including both dedicated primary and secondary products.

⁮ The Advisor has five years or more experience managing global, diversified private equity fund-of-funds portfolios, including both dedicated primary and secondary products.

⁮ The Advisor has raised at least $3 billion in previous commingled vehicles.

⁮ The Advisor has raised at least two prior funds and will be raising at least $500 million in the current fund.

⁮ The Advisor carries errors and omissions insurance to cover negligent acts or omissions.

⁮ The Advisor has procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems.

⁮ The Advisor has a company policy and practice of equal employment opportunity and non-discrimination based on race, gender and/or creed.

⁮ There are no past or present litigation or regulatory actions against the Advisor or any current employees at the time of submitting the SIA.

⁮ No fees, direct or indirect, commissions, penalties and other compensation including reimbursement for expenses for expenses paid by or on behalf of the Advisor in connection with the provision of services to the Fund or responding to this SIA have been paid by the Advisor.

⁮ The Advisor understands and will comply with the Fund’s Quiet Period, defined in section 1.2 of the SIA.

⁮ The Advisor understands and will comply with the Fund’s Ethics Policy and the Fund’s Investment Policy Statement.

⁮ The Advisor understands that the Fund accepts no obligation for costs incurred by the Respondents in anticipation of being awarded a contract.

⁮ The Advisor understands that the Fund is exempt from federal, state and local taxes and will not be responsible for any taxes levied on the Respondent as a result of any contract resulting from this SIA.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Signature Name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Date Title

Section 2

***SEARCH for INVESTMENT ADVISOR QUESTIONNAIRE***

**Respondents are required to provide an electronic response in .pdf format.**

The Private Equity Manager-of-Managers Questionnaire will be the primary source of information for FABF and Callan to select which candidates will be invited to become finalists in this search. Therefore, it is important that the information provided be complete and in the format requested. **Please keep your response to no more than 30 pages, excluding attachments.** Most questions can be answered with a brief response.

Callan has modified questions in this version of the questionnaire. If you are working from the text of a prior response, please ensure that the answers and data tables reflect the new formats. An Excel Workbook named Callan PE FOF QST EXHIBIT TABLES in included in the search package and has Excel versions of most tables in the questionnaire. Please either fill out excel sheet or the tables in the Word doc. There is no need to complete both.

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# ORGANIZATION

1. Name of Firm:

Main Address:

Federal Employer Identification Number:

Please list all other branch offices, domestic and international, including function:

1. Type of Firm:

(i.e. independent; affiliate of bank, insurance company, broker, other - specify)

Is the firm a Registered Investment Advisor under the Investment Company Act of 1940? If yes, please separately enclose a copy of your most recent SEC Form ADV. If not does the firm intend to register and when?

If the firm is not registered with the U.S. SEC, please describe any other regulatory body that oversees your firm that is comparable to the U.S. SEC. Please attach any descriptive information on your firm’s securities regulator and separately enclose a copy of your most recent comprehensive filings that with the regulator.

1. Year Founded: Firm: Parent: (If applicable)

Comments:

Please provide an organizational chart depicting the relationship of the firm/division to the parent and affiliated companies.

1. A) Ownership Structure: (Check most appropriate one)

\_\_\_\_\_ Corporation (Public/Private)

\_\_\_\_\_ Partnership

\_\_\_\_\_ Employee-owned

\_\_\_\_\_ Joint Venture

\_\_\_\_\_ Subsidiary of: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_ Other (Describe)

B) Please provide a schedule detailing the amount of ownership in the firm by employees and third parties.

1. If the firm is a subsidiary or division of a financial service organization, please describe the reporting and control functions existing between the Private Equity Group and the parent.
2. Is your Private Equity organization covered by errors and omissions insurance? If yes, how much $\_\_\_\_\_\_\_\_. List any other insurance types and amounts covering your Private Equity group. Please provide proof of coverage.
3. Have there been any changes in the ownership structure of the firm in the last 10 years?

If yes, when? Please describe the nature of the change.

1. Legal and regulatory actions:
2. Has the firm ever been sued or has it ever sued another party? Please comment. Is the firm currently involved in any litigation? If so, please provide a detailed list of outstanding litigation to which the firm is a party.

b) Are you currently out of compliance with the SEC, DOL, or any other regulatory agency? (Yes or No). If Yes, please explain.

c) Please list and describe any litigation or administrative actions directed against your organization or any of its offices or directors related to the operation of your organization during the last 5 years.

