

Chapter 6. Procurement

6-1. INTRODUCTION

6-1.1. Introduction and Policy

It is the policy of FPIF to obtain goods and services in the most economical manner in order to ensure the efficient utilization of FPIF resources. Resources of FPIF shall be committed only with proper approval, as detailed in this Chapter.

6-2. APPROVAL AUTHORITY

6-2.1. Board Approval

Expenditures must be approved by the Board prior to payment and before entering into any contract or issuing any purchase order for that expenditure. The Board's approval of a budget that authorizes expenditures for certain purposes is sufficient approval of those authorized expenditures for those purposes, up to the amounts approved in the budget. Notwithstanding the foregoing or any other provision to the contrary, approval by the Board, acting by affirmative vote of at least six Trustees, shall be required for the selection of fiduciary counsel or a Consultant.

6-2.2. Executive Director Approval

Expenditures in excess of \$5,000 must be approved by the Executive Director prior to payment and before entering into any contract or issuing any purchase order for that expenditure. The Executive Director is authorized to establish limits (not to exceed \$5,000) for approval of expenditures by other FPIF employees.

6-2.3. Board Chair Approval for Fiduciary Services

In addition to other requirements of this Chapter, all contracts with persons who are fiduciaries with respect to any investments of FPIF, and any amendments to such contracts, shall also be signed by the Chair of the Board, or his or her designee. ~~Notwithstanding the foregoing, the Executive Director's signature is sufficient with respect to investment management agreements or other contracts with Board-approved Investment Service providers, or amendments thereto, if the terms of the agreement or amendment have been approved by the Board. The, unless:~~

- (a) The form of contract or amendment, including the selection of the specific Investment Service provider, has been specifically approved by the Board; or
- (b) The Investment Service provider's proposal has been shared with the Board, the specific Investment Service provider to be selected has been approved by the Board, and the contract or amendment is based on a standard form approved for use by the Board, subject to the incorporation of the Investment Service provider's proposal and other negotiated changes that, in the opinion of Board counsel, are not materially inconsistent with the Board-approved standard form.

[If such a contract or amendment is executed without the Chair's signature, the](#) Executive Director shall provide a report of such execution, with a description of any contract or amendment executed, to the Board at its next regularly scheduled meeting.

6-3. CONTRACTING AND PURCHASING

6-3.1. When Required

Purchases of \$500 or more require a [written](#) purchase order or contract. Purchases of less than \$500 do not require a [written](#) purchase order or contract, but must be within the authority of the employee to purchase.

6-3.2. Purchase Orders

Employees requesting goods or services that cost more than \$500 and that are not part of a written contract shall [\(a\)](#) complete a FPIF purchase order form and [\(b\)](#) receive written approval from the Executive Director or Procurement Officer [\(or another FPIF employee with authority to approve the expenditures, pursuant to the last sentence of Section 6-2.2\)](#) prior to placing the order.

6-3.3. Contracts

It is the policy of FPIF to standardize the form and content of its contracts with public and private bodies in order to ensure compliance with applicable State law, to ensure fairness to all parties, and to maximize uniformity of language. Contracts shall be written and conform to the requirements of this Chapter. All contracts in excess of \$25,000, and all other contracts when feasible, shall be reviewed by legal counsel prior to execution. All contracts (regardless of amount) shall be signed on behalf of FPIF by the Executive Director, except as provided by separate resolution of the Board. All contracts with persons who are fiduciaries are subject to additional signature requirements described in Section 6-2.3. A copy of each contract shall be retained by the Chief Financial Officer of FPIF.

6-3.4. Standard Addendum for State Law Compliance

In order to simplify the contracting and purchasing process, FPIF shall use a standard addendum that includes certifications considered advisable or required by State law. The standard addendum shall be completed and attached to (or incorporated within) all contracts and purchase orders entered into by FPIF, but shall not be required for purchase orders of \$25,000 or less. Any variation from the terms of the standard addendum shall be approved by FPIF's legal counsel. The standard addendum may be revised upon advice of legal counsel from time to time.

