

## Chapter 1. Definitions and Rulemaking

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### 1-1. DEFINITIONS

Within these Rules, unless the context otherwise requires, the following words shall have meanings given to them, respectively:

**"Account Representative"** means each individual designated to act on behalf of a Participating Pension Fund with respect to cash management activities pursuant to Section 9-4.

**"Agency Directives Manual"** means the agency directives manual adopted by the Board on April 20, 2020, as amended from time to time by action of the Board.

**"Authorized Agent"** means each individual designated to act on behalf of a Participating Pension Fund pursuant to Section 9-1.

**"Board"** means the Board of Trustees of FPIF.

**"Board Operations Committee"** means the Board's Committee on Investments and Operations, or such other committee as may be designated by the Board from time to time to oversee hiring and personnel matters, or, in the absence of any such committee, the Board itself.

**"Board Member"** or **"Trustee"** means each of the elected and appointed members of the Board.

**"Business Enterprise for Minorities, Females, and Persons with Disabilities Act"** means the Business Enterprise for Minorities, Females, and Persons with Disabilities Act, 30 ILCS 575/0.01 et seq.

**"Campaign for elective office"** means any activity in furtherance of an effort to influence the selection, nomination, election, and/or appointment of any individual to any federal, State, or local public office or office in a Political Organization, or the selection, nomination, or election of Presidential or Vice-Presidential electors.

**"Candidate"** means a person who has filed nominating papers or petitions for nomination or election to an elected public office, or who has been appointed to fill a vacancy in nomination, and who remains eligible for placement on the ballot at a regular election, as defined in Section 1-3 of the Election Code.

**"Category 1 Position"** means each of the following positions: (a) the Chief Financial Officer; (b) the Chief Operating Officer; and (c) any position for which approval by six Trustees is required by Section 22C-117(c) of the Pension Code, including the Chief Investment Officer and Senior Portfolio Officer.

**"Category 2 Position"** means any position that is not a Category 1 Position. "Category 2 Position" also excludes the Executive Director position.

**"Certified Investment Asset List"** has the meaning ascribed to the term in Section 8-3.

**"Compensation"** means money, thing of value, or other pecuniary benefit received or to be received in return for, or as reimbursement for, services rendered or to be rendered.

**"Compensated time"** means, with respect to an employee, any time worked by or credited to the employee that counts toward any minimum work time requirement imposed as a condition of employment, but does not include any designated holidays, vacation periods, personal time, or compensatory time off.

**"Consultant"** means any person or entity retained or employed by the Board to make recommendations in developing an investment strategy, to assist with finding appropriate investment advisers, or to monitor the Board's investments. "Consultant" does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting services, services used to track compliance with legal standards and investment fund of funds where the Board has no direct contractual relationship with the investment advisers or partnerships, as defined in Section 1-101.5 of the Pension Code.

**"Economic interest"** means any direct or indirect interest valued or capable of valuation in monetary terms; provided, however, that "economic interest" shall not include (1) any ownership through purchase at fair market value or inheritance of less than 1% of the shares of a corporation, or any value of or dividends of such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended; (2) the authorized compensation or expense reimbursement paid to a Board Member or Employee for service or employment to FPIF; (3) any economic benefit provided equally to all residents of Illinois; (4) a time or demand deposit in a financial institution; (5) an endowment or insurance policy or annuity contract purchased from an insurance company; (6) any accrued pension rights in FPIF; or (7) with respect to a mutual fund, the individual securities of other instruments owned by the mutual fund.

**"Election Code"** means the Illinois Election Code, 10 ILCS 5/1 et seq.

**"Election Contribution"** means a "contribution" as defined in Section 9-1.4 of the Election Code.

**"Emerging Investment Manager"** means, as defined in Section 5/1-109(4) the Pension Code, a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a "minority owned business," "female owned business," or "business owned by a person with a disability," as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

**"Employee"** means an individual employed by FPIF, whether part-time or full-time, or by a contract of employment, but excludes Board Members and any third-party vendor of FPIF.

**"Ethics Officer"** means the ethics officer so designated by the Board; and in the absence of such a designation, the Executive Director.

**"FPIF"** means the Illinois Firefighters' Pension Investment Fund.

**"Gift"** means any gratuity, discount, entertainment, hospitality, loan, forbearance, or other tangible or intangible item having monetary value including, but not limited to, cash, food

and drink, and honoraria for speaking engagements related to or attributable to FPIF employment or the official position of a Board Member or Employee of FPIF.

**"Illinois-based"** means a business, including an investment adviser, that is headquartered in Illinois. This defined term is consistent with the definition of "Illinois business" in Section 5/1A-108.5(a) of the Pension Code.