1. Please provide a brief historical summary of the organization's involvement in private equity investments.
2. Will your firm act as a fiduciary to the Fund in accordance with the Illinois Pension Code with respect to the work performed by your firm and for specific partnership investment decision made by your firm?
3. Will the selection of your firm by FABF result in a payment or compensation to any third party or in-house organization, placement agent, lobbyist, or finder? If so, please identify the party and the nature of the compensation arrangement.
4. What processes/systems are there in place for dealing with cybersecurity threats and protections? Have there been any security breaches? If yes, explain. Please attach cybersecurity policy and proof of cyber security insurance, if applicable.

#### PERSONNEL

1. Please complete firm diversity chart

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   | Total | Non-Minority | African | Hispanic/ | Other | Total Minorities |
| Work Group | Employees | Female | American | Latino | Minority | and Females |
| Senior Executives / Mgmt. | 0 |   |   |   |   | 0 |   |
| Inv. Professionals (Excluding Traders) | 0 |   |   |   |   | 0 |   |
| Inv. Professionals (Traders) | 0 |   |   |   |   | 0 |   |
| Inv. Professionals (Excluding Sales / Marketing & Client Service) | 0 |   |   |   |   | 0 |   |
| Sales / Marketing & Client Services | 0 |   |   |   |   | 0 |   |
| Office / Clerical | 0 |   |   |   |   | 0 |   |
| Technicians | 0 |   |   |   |   | 0 |   |
| Other Non-Professionals | 0 |   |   |   |   | 0 |   |
| Total | 0 | 0 | 0 | 0 | 0 | 0 |   |
| Percentage of Workforce | 100% | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |   |

1. Key Personnel - List below those individuals who are involved in the firm's Private Equity decision making process (add additional rows as necessary).

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Title** | **A** | **B** | **C** | **D** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

(A) = % Time spent on investment activities (vs. non-investment such as firm management, client service, business development, etc.)

(B) = Years with this firm

(C) = Years of private equity investment experience

(D) = Years of overall investment experience

1. Please include brief biographies for all the Private Equity Investments professionals in the firm.
2. A) Provide the number of professional and support personnel in each of the following categories: (private equity only)

|  |  |
| --- | --- |
| **Position** | **# Persons** |
| Sr. Investment Professionals |  |
| Jr. Investment Professionals |  |
| Other Sr. Non-Inv. Professionals |  |
| Monitoring and Support |  |
| Marketing/Client Service |  |
| Other |  |
| **Total** |  |

B) What is the number of the firm’s total staffing and private equity-specific employees?

1. Indicate the turnover (number of people) that occurred in your private equity investments’ staff during the years listed below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   |   |   | Partners & | Partners & |   |
|   | Staff | Staff | Key Personnel | Key Personnel | Net |
|   | Additions | Terminations | Additions | Terminations | Totals |
| 2019 YTD |  |  |  |  |  |
| 2018 |  |  |  |  |  |
| 2017 |  |  |  |  |  |
| 2016 |   |   |   |   |   |
| 2015 |   |   |   |   |   |
| 2014 |   |   |   |   |   |

1. Please explain any turnover, and turnover of senior professionals. Please include details for partners and key investment decision-makers, including whether they were replaced and whether any replacement was internal or a new hire.
2. What would you consider your key professionals’ competitive advantage in making private equity investments?
3. What private equity research does your firm’s investment professionals’ conduct as part of or in addition to their normal responsibilities?

PRIVATE EQUITY INVESTMENTS UNDER MANAGEMENT AND SERVICES

1. Please provide a breakdown of the private equity investments (PE) assets under management of the firm as of 6/30/2019, by number of accounts, uncalled commitments, NAV and both combined. A fund-of-funds should be listed as a single “account,” but number of clients should represent the number of investors in fund-of-funds vehicles, please do not double count clients in multiple vehicles. Please provide any comments or footnotes necessary to clarify your firm’s assets under management. *(Note: The Uncalled and NAV totals should reconcile with the information in Tab 4 (Summary FOFs Performance) of the spreadsheet titled “CALLAN FOF QST PERFORMANCE.XLS” (see Question #54)*.