6-3.5. Limitation During Transition Period

No contract or agreement regarding custodians, Consultants, Investment Advisers, or other professional services entered into prior to the seating of the permanent Board shall be binding upon the permanent Board.

6-3.6. Sales Tax; State Rates

FPIF shall not pay Illinois sales tax. Employees must direct the vendor to exclude Illinois sales tax from invoices. Employees should also ask if discounted State rates are available for purchases.

6-3.7. Invoicing and Payment

Invoices should be approved for payment within 30 days after the receipt of the invoice. Approval should not be given for goods and services that do not conform to FPIF's requirements. The vendor shall be promptly notified in writing if FPIF does not approve an invoice for payment and shall be advised of the reason for the denial. If approval is made after 30 days, a full explanation should be attached to the invoice.

6-3.8. Advance Payment

Advance payment for goods and services is discouraged. If advance payment is required, the employee shall complete a certification as specified in Section 9.05 of the State Finance Act (30 ILCS 105/9.05). In the event that a voucher is submitted for advance payment, the voucher shall state on its face that the goods or services are being procured pursuant to a written contract the terms of which require advance payment. If it is not possible to execute a written contract, the voucher shall so state. The certification is not required for payment of conference fees, purchase of travel tickets, purchase of periodicals, and required deposits of less than \$500. The certification shall be in the following format:

"I certify that the goods or services specified on this contract or purchase order were for the use of this agency and that the expenditure for those goods or services was authorized and lawfully incurred; that the goods or services meet all the required standards set forth in the purchase order or contract to which this certification relates; and that the amount shown on this voucher is correct and is approved for payment."

6-3.9. Political Contributions

- (a) Every contract entered by FPIF with a person or entity having contracts with FPIF with an annual value of more than \$50,000 shall provide that such contract is voidable, at the option of FPIF, if the contractor or its affiliated persons or affiliated entities (as defined in Section 50-37 of the Illinois Procurement Code) makes, at any time after the publication of the procurement documents and until expiration or termination of the contract, any Election Contributions to (i) any political committee established to promote the candidacy of the incumbent Governor of Illinois or of any declared candidate for such office or (ii) any political committee established to promote the candidacy (for any public office) of any incumbent member of the FPIF Board of Trustees or of any other person who has declared to be seeking election or appointment to the FPIF Board of Trustees.
- (b) Every contract for Investment Adviser services shall require the Investment Adviser to comply with Rule 206(4)-5 under the Investment Advisers Act of 1940 concerning political Election Contributions.

6-3.10. Reporting Possible Ethical Violations

FPIF employees involved in procurement, purchasing, and contracting will notify FPIF legal counsel and auditors if they discover any of the following: (a) two or more identical bids or proposals are received, (b) an attempt to bribe an employee is made, or (c) other irregularities that suggest collusion, bribery, or other unethical or illegal activities.

6-4. COMPETITIVE PROCUREMENT FOR NON-INVESTMENT SERVICES

6-4.1. Applicability; Exempt Purchases

This Section 6-4 applies to any expenditure other than Investment Services (which are subject to Section 6-5) and other than the following:

- (a) Individual contracts or purchases that (i) do not exceed \$100,000, (ii) are nonrenewable, and (iii) are one year or less in duration (a "small purchase").

If a small purchase exceeds \$20,000, the selection of a contractor or vendor should nonetheless be made through the competitive proposals process described in this Section 6-4, even though the contract or purchase might otherwise be exempt from this Section 6-4, unless the use of the competitive proposals process would be impractical, would detrimentally delay needed goods or services, is not commonly used by other public bodies for that type of contract or purchase, or would cause FPIF to incur procurement costs that are anticipated to exceed expected savings from a competitively procured contract or purchase. A written justification must be made if a small purchase exceeds \$20,000 and is not made through a competitive proposals process.