**"Investment Adviser"** or **"Investment Manager"** is a person who (1) is a fiduciary appointed by the board of trustees of the pension fund or retirement system in accordance with Section 1-109.1; (2) has the power to manage, acquire, or dispose of any asset of the retirement system or pension fund; and (3) has acknowledged in writing that he or she is a fiduciary with respect to the pension fund or retirement system. A person may not act as a consultant or investment adviser unless that person is registered as an investment adviser under the federal Investment Advisers Act of 1940 or a bank, as defined in the federal Investment Advisers Act of 1940.

**"Investment Guidelines"** has the meaning ascribed to the term in Section 10-1.3.

**"Investment Services"** means services provided by an Investment Adviser or a Consultant.

**"Minority Investment Manager"** means an Emerging Investment Managers or a "minority owned business," "female owned business," or "business owned by a person with a disability," as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

**"Minority-Owned Broker/Dealer"** means a qualified broker/dealer who meets the definition of "minority owned business," "female owned business," or "business owned by a person with a disability," as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. This defined term is consistent with the definition of "minority broker-dealer" in Section 5/1-109.1(7) of the Pension Code.

**"Net Asset Value"** is the value of each Participating Pension Fund's assets in the possession of FPIF minus the value of that Participating Pension Fund's share of FPIF liabilities.

**"Non-Transferable Asset"** means an asset held by a Participating Pension Fund that either cannot be transferred or is imprudent to transfer on the Transfer Date.

**"Non-Transferable Asset List"** has the meaning ascribed to the term in Section 8-4.

**"Open Meetings Act"** means the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

**"Participating Pension Fund"** means any pension fund established pursuant to Article 4 of the Pension Code that has transferred securities, funds, assets, and moneys, and responsibility for custody and control of those securities, funds, assets, and moneys, to the Fund pursuant to Section 4-123.2 of the Pension Code.

**"Pension Code"** means the Illinois Pension Code, 40 ILCS 5/1-101 et seq.

**"Person"** means any individual, entity, corporation, partnership, firm, association, union, trust, estate, as well as any parent or subsidiary of any of the foregoing, whether or not operated for profit.

**"Personnel Costs"** means all salaries, bonuses, other compensation, and benefits paid to or on behalf of all FPIF employees.

**"Party in Interest"** means (1) any person that is a fiduciary, counsel, or Employee of FPIF or a relative of such person; (2) any person that provides services to FPIF or a relative of such person; (3) a municipality or fire protection district whose employees are covered by FPIF or a pension system established under Article 4 of the Pension Code for such a municipality or fire protection district; (4) an employee organization, any members of which are covered by FPIF; and (5) an Employee, officer or director of FPIF or of a person described under items (2), (3), or (4) above.

**"Political Activity"** means any activity in support of or in connection with any campaign for elective public office or any Political Organization, but does not include activities (i) relating to the support or opposition of any executive, legislative, or administrative action; (ii) relating to collective bargaining; or (iii) that are otherwise in furtherance of the person's official duties.

**"Political Organization"** means a party, committee, association, fund, or other organization (whether or not incorporated) that is required to file a statement of organization with the State Board of Elections or a county clerk under Section 9-3 of the Election Code.

**"Procurement Officer"** means the Executive Director or an employee of FPIF designated by the Board or the Executive Director to be responsible for procurements and the implementation of Chapter 6.

**"Prohibited Political Activity"** means:

- (a) Preparing for, organizing, or participating in any political meeting, political rally, political demonstration, or other political event.
- (b) Soliciting Election Contributions, including but not limited to the purchase of, selling, distributing, or receiving payment for tickets for any political fundraiser, political meeting, or other political event.
- (c) Soliciting, planning the solicitation of, or preparing any document or report regarding anything of value intended as a campaign Election Contribution.
- (d) Planning, conducting, or participating in a public opinion poll in connection with a campaign for elective public office or on behalf of a Political Organization for political purposes or for or against any referendum question.
- (e) Surveying or gathering information from potential or actual voters in an election to determine probable vote outcome in connection with a campaign for elective public office or on behalf of a Political Organization for political purposes or for or against any referendum question.
- (f) Assisting at the polls on election day on behalf of any Political Organization or candidate for public office or for or against any referendum question.
- (g) Soliciting votes on behalf of a candidate for elective public office or a Political Organization or for or against any referendum question or helping in an effort to get voters to the polls.