***By Mandate Type:***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Account Type** | **# Accounts** | **Uncalled Commitments** | **NAV ($ mil)** | **Uncalled+NAV** |
| Fund-of-funds |  |  |  |  |
| Secondary Funds |  |  |  |  |
| Direct Co-Investments |  |  |  |  |
| Separate Accounts: |  |  |  |  |
|  Discretionary |  |  |  |  |
|  Fund-of-Ones |  |  |  |  |
|  Non-Discretionary |  |  |  |  |
| **Total PE Accounts** |  |  |  |  |

***By Investor Type:***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Investor/Client Type** | **# Clients** | **Uncalled Commitments** | **NAV****($ mil)** | **Uncalled+NAV** |
| Public Pension Plans |  |  |  |  |
| Corporate Pension Plans |  |  |  |  |
| Foundations and Endowments |  |  |  |  |
| Financial Institutions (Banks, Ins.) |  |  |  |  |
| Other (HNW Individuals) |  |  |  |  |
| **Total Clients** |  |  |  |  |

1. By fund and/or account, please attach a list of representative institutional investors in the firm’s private equity products.
2. What amount of “dry powder” or capital needs to be deployed over the next five years? Please estimate future funding (commitment) requirements over the next five years for all clients and/or commingled vehicles in the table below. Please include both existing vehicles and new vehicle expected to be raised over this period. Please provide actual client or vehicle names.

**Estimated Future Client Investment Requirement Analysis (in $ million)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Est. Future Commitments** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Client/Commingled Vehicle | 0 | 0 | 0 | 0 | 0 |
| Client/Commingled Vehicle | 0 | 0 | 0 | 0 | 0 |
| Client/Commingled Vehicle | 0 | 0 | 0 | 0 | 0 |
| Etc. | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 |

1. What is the firm's plan for future growth and capacity for future growth?
2. Please describe your firm’s allocation policy for investments among clients and vehicles and attach a copy of the firm’s allocation policy. What is the waterfall for allocating a highly subscribed partnership offering, or other investment opportunities where client-base appetite exceeds the available commitment?

INVESTMENT APPROACH

*Philosophy*

1. Briefly describe your investment philosophy regarding private equity assets.
2. How do you approach allocations across different types of private equity strategies in your fund-of-funds vehicle (small versus large buyout, venture, growth equity, special situation, mezzanine, distressed/restructuring)? Do you plan to include any secondary or co-investments?

Please use the table below to indicate your “model portfolio” by strategy and use the target asset size for FABF (up to $30 million of commitments over the commitment period). Please use the following exact format (please add or delete rows as necessary):

|  |  |  |  |
| --- | --- | --- | --- |
| Strategy | # of | Total $ to | % to |
| Type(1) | Invs | Strategy ($mil) | Strategy |
|   |  |   |   |
|   |  |  |   |
|   |  |  |   |
|   |  |  |   |
|   |  |   |   |
| Total Investments | 100% | $30,000,000  | 100% |

(1) Make selections from list in Question 38and provide as much strategy detail as practicable.

1. What is your approach to country or region allocation?

Please use the table below to indicate your “model portfolio” by Country/Region and use the target asset size for FABF (up to $30 million of commitments over the commitment period). Please use the following exact format (please add or delete rows as necessary):

|  |  |  |  |
| --- | --- | --- | --- |
| Region | # of | Total $ to | % to |
|   | Invs | Strategy ($mil) | Strategy |
| N America (US/Canada) |  |   |   |
| Developed International  |  |  |   |
| Emerging Markets |  |  |   |
| Other (footnote type) |  |   |   |
| Total Investments | 100% | $30,000,000  | 100% |

1. Have prior vehicles used a line of credit? Does the fund charge management fees on the leverage capital invested? If the line of credit was employed, please complete a table for each fund where a line of credit was allowed. Please add rows as necessary.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Fund Name** | **Year** | **Commitments** | **Maximum Leverage Allowed** | **Maximum Leveraged Employed** |
| Fund A |  |  |  |  |
| Fund B |  |  |  |  |
| Fund C |  |  |  |  |