- (b) Emergency procurements, including (i) when there exists a threat to public health or public safety, (ii) when immediate expenditure is necessary in order to protect against further loss of or damage to property, (iii) to prevent or minimize serious disruption in critical FPIF services that affect health, safety, or collection of substantial FPIF revenues, or (iv) to ensure the integrity of FPIF records. A written determination must be made that an emergency exists.
- (c) Utilities and other sole source items. A written justification must be made that there exists only one feasible source.
- (d) A purchase made pursuant to a master contract entered by the State of Illinois, a contract or purchase made pursuant to the Governmental Joint Purchasing Act, or a contract entered pursuant to the Intergovernmental Cooperation Act.

Any written determination or justification described in this Section 6-4.1 shall be reported to the Board or its designated committee at its next meeting.

6-4.2. General Principles

Employees shall seek to obtain the best value for FPIF. Efforts to obtain the best value for FPIF shall be documented where possible and retained by FPIF.

6-4.3. Competitive Proposals Process

All procurements for goods and services subject to this Section 6-4.3 shall be awarded by competitive proposals.

- (a) Each request for proposals shall set forth a description of the items or services being procured, the material contractual terms and conditions, and the criteria for evaluating proposals.
- (b) All procurement opportunities subject to this Section shall be advertised on the FPIF's website and, if ~~possible, the State of Illinois's "BidBuy" system (or other comparable system as appropriate for the opportunity)~~appropriate, an industry publication to advertise the procurement. Notice shall be published at least 14 days before the date on which proposals are due. FPIF shall seek at least three proposals whenever possible, but the failure to receive three proposals shall not invalidate the procurement, purchase, or contract.FPIF may issue addenda or other revisions to the request, or cancel the request, at any time.
- (c) All interested offerors shall return their proposals to FPIF's staff, as directed by the proposal document. Staff shall open the proposals, record them, and thoroughly review each for content, quality, and compliance with proposal document requirements. Staff shall compile a list of all offerors to the competitive proposal process.FPIF may waive or permit corrections, irregularities, informalities, or deficiencies to proposals and may elect to accept a non-conforming proposal.
- (d) FPIF may interview or directly negotiate with any offeror as to the terms of a proposal.Proposal revisions may be requested from one or more offerors. FPIF may select one or more offerors from whom to select best-and-final offers or revised offers based on additional instructions or criteria established by FPIF. FPIF may also enter into direct negotiations with a preferred offeror. In conducting discussions there shall be no disclosure of any information derived from proposals submitted by competing offerors. If information is disclosed to any offeror, it shall be provided to all competing offerors.
- (e) Responsive proposals shall be evaluated and ranked based on the evaluation criteria described in the request for proposals. The contract shall be awarded to the responsive and responsible offeror(s) whose proposal is determined to be most advantageous to FPIF, consistent with the evaluation criteria,provided that FPIF may also reject all proposals.

6-5. INVESTMENT SERVICES

6-5.1. Applicability

This Section 6-5 applies to the selection and appointment of Consultants and Investment Advisers. In establishing this policy, it is FPIF's intention to assure all interested parties that procurement decisions occur in an environment of full disclosure characterized by competitive selection, objective evaluation, and proper documentation. The overriding consideration with respect to all decisions made by FPIF is that the decisions be made solely in the best interests of the participants and beneficiaries of Participating Pension Funds;to that end, and notwithstanding any other requirement of this Section 6-5, FPIF may waive any requirement of this Section 6-5 if it determines that doing so is in such best interests.

