



**Request for Proposal
for
Minority or Female owned
Hedge Fund of Funds**

June 2010

Chicago Teachers' Pension Fund
203 North LaSalle Street, Suite 2600
Chicago, IL 60601

Purpose

The Request for Proposal (RFP) has been issued by the Board of Trustees of the Public School Teachers' Pension and Retirement Fund of Chicago ("CTPF" or "Chicago Teachers' Pension Fund"). The Board solicits proposals from all qualified professional firms interested in providing **Hedge Fund of Funds Investment Management Services ("Investment Manager")**. This RFP does not offer a contract, but seeks the submission of proposals from qualified, professional firms. Chicago Teachers' Pension Fund reserves the right to reject any or all proposals and to solicit additional proposals if that is determined to be in the best interest of CTPF. The Fund's Investment Consultant, Mercer Investment Consulting ("Mercer"), will be receiving and analyzing all responses from this investment manager search. All candidate firms must submit their fund information to the Mercer database www.mercergimd.com (including any previous fund performance data, where applicable); there is no charge for this process. CTPF's investment policy and Code of Ethics, both of which are posted on CTPF's website (www.ctpf.org), are adopted and incorporated by reference. The investment policy and the Code of Ethics are subject to change.

Scope of Services

The Investment Manager selected will perform the following services:

1. The Investment Manager will provide CTPF with Hedge Fund of Funds investment management services. The expected allocation will be \$25 million.
2. The Investment Manager will have independent discretionary authority with respect to the investment of that portion of assets managed by Investment Manager.
3. The Investment Manager shall provide quarterly and annual performance (gross and net of fees) and portfolio valuation reports in addition to annual audited financial statements to CTPF and Mercer.

4. The Investment Manager will document all fund level investment activity with CTPF's master custodian in accordance with the usual and customary standards of practice and confirm all executed transactions from custodial account records; CTPF's current master custodian is Northern Trust.

Minimum Qualifications

In order to be considered for selection as an Investment Manager, the Investment Manager must provide documented proof that the following minimum qualifications listed below are met.

1. The Company is duly registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940.
2. Qualifies as an Emerging Investment Manager as defined by IL Public act 96-006 [assets under \$10 billion and a certified MWDBE (Minority, Women and/or Disabled Business Enterprise)].
3. The key decision-makers on the investment team must each possess more than ten years of investment experience, including at least five years in hedge funds.
4. The company and its personnel have all authorizations, permits, licenses and certifications required by federal, state and/or local law.
5. The company will carry errors and omissions insurance or comparable instruments to cover negligent acts or omissions, which will be at minimum 10% of the initial allocation.
6. The company must maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems.

7. The company must have a company policy and practice of equal employment opportunity and non-discrimination based on race, creed and/or gender.
8. The company must comply with the Fund's MWDBE brokerage policy, when applicable.
9. All candidate firms must have their information in the Mercer database (www.mercergimd.com), in addition to submitting this RFP—this must be done prior to submitting a response. The website includes a demographic section for organizational information as well as detailed product information sections. All sections must be completed.

Additional Questions

1. Please describe your manager sourcing process in detail, including your manager selection criteria. Please explain what databases are used to screen managers, if applicable.
2. Please describe your due diligence and manager monitoring processes.
3. Have there been any significant changes to your investment process over time? If so, please explain.
4. Please describe your portfolio construction process including; voting committees utilized, a description of any macro overlays, the reasoning behind the use of an overlay.
5. Please describe the risk management process, and risk management system in use.
6. Please explain in detail the level of transparency you receive from underlying managers? Also explain what documents you provide your investor base.

7. Do you have formal capacity limits? If not, at what level of assets do you believe additions to staff or technology will be needed?
8. What are your terms?
9. Please list all service providers and types of service utilized.
10. Include a description of your disaster recovery plan.
11. Do you work with any 3rd party administrators? If so, please describe.
12. Please include a complete breakdown of firm ownership. Are there opportunities for ownership rewards for employees?
13. Do the largest owners have an investment in the fund you are proposing? If so, what is the size of that investment in total and how large is it in relation to their overall net worth?
14. Please include a detailed biography of senior team members, specifically with regards to experience investing in hedge fund of funds and hedge funds.
15. Has there been any employee turnover in the last three years? If so, please describe.

Notes

- Please attach the firm's most recent general marketing materials and standard Due Diligence Questionnaire (DDQ) to your RFP response.
- Mercer will be conducting a conference call with qualifying managers the week of June 28th to July 2nd, so please keep these days open.

Submission of Proposal

Proposal must be received electronically at the following address no later than
10:00 a.m. CST
Friday, June 25, 2010.
Attention: Phoebe Kwan
Phoebe.Kwan@mercer.com

CC: Robert Talaga
talagar@ctpf.org

It is the responsibility of the Investment Manager to ensure that its Proposal is delivered timely and received in the proper office on or before the deadline for responding to this RFP. All Proposals received will be subject to public disclosures. Proposals may not be modified or withdrawn after the deadline for Proposals has passed. Modifications or a withdrawal of a Proposal after the specified receipt date will not be considered. If it becomes necessary to revise any part of this RFP or if any additional data is necessary for an exact interpretation of the provisions of this RFP prior to the due date for Proposals, a supplemental will be posted by Chicago Teachers' Pension Fund on its website www.ctpf.org. In such an event, Chicago Teachers' Pension Fund reserves the right to extend the deadline date of Proposals to accommodate such interpretations or additional requirements.