1. What is the firm's policy/approach regarding developed or "brand name" funds versus developing funds (e.g. first-time funds and general partner “reconstitutions” or “spin-outs”)?
2. Please describe your ability to invest the client’s account with “brand name” partnerships, which are normally inaccessible to new investors. What part of the portfolio would be with “brand name” general partners vs. partnerships openly seeking funds?
3. What is your firm’s definition of a “high quality” general partner?
4. What is your policy on investing in smaller (below $200 million) or first-time funds?
5. What is your policy on investing with MWDBE firms?
6. If you provide direct/co-investment or secondary investing services, please describe their roles in your fund-of-funds portfolios.
7. What distinguishes your firm from other private equity manger-of-mangers?
8. Describe your firm’s methods for proactively accessing deal flow and process for screening investments.
9. Please indicate how many partnerships or other investments, by type, between 01/01/2009 and 6/30/2019 (10.5 years) your firm has:

A) Identified and preliminarily reviewed

B) Began due diligence on

C) Closed investments in; and

D) Dollar amount you have invested

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Strategy** | **A** | **B** | **C** | **D** |
| Early‑Stage VC | 0 | 0 | 0 | 0 |
| Later‑Stage VC | 0 | 0 | 0 | 0 |
| Multi‑Stage VC | 0 | 0 | 0 | 0 |
| Growth Equity | 0 | 0 | 0 | 0 |
| Small Buyouts | 0 | 0 | 0 | 0 |
| Larger Buyouts | 0 | 0 | 0 | 0 |
| Industry-focused | 0 | 0 | 0 | 0 |
| Restructuring/Distressed | 0 | 0 | 0 | 0 |
| Subordinated Debt | 0 | 0 | 0 | 0 |
| Secondary Purchases | 0 | 0 | 0 | 0 |
| Co-Investments | 0 | 0 | 0 | 0 |
| Other (Please Specify) | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |

Of the total number of partnership in Column C, what is the total number of discrete general partner firms (i.e., count excludes reinvestments with the same GP)? \_\_\_\_\_\_.

1. Describe your firm’s due diligence process. (Attach checklist as an exhibit.)
2. Describe each step in your due diligence process, which would lead to an investment.
3. Discuss qualitative versus quantitative aspects.
4. Describe the most common critical areas of focus.
5. Describe how you document your process.
6. Provide an example of an internal investment memorandum pertaining to a recommended investment.
7. Describe the operational due diligence conducted by your firm to ensure that back-office, accounting, cash controls, risk management, and anti-fraud processes and controls are in place and consistently implemented. How are the ODD results integrated into the investment decision process? (Attach checklist as an exhibit)
8. Describe the internal decision-making dynamics of the organization.

*Negotiation*

1. In negotiating a partnership agreement, or similar document, describe areas the firm considers most important. Are there provisions the firm proactively seeks to include or improve upon?
2. Please describe how your legal capabilities are set up. Do you have general counsel that works with outside counsel, does your outside counsel report directly to a key professional, or do you do all your legal work in-house?
3. How frequently are you in contact with the general partners of funds in which your clients are invested?
4. Describe the methods you employ to determine whether the general partners are reporting reasonable investment carrying values. What do you do when you feel there is an inaccuracy? How are you currently complying with ASC 820 and how do you help your clients adhere to AU Section 9332?
5. Describe your typical reporting duties and responsibilities with your clients. Please describe your reporting analytics and provide an example quarterly report. Do your quarterly reports provide a summary of actions taken during the quarter? Can client access their portfolio data on-line? Please describe, including due dates for quarterly and annual reporting.
6. How many partnerships have you managed through to complete liquidation?
7. Please describe your approach as fund term nears end. How many funds have you managed that extended beyond the fund term/extension periods? How many “zombie” funds do you still have? Explain.
8. Please describe how the firm arrives at a hold or sell decision on an in-kind distribution, including the research and evaluation discipline employed.
9. Does your firm have the capability, if requested, to provide FABF information on the management fees and carried interest paid to underlying partnerships? Please describe this capability.
10. Does your firm plan to adopt the upcoming Institutional Limited Partners Association (ILPA) fee, expense, and carried interest template in order to gather total cost information for underlying partnerships?