6-5.2. General Provisions

- (a) Investment Adviser Registration. In order for any Consultant or Investment Adviser to provide Investment Services to FPIF, the firm must either be registered as an investment adviser under the federal Investment Advisers Act of 1940 or be a bank, as defined in the federal Investment Advisers Act of 1940.
- (b) Competitive Proposals Process. FPIF shall award all contracts for Investment Services through a competitive proposal process. For this process, FPIF shall develop and use uniform documents for the solicitation, review, and acceptance of all Investment Services pursuant to the requirements of the Pension Code. Documents may vary by specific investment mandate. At a minimum, the documents shall include (i) a description of the goal to be achieved; (ii) the Investment Services to be performed; (iii) the need for the Investment Services; (iv) the qualifications that are necessary; and (v) a plan for post-performance review. If required, these uniform documents shall be published on FPIF's website. The competitive proposal process shall generally follow the following:
 - (i) FPIF shall determine the parameters of the search, upon recommendation by FPIF's investment staff. Opportunities shall be advertised on the FPIF's website and, if ~~possible, the State of Illinois's "BidBuy" system (or other comparable system as appropriate for the opportunity)~~appropriate, an industry publication to advertise the procurement. Notice shall be published at least 14 days before the date on which proposals are due. FPIF may issue addenda or other revisions to the request, or cancel the request, at any time.
 - (ii) Uniform documents shall be used for the solicitation, review, and acceptance of Investment Services and will be posted on the FPIF website. Documents may differ based on the specific search mandate.
 - (iii) All interested respondents shall return their responses to FPIF's investment staff, as directed by the proposal document. Staff shall open the responses, record them, and thoroughly review each for content, quality, and compliance with proposal document requirements. Staff shall compile a list of all respondents to the competitive proposal process. In the selection of an Investment Adviser, FPIF's Consultant may assist FPIF. FPIF may waive or permit corrections, irregularities, informalities, or deficiencies to proposals and may elect to accept a non-conforming proposal.
 - (iv) Following review and evaluation of the responses from interested firms, the field of candidates is narrowed to a smaller list of the most highly qualified firms. At this point, the Board's investment staff may meet with representatives of each firm to obtain an independent assessment of the firm's capabilities.
 - (v) Following the interview with the selected firm(s), the Board's investment staff recommends to the Board one or more Consultants or Investment Advisers for engagement. Generally, the finalists appear before the Board to present their firms' qualifications.

(vi) Proposal revisions may be requested from one or more respondents at any stage in the process. FPIF may select one or more respondents from whom to select best-and-final responses or revised responses based on additional instructions or criteria established by FPIF. FPIF may also enter into direct negotiations with a preferred respondent.

(vii) ~~(vi)~~—The Board shall accept or modify the recommendation and makes the final decision with respect to the engagement, if satisfied with the firm’s capabilities provided that the Board may also reject all responses. FPIF shall post the name(s) of the successful respondent(s) on FPIF’s website, along with a disclosure including the total amount applicable to the contract, the total fees paid or to be paid, and a description of the factors that contributed to the selection of the Consultant or Investment Adviser.

(c) **Exceptions to Competitive Procurement Requirements.** A competitive proposal process is not required for the following:

- (i) Individual contracts that (1) do not exceed \$100,000, (2) are nonrenewable, and (3) are one year or less in duration; but only so long as the Board, in its discretion, approves the application of this exemption to that contract (on a contract-by-contract basis).
- (ii) Emergency procurements, including (1) when there exists a threat to public health or public safety, (2) when immediate expenditure is necessary in order to protect against further loss of or damage to property, (3) to prevent or minimize serious disruption in critical FPIF services that affect health, safety, or collection of substantial FPIF revenues, or (4) to ensure the integrity of FPIF records. A written determination must be made that an emergency exists.
- (iii) Sole source items. A written justification must be made that there exists only one feasible source.
- (iv) Procurements specifically exempt from this process pursuant to the Pension Code or other applicable law.

Contracts awarded without a competitive proposal process shall be published on FPIF’s website, shall name the person authorizing the procurement, and shall include a brief explanation of the reason for the exception.

(d) **Posting Contracts Online.** A description of every contract for Investment Services shall be posted prospectively on FPIF’s website, including the name of the person or entity awarded the contract, the total amount applicable to the contract, the total fees paid or to be paid under the contract and a disclosure, approved by FPIF, describing the factors that contributed to the selection of the Investment Adviser or Consultant.

(e) **Contingent Compensation.** No Consultant or Investment Adviser shall retain a person or entity to influence the outcome of an investment decision or the procurement of investment advice or services of FPIF for compensation that is contingent in whole or in part upon the decision or procurement.