- (h) Initiating for circulation, preparing, circulating, reviewing, or filing any petition on behalf of a candidate for elective public office or for or against any referendum question.
- (i) Making Election Contributions on behalf of any candidate for elective public office in that capacity or in connection with a campaign for elective public office.
- (j) Preparing or reviewing responses to candidate questionnaires.
- (k) Distributing, preparing for distribution, or mailing campaign literature, campaign signs, or other campaign material on behalf of any candidate for elective public office or for or against any referendum question.
- (l) Campaigning for any elective public office, for or against any referendum, or for or against any referendum question.
- (m) Managing or working on a campaign for elective public office or for or against a referendum question.
- (n) Serving as a delegate, alternate, or proxy to a political party convention.
- (o) Participating in any recount or challenge to the outcome of any public office election.

**"Prohibited source"** means any person or entity who:

- (i) is seeking official action (A) by the Board, (B) by any Board Member, or (C) by an Employee;
- (ii) does business or seeks to do business (A) with the Board or (B) with a Board Member or Employee;
- (iii) has interests that may be substantially affected by the performance or non-performance of the official duties of the Board Member; or
- (iv) is registered or required to be registered with the Secretary of State under the Lobbyist Registration Act, 25 ILCS 170/1 et seq., except that an entity not otherwise a Prohibited Source does not become a Prohibited Source merely because a registered lobbyist is one of its members or serves on its board of directors.

**"Rules"** means the duly adopted rules of FPIF contained herein.

**"State"** means the State of Illinois.

**"Strategic Asset Allocation"** has the meaning ascribed to the term in Section 10-1.3.

**"Targets"** has the meaning ascribed to the term in Section 10-1.3.

**"Transfer Date"** means, with respect to each Participating Pension Fund, the date at which FPIF will assume fiduciary control of the Participating Pension Fund's assets included on the Certified Investment Asset List determined for the Participating Pension Fund.

**“Transition Order”** means the order of Transfer Dates for Participating Pension Funds.

**1-2. RULEMAKING PROCESS**

**1-2.1. Drafting of Rules**

The Executive Director shall direct FPIF staff to draft rules.

**1-2.2. Approval of Public Notice**

The Executive Director shall approve draft rules for distribution to the chairperson of the committee responsible for the subject matter of the draft rules. The chairperson of the committee shall authorize the distribution of the draft rules to committee members and for posting of the 1<sup>st</sup> Public Notice.

**1-2.3. 1<sup>st</sup> Public Notice**

Draft rules approved for 1<sup>st</sup> Public Notice shall be posted on the FPIF website at least two weeks in advance of the committee meeting at which the rules will be considered by the committee.

**1-2.4. Public Comment following 1<sup>st</sup> Public Notice**

FPIF will encourage public comment on draft rules approved for 1<sup>st</sup> Public Notice. FPIF staff shall catalog public comments made in advance of the committee meeting at which the rules are to be considered for a recommendation to the Board. FPIF staff shall distribute cataloged comments to committee members in advance of the committee meeting.

**1-2.5. Committee Consideration**

The committee responsible for the subject matter of the draft rules shall consider the draft rules and public comments on draft rules at its meeting following the 1<sup>st</sup> Public Notice. Draft rules shall remain on 1<sup>st</sup> Public Notice until the committee approves the draft rules for 2<sup>nd</sup> Public Notice.

**1-2.6. 2<sup>nd</sup> Public Notice**

Draft rules approved for 2<sup>nd</sup> Public Notice shall be posted on the FPIF website at least two weeks in advance of the Board meeting at which the rules will be considered for adoption. If the committee revises the draft rules posted for 1<sup>st</sup> Public Notice, a redlined copy of the revised draft rules shall be posted on the website.

**1-2.7. Public Comment following 2<sup>nd</sup> Public Notice**

FPIF will encourage public comment on draft rules approved for 2<sup>nd</sup> Public Notice. FPIF staff shall catalog public comments made in advance of the Board meeting at which the rules are to be considered for adoption. FPIF staff shall distribute cataloged comments to Board members in advance of the Board meeting.

**1-2.8. Board Consideration**

The Board shall consider the draft rules recommended by a committee and the public comments made on the committee's recommendation at its meeting following the 2<sup>nd</sup> Public Notice. FPIF staff shall post Board approved rules on the FPIF website and distribute the rules to Article 4 pension funds as soon as practicable after the Board's approval.