# INVESTMENT HISTORY

1. Please provide a copy of the firm's deal log for 2018.
2. To participate as a candidate in any of Callan’s fund-of-funds searches, your firm must have up-to-date information in Callan’s general private equity manager search database. All information in Callan’s database will be treated confidentially. If you are not sure if your information is up to date, or have not contributed in the past, please contact Gary Robertson in Callan’s Private Equity group (415-274-3037) or (robertson@callan.com). *Note: Information provided for the database should reconcile with the questionnaire information provided for Question 54*.
3. Attached is an MS Excel spreadsheet titled “CALLAN FOF QST PERFORMANCE.XLS” that has four Tabs, which request vintage year and cumulative performance data for all investments made since January 1, 1990 through June 30, 2019. The first Tab investment performance is for primary partnerships only and is divided into three separate tables: 1) discretionary, 2) non-discretionary and 3) combined. Callan will fill in the benchmarking information. The second and third Tabs request information for secondaries and co-investments, respectively (if any). The fourth Tab requests summary data for each historical fund-of-funds vehicle. Please complete the Workbook and return the file in an MS Excel file. **Please provide in the information in the format specified (e.g., in $000s).**



# OTHER

1. Please state the firm’s policy on making political contributions by both the firm and employees.
2. Please detail any existing or potential conflicts between your firm’s consulting activities, services performed for other clients, personal (or employee) investment activity, and other current or potential relationships.
3. Please explain the firm’s ability to shield clients from UBTI. Will the product under consideration have an investment vehicle available that will block UBTI?
4. Please provide three client references that are current investors in the vehicle type being proposed for FABF. Provide the organization, name of the contact person, email and phone number.

SUSTAINABLE INVESTING PRINCIPLES

1. Please describe your firm’s ESG (Environmental, Social, and Governance) screens or sustainable investing policies regarding the firm’s investment practice.
2. Is your firm a signatory of the Principals for Responsible Investment (PRI)? If your firm is not a signatory, do you plan to become one in the future, and if not, why not?

FEES

1. Please furnish your firm’s:
2. Narrative detailed fee schedule for the product being proposed (provide the comprehensive management fee, and any carried interest language, that will be in the LPA agreement).
3. It is anticipated that FABF will commit up to $30 million to the FOF vehicle (assuming a three year commitment period) based on the plan’s need to commit approximately $10 million per vintage year to underlying partnerships. Please quantify a 15-year projection of your fee schedule for the vehicle shown on behalf of the FABF. Please provide any commentary you may have regarding the attached portfolio projection, particularly regarding the commitment rate. Provide IRR and multiple assumptions for any carried interest, as appropriate.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Vehicle Commitment** | **Fee** | **Carry (if any)** | **Expense Charge-Backs** | **Total** |
| 1 |  30,000,000 | 0 | 0 | 0 | 0 |
| 2 |  | 0 | 0 | 0 | 0 |
| 3 |  | 0 | 0 | 0 | 0 |
| 4 |  | 0 | 0 | 0 | 0 |
| 5 |  | 0 | 0 | 0 | 0 |
| 6 |  | 0 | 0 | 0 | 0 |
| 7 |  | 0 | 0 | 0 | 0 |
| 8 |  | 0 | 0 | 0 | 0 |
| 9 |  | 0 | 0 | 0 | 0 |
| 10 |  | 0 | 0 | 0 | 0 |
| 11 |  | 0 | 0 | 0 | 0 |
| 12 |  | 0 | 0 | 0 | 0 |
| 13 |  | 0 | 0 | 0 | 0 |
| 14 |  | 0 | 0 | 0 | 0 |
| 15 |  | 0 | 0 | 0 | 0 |
| **Total** |  | **0** | **0** | **0** | **0** |

1. FABF requires all managers to provide an Excel Worksheet containing the method to calculate the fees shown in the table above for the product being proposed. The worksheet should be for a period of at least 15 years and include all assumptions used. The spreadsheet must include all calculations (not “pasted values”). Please include the Excel worksheet with your response.
2. Please list fees that will be paid by fund vs. fees paid by management company.
3. Please list and quantify any other fees, discounts or rebates that your firm or affiliates receive from (1)funds in which you invest (2) service providers such as law firms or (3)others.