- (f) **Other Applicable Laws.** The selection and appointment of Consultants and Investment Advisers for Investment Services by FPIF shall be made and awarded in accordance with the Pension Code, the State Officials and Employees Ethics Act, and all other applicable law. All FPIF trustees and employees shall comply with all gift ban restrictions prescribed in the FPIF Ethics Policy.
- (g) **Communications.** Any written or oral communication received by a Trustee, official, or employee of FPIF who, by the nature of his or her duties, has the authority to participate personally and substantially in the decision to influence the outcome of an investment decision or the selection of an Investment Adviser or Consultant and that imparts or requests material information or makes a material argument regarding potential investment or procurement action by FPIF (other than a clarification about a published solicitation) shall be memorialized by the Trustee, official, or employee and reported to FPIF's chief compliance officer. While a competitive procurement is ongoing, communications shall be restricted in the manner provided in the procurement documents.
- (h) **Conflicts of Interest.** No Board Member, FPIF employee, or FPIF Consultant shall knowingly cause or advise FPIF to engage in an investment transaction with an Investment Adviser when FPIF Member, FPIF employee, FPIF Consultant or any of their spouses (1) has any direct interest in the income, gains or profits of the Investment Adviser through which the investment transaction is made or (2) has a relationship with that Investment Adviser that would result in a pecuniary benefit to the Board Member, FPIF employee or FPIF Consultant or any of their spouses as a result of the investment transaction. With respect to this requirement, Consultant includes an employee or agent of a consulting firm who has greater than 7.5% ownership of the consulting firm.

6-5.3. Selection of Consultant Services

Under the Pension Code, FPIF has authority to select Consultants who shall provide Investment Services to FPIF's commingled fund. The criteria used to determine the minimum qualifications for Consultants with respect to a specific investment mandate include but are not limited to the following factors:

- (a) Registration with the Securities and Exchange Commission under the Investment Advisors Act of 1940, or otherwise qualified under the Pension Code.
- (b) Firm experience advising large defined benefit plans in respect of asset allocation, manager selection and manager oversight and operating under prudent person standards, as well as related investment advisory experience.
- (c) Qualifications and depth of the professional staff.
- (d) Soundness of the firm's philosophy and process in respect of defined benefit plan assets.
- (e) The firm's track record with defined benefit clients.

- (f) The adequacy of the firm's advisory, back office, accounting and reporting and client servicing capabilities.
- (g) Fees.

Requirements may differ based on the investment mandate recommended by FPIF's investment staff. The establishment of these criteria shall not be used to bar or prevent any qualified Consultant from responding to a competitive proposal process.

6-5.4. Selection of Investment Advisory Services

Under the Pension Code, FPIF has authority to select Investment Advisers who shall provide Investment Services to the Board's commingled fund. The criteria used to determine the minimum qualifications for Investment Advisers with respect to a specific investment mandate include but are not limited to the following factors:

- (a) Registration with the Securities and Exchange Commission under the Investment Advisors Act of 1940, or otherwise qualified under the Pension Code.
- (b) Experience of the firm in the management of institutional portfolios operated under prudent person standards, as well as related investment management experience.
- (c) Qualifications and depth of the professional staff.
- (d) Soundness of the firm's investment philosophy and process.
- (e) The investment record of the firm and the firm's principals in former associations where that record is verifiable.
- (f) The adequacy of the firm's trading, back office, accounting and reporting, and client servicing capabilities; and
- (g) Fees.

Requirements may differ based on the investment mandate recommended by FPIF's investment staff and Consultant. The establishment of these criteria shall not be used to bar or prevent any qualified Investment Adviser from responding to a competitive proposal process.

6-5.5. Emerging Investment Managers

If in any case an Emerging Investment Manager meets criteria established by FPIF and Consultant for a specific competitive search (if a Consultant is utilized), the Emerging Investment Manager shall receive an invitation by FPIF, or FPIF's Investment Policy Committee and/or Emerging Manager Committee, to present the firm(s) for final consideration. In the case where multiple Emerging Investment Managers meet the search criteria, FPIF's investment staff may choose the most qualified firm or firms to present to the Board.