## Chapter 9. Participating Pension Funds

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### 9-1. AUTHORIZED AGENTS

#### 9-1.1. Appointment

Each Participating Pension Fund, by a resolution of its board of trustees, shall appoint two Authorized Agents, who shall have the powers and duties set forth in this Section 9-1. In the absence of such appointments, the ~~Board President and Board Secretary~~board president and board secretary of the Participating Pension Fund shall be deemed Authorized Agents. The Participating Pension Fund may change its Authorized Agents at any time upon written notice to the FPIF supported by a resolution of its ~~Board~~board of ~~Trustees~~trustees appointing a different individual(s). A ~~Board~~board resolution appointing an Authorized Agent shall include the person's name, employer, business address, phone number, fax number (if applicable), and email address.

#### 9-1.2. Powers

The Authorized Agent shall have the following powers and duties:

- (a) To promptly forward to the board of trustees of their Participating Pension Fund all communications, notices, reports, and other documents delivered to the Authorized Agent by the FPIF; and
- (b) To execute authorizations and consents for the treasurer, custodian, investment professionals, and other vendors to share with the FPIF and/or its agents, including but not limited to the FPIF's custodian, investment consultant, and transition manager, all investment account related information and such other information relating to the Participating Pension Fund as is necessary for the administration of the FPIF.

#### 9-1.3. Communications

The delivery of any communication or document by the FPIF to an Authorized Agent shall constitute delivery to the Participating Pension Fund.

### 9-2. CALCULATION OF NET ASSET VALUE

FPIF shall determine a Net Asset Value for each Participating Pension Fund as follows:

- (a) The initial Net Asset Value and for each Participating Pension Fund will be determined based on the assets transferred from the Participating Pension Fund to FPIF on its Transfer Date.
- (b) Each month following the initial determination of Net Asset Value for each Participating Pension Fund, the Net Asset Value of each Participating Pension Fund will be determined based on the Participating Pension Fund's percentage ownership of the total FPIF Investment portfolio. Each Participating Pension Fund's percentage of the total FPIF Investment Portfolio will be calculated each month based on the ending Net Asset Value from the prior month adjusted for additional cash contributions, asset transfers and withdrawals by the Participating Pension Fund to the total FPIF



portfolio on a time weighted basis. The Income and Expense activity for the month will then be allocated to each Participating Pension Fund based on their time weighted ownership percentage for the month.

### 9-3. **TRANSITION COSTS**

FPIF operating expenses incurred prior to the conclusion of the statutory transition period will be paid with funds obtained from drawdowns on a loan agreement entered into between FPIF and the Illinois Finance Authority (IFA). After the conclusion of the statutory transition period the total amount of the loan outstanding with the IFA will be paid back using funds from the total consolidated FPIF investment portfolio and this repayment will be allocated to the individual Participating Pension Funds in a manner consistent with Section 9-2.

### 9-4. **CASH MANAGEMENT RULES**

The purpose of this Section 9-4 is to set up the procedures and best practices for interaction between Participating Pension Funds and FPIF. This Section aims to ensure an efficient working process that allows Participating Pension Funds to meet monthly benefit obligations and transfer excess funds to FPIF for investment while also allowing FPIF to effectively plan for the liquidity needs of Participating Pension Funds.

#### 9-4.1. **Objectives**

The following are the specific objectives of this Section.

- Outline procedure for FPIF to transfer cash to Participating Pension Funds.
- Outline procedure for Participating Pension Funds to transfer cash to FPIF.
- Provide recommendations (non-binding) to Participating Pension Funds related to cash flow for expenses.
- Outline reporting requests for cash transfers to maintain transparency and accountability.
- Maintain compliance with Article 22C of the Pension Code (40 ILCS 5/22C).

#### 9-4.2. **Account Representatives**

FPIF staff under the direction of the Chief Financial Officer will process all transfer requests and transfers properly submitted by Account Representatives of Participating Pension Funds through the FPIF custodian. ~~Account Representatives of~~

Participating Pension Funds shall ~~include the Authorized Agents and Treasurer of the Participating Pension Fund. Participating Pension Funds may name an additional Account Representative who is not a voting member to facilitate transfers.~~ appoint up to four Account Representatives by resolution of the board of trustees of the Participating Pension Fund. All appointed Account Representatives must be members of the Participating Pension Fund's board of trustees, except that one Account Representative from each Participating Pension Fund is not required to be a member of the Participating Pension Fund's board of trustees. If a Participating Pension Fund has not appointed Account Representatives, the Participating Pension Fund's Authorized Agents and Treasurer shall serve as Account Representatives until other Account Representatives are appointed.