All questions regarding this RFP should be submitted via email only to the following:
Phoebe Kwan: phoebe.kwan@mercer.com
CC: Robert Talaga: talagar@ctpf.org

Evaluation and Selection

All Proposals received by the requested deadline will be reviewed and evaluated. After the review and evaluation of the Proposal, the Board may conduct interviews of the

finalist candidates. The Board will select the manager they determine, in their sole discretions, to be fully qualified and best suited among those submitting proposals on the basis of the evaluations. The evaluation factors are set forth in Section D – 5 of the Procurement Policy, which is posted on CTPF’s website. Once the Board has selected an Investment Manager, negotiations for contract terms and conditions will be finalized. The Board may also reject all candidates and begin a new search or seek other candidates from the respondents of the original RFP.

Quiet Period

The following guidelines shall apply during the RFP process. A “quiet period” will commence as of June 7, 2010, and end when an agreement is reached with the Investment Manger. The objectives of the quiet period policy are to ensure that:

- Prospective investment managers have equal access to information regarding the search parameters;
- Communications related to the selection are consistent and accurate;
- The process of selecting the investment manger is efficient, diligent, and fair.

Policy Guidelines

The following guidelines and CTPF’s Code of Ethics shall apply to the Board, to the Consultant, to the Fund’s staff, and to the candidates during a search for an investment manager:

- Except as provided in the Procurement Policy, all Board members and Staff shall refrain from communicating with candidates regarding any product or service related to the search offered by the candidate throughout the quiet period;
- Shall refrain from accepting meals, travel, lodging, entertainment or any other good or service of value from the candidates;

- Throughout the quiet period, if any Board member or staff member is contacted by a candidate, the Board member or staff member shall refer the candidate to Mercer or to the staff members directly involved in the search process;
- All authority related to the search process shall be exercised solely by the Board as a whole and not by individual Board Members;
- All information related to the search process shall be communicated by the CTPF Consultant and Staff to the relevant Committee or Board as a whole, and not to individual Board Members; and
- The quiet period does not prevent Board approved due diligence, client conference attendance or communications with an existing investment manager that happens to be a candidate in the ordinary course of services provided by such investment manager; however, discussions related to the pending selection shall be avoided during those activities.

The provisions of this policy will apply to investment manager candidates throughout the quiet period and shall be communicated to candidates in conjunction with any Request for Proposal or Request for Information.

A candidate may be disqualified from a search process for a willful material violation of this policy.

Firm Name

Firm Primary Location

Primary Contact Name

Contact Number/Email Address

Product Name

Strategy Description

Date of first close/final close

Total fund commitments as of 12/31/2009

\$ _____

Total value of fully realized investments (strategy specific) as of 12/31/2009

\$ _____

Is your firm a certified MWDBE firm? (If you mark yes please provide certification)

Yes

No

Request for Information

Firm Information:

Please provide an overview of your firm including the following:

- a. EEOC Chart
- b. Ownership Structure, per certifications below
- c. All related and affiliated firms, per certifications below
- d. Organizational chart, with brief biographies of all key personnel
- e. Number of institutional clients
- f. Number of public plan clients

Fees and Disclosure Information:

Please provide a detailed description of:

- a. The method for charging and measuring any fees;
- b. The direct and indirect fees including commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the candidate Investment Manager in connection with the provision of Investment services to the Fund;
- c. The names and addresses of any subcontractors, including third party marketers or individuals that an Investment Manager uses to market its products and the expected amount of money each will receive under the contract;
- d. The names and addresses of any entity that is a parent of, or owns a controlling interest in the candidate; any entity that is a subsidiary of, or in which a controlling interest is owned by the candidate; any persons who have an ownership or distributive income share in the candidate that is in excess of 7.5%; or serves as an executive officer of the candidate.

Please note that contingent and placement fees are prohibited by Illinois State law.

All documents submitted as part of this RFP, including the responses by prospective Investment Managers, 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.

By submitting this proposal, I certify that the following statements and the information and representations submitted by the candidate are true

regarding _____
(Investment Manager Name)

- All of the firms' personnel have all the authorizations, permits, licenses and certifications required by federal, state and local law
- The firm that I represent is duly registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940 or is otherwise qualified to manage assets on behalf of the Chicago Teachers' Pension Fund
- The firm carries errors and omissions insurance to cover negligent acts or omissions
- The firm has a company policy and practice of equal employment opportunity and non-discrimination
- All requested firm information has been submitted to Mercer's database (www.mercergimd.com)
- The firm understands and will be able to comply with the Chicago Teachers' Pension Fund quarterly and annual reporting requirements
- The firm understands and will comply with the Chicago Teachers' Pension Fund Procurement Policy and Code of Ethics
- The firm understands that Chicago Teachers' Pension Fund accepts no obligation for costs incurred by the candidate in anticipation of being awarded a contract
- The firm understands that Chicago Teachers' Pension Fund is exempt from federal, state and local taxes and will not be responsible for any taxes levied on the Investment Manager as a result of any contract resulting from this RFP

Signature

Name

Date

Title