6-5.6. Contract Terms

- (a) **Maximum Term.** FPIF shall not enter into a contract with a Consultant that exceeds five years in duration. No contract to provide consulting services may be renewed or extended. At the end of the term of the contract, the Consultant is eligible to compete

for a new contract. FPIF shall not attempt to avoid or contravene this restriction by any means.

- (b) **Other Contract Terms.** Investment Services provided by a Consultant or Investment Adviser shall be rendered pursuant to a written contract between the Consultant and FPIF. The contract must include the following terms, among others:
- (i) Acknowledgement in writing by the Consultant or Investment Adviser that the firm is a fiduciary with respect to FPIF.
 - (ii) The description of FPIF's investment policy and notice that the policy is subject to change.
 - (iii) Full disclosure of direct and indirect fees, commissions, penalties and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the Consultant or Investment Adviser in connection with the provision of services to FPIF and a requirement that the Consultant or Investment Adviser update the disclosure promptly after a modification of those payments or an additional payment. The disclosures shall include the date and amount of each payment and the name and address of each recipient of a payment.
 - (iv) A requirement that the Consultant or Investment Adviser, in conjunction with FPIF's investment staff, submit periodic written reports, on at least a quarterly basis, for FPIF's review at its regularly scheduled meetings. All returns on investments shall be reported as net returns after payment of all fees, commissions and any other compensation.
 - (v) Disclosure of the names and addresses of (1) the Consultant or Investment Adviser; (2) any entity that is a parent of, or owns a controlling interest in, the Consultant or Investment Adviser; (3) any entity that is a subsidiary of, or in which a controlling interest is owned by, the Consultant or Investment Adviser; (4) any persons who have an ownership or distributive income share in the Consultant or Investment Adviser that is in excess of 7.5%; or (5) serves as an executive officer of the Consultant or Investment Adviser.
 - (vi) A disclosure of the names and addresses of all subcontractors, if applicable, and the expected amount of money each will receive under the contract, including an acknowledgement that the Consultant or Investment Adviser must promptly make notification, in writing, if at any time during the term of the contract a contractor adds or changes any subcontractors. For purposes of this paragraph (vi), "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 FPIF has no direct contractual relationship with the Investment Advisers or partnerships.
 - (vii) A description of the Investment Service(s) to be performed.

- (viii) A description of the need for the Investment Service(s).
- (ix) A description of the plan for post-performance review.
- (x) A description of the qualifications necessary.
- (xi) The duration of the contract.
- (xii) The method for charging and measuring cost.

These contract terms are subject to change based on amendments to the Pension Code.

6-6. EMERGING AND MINORITY INVESTMENT MANAGERS

6-6.1. Policy

FPIF was founded to develop and maintain an investment program that enhances returns, reduces costs, and secures the retirement benefits for its Participating Pension Funds' beneficiaries. In order to achieve its objectives, FPIF will select investment advisers based on long-term records of performance, depth of investment staff, and consistency of approach, among other characteristics.

FPIF recognizes that large, experienced, and successful investment organizations began as small firms with few assets under management. Today, many smaller investment firms are owned by minorities, women, and persons with a disability. These firms are often started by experienced investment professionals, who show great promise, though find it difficult to compete with large majority owned organizations. Further, these investors offer the potential of increasing returns and reducing risk through perspectives and approaches that are different from those of more mainstream or conventional firms.

In order to gain exposure to emerging and minority organizations, [and consistent with Section 1-109.1\(10\) of the Pension Code](#), FPIF has established the aspirational goals of utilizing Emerging Investment Managers and firms owned by minorities, females, and persons with a disability for no less than 20% of FPIF's total fund assets.¹

6-6.2. Goals for Utilization of Emerging and Minority Investment Managers, Minority-Owned Businesses, Female-Owned Businesses, and Businesses Owned by Persons with a Disability

It is the goal of FPIF that, subject to its fiduciary responsibility, minority investment managers will be considered for each of the broad asset classes in which it is invested.