~~Account Representatives who are not the Authorized Agents or the Treasurer of the Participating Pension Fund shall be appointed by board resolution. A board resolution appointing an Account Representative shall include the representative's name, employer, business address, phone number, fax number (if applicable), and email address.~~

Only Account Representatives will have authority to facilitate transfers. A Participating Pension Fund is responsible for promptly providing FPIF with any updates or revisions to its authorized Account Representatives, and FPIF is entitled to rely on the appointed Account Representatives that it has received from a Participating Pension Fund as of the date of any transfer or withdrawal request. FPIF is not responsible for any claim or liability related to an unauthorized transfer or withdrawal in which FPIF reasonably relied on the information regarding authorized Account Representatives provided by a Participating Pension Fund. Any individual who submits transfer or withdrawal requests or instructions to FPIF will be deemed to be making a representation and warranty to FPIF that they have been, and remain, duly designated as Account Representatives of the Participating Pension Fund and that they are authorized to execute and deliver the withdrawal or transfer request or instructions to FPIF on behalf of that Participating Pension Fund.

#### **9-4.3. Transition Cash Management Procedures**

Notwithstanding any other provision of this Chapter to the contrary, each Participating Pension Fund shall keep no less than 60 days of expenses in a local account for payment of benefits and other expenses during the 60-day period following the Participating Pension Fund's Transfer Date. FPIF shall not make transfers to Participating Pension Funds during the 60-day period following the Participating Pension Fund's Transfer Date.

For purposes of this Chapter, "Transfer Date" means the date at which FPIF will assume fiduciary control of the Participating Pension Fund's assets included on the certified investment asset list determined for the Participating Pension Fund.

#### **9-4.4. Cash Management Procedures**

The use of any cash management system utilized by FPIF for cash transactions, including both one-time transactions and recurring monthly withdrawals, will be subject to standard requirements, terms, and conditions for such system. By utilizing such a system, a Participating Pension Fund agrees to abide by any applicable requirements, terms, and conditions.

FPIF recommends that Participating Pension Funds keep an estimated ~~3~~two months of expenses in a local account. The amount of cash kept in the local account will fluctuate and will necessitate transfers to and from FPIF. Requests to redeem cash from FPIF can be made on a monthly basis ~~and should occur via Automated Clearing House (ACH).~~

Requests for transfers from FPIF to a Participating Pension Fund must be sent to FPIF by 5:00 pm central time on the 1st of each of month. Requests properly submitted on or before the 1st of each month, will be processed for transfer by the ~~1st~~14<sup>th</sup> of the ~~following~~ month. The request for transfer must be made in the manner prescribed by FPIF. ~~Requests shall include the local fund name, the current local account balance, the requested dollar amount, and a date and signature by an Account Representative.~~

If a Participating Pension Fund has a surplus of dollars in the local account, it should transfer the funds to FPIF for investment. Transfers from a Participating Pension Fund to FPIF will be invested on scheduled investment dates. For the purpose of this Chapter, "investment dates" mean the 7th, 14th, 21st, and 28th of each month, or the business day immediately preceding the 7th, 14th, 21st, or 28th of the month if the date falls on a weekend or bank holiday. [FPIF recommends that](#) Participating Pension Funds ~~shall~~ initiate the transfer of funds to FPIF at least three business days in advance of an investment date in order to ensure the transfer of funds is invested on the investment date. The Account Representative shall send transfers to FPIF in the manner prescribed by FPIF. ~~The Account Representative shall indicate the local fund name, dollar amount to be transferred and the date the transfer will be made.~~

It is the responsibility of the Participating Pension Fund to ensure enough money is kept on hand to meet benefit obligations and to act in their fiduciary capacity as board members in the administration and payment of monthly retirement benefits and expenses. If a Participating Pension Fund believes an unforeseen circumstance dictates an expedited transfer from FPIF in a manner inconsistent with this Chapter, the Participating Pension Fund shall submit a request for an expedited transfer in the manner prescribed by FPIF. A request for an expedited transfer shall include a detailed explanation of the need for an expedited transfer and FPIF shall, in its sole discretion, determine whether the reason provided is sufficient cause for an expedited transfer.

#### **9-4.5. Cash Flow Planning**

Each Participating Pension Fund shall provide an estimated cash flow projection by the end of each calendar year for the upcoming calendar year. This cash flow projection at a minimum should include the following:

- Estimated cash balance for 12 months.
- Estimated employee contributions.
- Estimated employer contributions.
- Estimated pension benefits.
- Estimated administrative expenses.
- Estimated monthly net inflow or outflow.
- Estimated monthly funding request / money transfer.

An example of a cash flow projection shall be provided to Account Representatives and made available on the FPIF website. The cash flow projection is not meant to be exact, though will act as guide for FPIF to properly plan investments to ensure sufficient liquidity.