#### PROPOSED PRODUCT DETAILS

1. Please include your firm’s private placement memorandum (PPM), marketing presentation, and limited partnership agreement (LPA) for either the proposed private equity FOF vehicle (if available), or for the firm’s most prior FOF offering of the same “broad market” strategy.
2. For the FOF offering you are submitting for consideration in this search, what are the:
3. Name of Vehicle: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. Target Total Commitments: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. What will be the base currency of vehicle? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. What is the minimum amount of commitments that your firm will require to activate the vehicle (i.e., minimum amount to achieve prudent diversification)?
7. Please state the anticipated commitment that the GP and firm employees expect to commit to the vehicle (express as a percent of total commitments).
8. What is the timing of the fund-raising of the proposed offering? Please provide the actual or expected dates of the:
9. start of fund raising (PPM available): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
10. If a first close has been held, the first close date and amount closed on to date: xx/xx/xx, $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
11. If the vehicle had not had a first close, the anticipated first close date and anticipated amount (if the firm has received formal commitments): xx/xx/xx, $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
12. anticipated final close: xx/xx/xx
13. actual or anticipated timeframe for the fund’s first commitment: Month, 201x
14. If the fund is in progress, please list the partnership commitments or other investments that have been made and the dollar amount committed to each.
15. Please describe expected use of a subscription line of credit including expected amount, term, and cost. Please indicate if Net IRR will be reported with and without use of the credit facility.
16. Please describe the firm’s fundraising and fund investment cycle. How often do you plan to raise “broad market” FOF vehicles and over what timeframe do you plan to deploy the capital. (e.g., raise and deploy a fund every year, raise a fund every 18 months and deploy the capital over three years, raise a fund every year and deploy each fund over four years, raise fund every three years and deploy it over three years?) Would a client typically invest in every fund, or every other fund, etc.?
17. Please list any third party service providers, describing role and compensation.
18. Please provide any additional narrative that you would like to bring to the client’s attention.

CONTACT INFORMATION

Please include Contact name, Title, Firm name, business address, business telephone number, email address and business fax number.

ADDITIONAL DISCLOSURES

In accordance with the Fund’s Procurement Policy and Illinois Pension Code, all respondents are required to disclose the following information along with their proposal:

* + 1. The 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 Adviser in connection with the provisions of Investment Services to the Fund;
		2. The names and addresses of: the Adviser; any entity that is a parent of, or owns a controlling interest in, the Adviser; any entity that is a subsidiary of, or in which a controlling interest is owned by the Adviser; any persons who have an ownership or distributive income share in the Adviser that is in excess of 7.5%; or serves as an executive officer of the Adviser; and
		3. 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, “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 or partnerships.
		4. 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 forms 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.
		5. 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 Investment Staff, or any member of the Board. (See [www.fabf.org](http://www.fabf.org) for contacts).
		6. Public Act 98-1022 amends the Illinois Pension Code to require certain disclosures regarding utilization of minorities, females and persons with a disability. The terms “minority owned business,” “female owned business”, and “business owned by a person with a disability” are as defined in the Business Enterprise for Minorities, Females and Persons with Disabilities Act. In accordance with the Act, all vendors submitting bidding proposals the Fund must disclosure the following numerical data:
1. The number of its investment and senior staff and the percentage of its investment and senior staff who are (i) a minority person (ii) a woman, and (iii) a person with a disability1.

***[A numerical value must be entered in each box. If this information is not available or your firm does not track, enter 0.]***

|  |  |  |
| --- | --- | --- |
| **Staff Classification** | **Number of Investment and Senior Staff Who Are** |  **% Percentage of Investment and Senior Staff Who Are** |
| Minority person |  |  % |
| Woman |  |  % |
| Person with a Disability |  |  % |

1. The number of contracts, oral or written, for investment services, consulting services and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority owned business, (ii) a women owned business, or (iii) a business owned by a person with a disability1.

***[A numerical value must be entered in each box. If this information is not available or your firm does not track, enter 0.]***

|  |  |
| --- | --- |
| **Business Classification** | **Number of Contracts**  |
| Minority owned business |  |
| Women owned business |  |
| Business owned by a person with a disability |  |

1. The number of contracts, oral or written, for investment services, consulting services, and professional and artistic services the investment advisor, consultant, or private market fund has with a business other than (i) a minority owned business, (ii) a women owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a woman, and (iii) a person with a disability1.

***[A numerical value must be entered in each box. If this information is not available or your firm does not track, enter 0.]***

|  |  |
| --- | --- |
| **Classification of Person Performing Services at Majority owned firm** | **Number of Contracts**  |
| Minority person |  |
| Woman |  |
| Person with a Disability |  |

*SECTION 6 – CLOSING*

On behalf of the Fund participants, Trustees, investment consultant and investment staff, the Firemen’s Annuity & Benefit Fund of Chicago thanks you for your interest, time and effort in responding to this Search for Investment Advisor.

***Attachments to this Search for Investment Advisor:***

1. FABF Ethics Policy



1. FABF Statement of Investment Policy



3. FABF sample Side Letter