[Consistent with Section 1-109.1\(4\) of the Pension Code](#), FPIF has adopted the following minimum goals for the utilization of Emerging Investment Managers and Minority Investment Managers:²

~~¹ 40 ILCS 5/1-109.1(10) requires FPIF to establish certain aspirational goals for the utilization of Minority Investment Managers.~~

~~² 40 ILCS 5/1-109.1(4) requires FPIF to establish three separate goals for (i) Emerging Investment Managers that are minority owned businesses; (ii) Emerging Investment Managers that are female-owned businesses; and (iii) Emerging Investment Managers that are businesses owned by a person with a disability.~~

Goals for Utilization of Emerging Investment Manager and Minority Investment Managers By Investment Manager Classification

Classification	Percent of Total Portfolio	
	Emerging	Minority
Minority-Owned	10%	10%
Female-Owned	10%	10%
Disabled	2%	2%

Goals for the Utilization of Emerging and Minority Investment Managers By Asset Class

Asset Class	Percent of Asset Class	
	Emerging	Minority
Equities	10%	10%
Fixed Income	15%	15%
Alternatives*	5%	5%

These goals will be reviewed annually by FPIF staff and the Board.

For purposes of this Chapter, Emerging Investment Managers and Minority Investment Managers must provide documentation of a current State of Illinois certification, documentation of a current state issued certification, or documentation of certification issued by a unit of local government. For Emerging Investment Managers and/or Minority Investment Managers without a government issued certification, the FPIF will require an attestation by the investment manager or General Partner stating that the investment manager or adviser is a "minority owned business," "female owned business," or "business owned by a person with a disability," as those terms are defined by the Business Enterprise for Minorities, Females and Persons with Disabilities Act. The Emerging Investment Manager or Minority Investment Manager is required to immediately notify FPIF as to any change in the matters covered by any such attestation. In the event it is discovered that an investment manager has misrepresented information to FPIF, such misrepresentation will be grounds for termination of the relationship.

Minority Investment Managers may represent any asset class within FPIF's asset allocation. Allocations to Minority Investment Managers will be made in accordance with the fiduciary standards under which all FPIF investment advisers operate.

6-6.3. Asset Management

- (a) [Staff FPIF staff](#) will use reasonable best efforts to include at least one Minority Investment Manager in final [Staff staff](#) interviews, consistent with the requirements of the Pension Code. [Staff FPIF staff](#) will inform the Board of all Minority Investment Manager candidates.
- (b) [Staff FPIF staff](#) will regularly meet with Illinois-based Minority Investment Managers and learn more about the Illinois-based Minority Investment Manager community.
- (c) [Staff FPIF staff](#) will encourage FPIF consultants to be proactive and use creative approaches in achieving the Board’s objectives with respect to the use of Minority Investment Managers.

6-6.4. Minority and Illinois Brokerage

FPIF seeks to promote access to business opportunities for state or local government certified, Minority-Owned Broker/Dealers and Illinois-based broker/dealers; therefore, FPIF, as a part of this Chapter, has established goals for the use of Minority-Owned Broker/Dealers by investment advisers. The minimum expectations are established based on the asset class in which the investment adviser invests. In addition, FPIF will encourage its investment advisers to direct trades to Illinois-based broker/dealers. It is further the policy objective of FPIF to encourage its investment advisers to seek to obtain best price execution to ensure that all transactions are executed in a manner such that total implicit and explicit costs of transactions are the most favorable available under the circumstances.

For purposes of this Chapter, in order to be considered a Minority-Owned Broker/Dealer, documentation of a current State of Illinois certification, documentation of a current state issued certification, or documentation of certification issued by a unit of local government must be provided to the Board.

Transactions completed with Minority-Owned Broker/Dealers on behalf of FPIF must be completed at rates fully competitive with the market. Subject to best execution, investment advisers for FPIF’s separately managed investment portfolios are strongly encouraged to direct the below percentages of total eligible commission dollars or eligible trading volume to Minority-Owned Broker/Dealers.

Asset Class	Minimum Goal as a Percentage
U.S. Equity	30%
International Developed Equity	20%
Emerging Market Equity	5%
Domestic Investment Grade Fixed Income	20%
Domestic Below Investment Grade Fixed Income	5%
International Developed and Emerging Market Fixed Income	5%

These goals will be reviewed annually by FPIF staff.

6-6.5. Brokerage

- (a) FPIF staff will strongly encourage, verbally and in writing, FPIF's public markets investment advisers to directly utilize Minority-Owned Broker/Dealers. Staff will add additional asset classes when appropriate.
- (b) FPIF staff will strongly encourage, verbally and in writing, investment advisers to direct trades to Illinois-based broker/dealers.
- (c) FPIF requires investment advisers to obtain best price execution to ensure that all transactions are executed in a manner that the total implicit and explicit costs of such transactions are the most favorable under the circumstances.
- (d) FPIF staff will provide to Minority-Owned Broker/Dealers the contact information for FPIF's public markets' investment advisers.
- (e) FPIF staff will monitor the use of Illinois-based broker/dealers and Minority-Owned Broker/Dealers by FPIF's investment advisers, and report results to the Board on an annual basis. If an investment adviser reports less than their encouraged percentage of Minority-Owned Broker/Dealer utilization, Staff will require the adviser to state the reason for the shortfall. The Board will decide if the adviser's practices are in accordance with this Chapter.
- (f) FPIF staff will consider the use of Illinois-based broker/dealers and Minority-Owned Broker/Dealers when evaluating existing investment advisers.

6-6.6. Consequences of Non-Compliance

FPIF continuously monitors investment advisers' compliance with this Section 6-6, and FPIF has established a series of consequences for those advisers who continually fail to meet expectations. The investment advisers are expected to achieve the desired levels of brokerage usage over a fiscal year period. The following steps will occur if the investment adviser continues to fall short of expectations:

- (a) A follow-up letter will be distributed to the investment advisers not achieving the minimum level of Minority-Owned Broker/Dealer usage. The investment advisers will be reminded of the brokerage usage expected by the Board.
- (b) Staff will conduct a meeting with the investment adviser to discuss the reasons for not achieving the desired level of brokerage usage.
- (c) Investment advisers not achieving the expected levels of Minority-Owned Broker/Dealer usage may be subject to a moratorium on additional funding.
- (d) If an investment adviser fails to comply with the request, they may be invited to appear before the Board to explain why they are unable to achieve the desired level of brokerage usage.

(e) The investment adviser may be placed on the Investment Advisers Watch List.

6-7. MINORITY CONTRACT AND SERVICE UTILIZATION

Section 5/1-109.1 of the Pension Code states that FPIF shall adopt a policy that sets forth goals for the utilization of businesses owned by minorities, females, and persons with disabilities for all contracts and services. As required by the Pension Code, "The goals shall be based on the percentage of total dollar amount of all contracts let to minority-owned businesses, women-owned businesses, and businesses owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act."

In furtherance of the Pension Code, and subject to its fiduciary responsibility, FPIF has set forth a minimum goal of 0-5% of the total dollar amount for all contracts for the utilization of businesses owned by minorities, females, and persons with disabilities.

In addition, pursuant to Pension Code, FPIF has set an aspirational goal to have no less than 20% of the total service contracts awarded for information technology, accounting, insurance brokerage, and legal services to be let to businesses owned by minorities, females, and persons with a disability, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

6-8. FIDUCIARY DIVERSIFICATION

FPIF acts as fiduciary for its participating Article 4 pension funds in Illinois. As a fiduciary, FPIF is responsible for managing, investing, reinvesting, preserving, and protecting fund assets.

FPIF will comply with all federal and state statutes, rules, and regulations pertaining to FPIF's investments. The Pension Code encourages FPIF 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 Pension Code, the FPIF will use its best efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its consultants, within the bounds of financial and fiduciary prudence.

Additionally, the FPIF will use its best efforts to ensure that the racial and ethnic makeup of its senior administrative staff represents the racial and ethnic makeup of its membership. FPIF will ensure that a diverse pool of candidates are considered for all internal staffing needs.

As vacancies occur, FPIF will consider the racial, ethnic, and gender diversity of its consultants and senior staff in accordance with this Chapter and within the bounds of financial and fiduciary prudence.