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FIREFIGHTERS' PENSION INVESTMENT FUND

## Rules

Revised June 17, 2022

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## Introduction

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The following contains the consolidated rules ("**Rules**") of the Illinois Firefighters' Pension Investment Fund ("**FPIF**"), established under Article 22C of the Illinois Pension Code, 40 ILCS 5/1-101 et seq., (the "**Pension Code**"). All Rules contained herein have been adopted by the Board of Trustees of FPIF (the "**Board**") in accordance with FPIF's rulemaking authority under Section 22C-119 of the Pension Code and any duly adopted Rules of the Board governing its rulemaking processes.

In the event of any inconsistency between these Rules and the provisions of applicable law, including the Pension Code, the provisions of applicable law will prevail.

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## 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.

**"Annuitant"** means a retired firefighter receiving a retirement pension from a Participating Pension Fund.

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

**"Beneficiary"** means an Annuitant, Deferred Pensioner, or a Disabled Pensioner.

**"Beneficiary Trustee"** means a trustee who is to be elected by Beneficiaries.

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

**"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.

**"Deferred Pensioner"** means a firefighter who has retired having accumulated enough creditable service to qualify for a pension under Article 4 of the Pension Code but who has not attained the required age for commencement of the pension.

**"Disabled Pensioner"** means a firefighter receiving a disability pension from a Participating Pension Fund.

**"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.

**"Election Date"** has the meaning given to it in Section 3-1.

**"Election Panel"** has the meaning given to it in Section 3-14.

**"Elections Committee"** means the Elections Committee of the Board.

**"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.

**"Employee 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.

**"Employer Executive"** means a person who is a mayor, president, chief executive officer, chief financial officer, or other officer, executive, or department head of a municipality or fire protection district that has a Participating Pension Fund.

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

**"Executive Trustee"** means a trustee who is to be elected by the mayors and presidents of municipalities and fire protection districts that have a Participating Pension Fund.

**"Firefighter Labor Organization"** means a statewide labor organization representing firefighters employed by at least 85 municipalities that is affiliated with the Illinois State Federation of Labor.

**"FPIF" or "Fund"** 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.

**"Illinois Municipal League"** means the unincorporated, nonprofit, nonpolitical association of Illinois cities, villages, and incorporated towns described in Section 1-8-1 of the Illinois Municipal 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 Asset"** means all reserves, funds, assets, securities, and moneys of a Participating Pension Fund, excluding any amounts of cash held by the Participating Pension Fund in a local account or money market fund to pay its benefit payments and other reasonable expenses.

**"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.

**"Participant"** means an active-duty firefighter accruing creditable service in a Participating Pension Fund.

**"Participant Trustee"** means a trustee who is to be elected by Participants.

**"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 2. Board Governance and Procedures

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### **2-1. MEETINGS**

#### **2-1.1. Schedule**

The Chair, in consultation with other members of the Board, shall determine a schedule of dates for regular meeting of the Board for each upcoming calendar year. At least one regular meeting shall be scheduled each calendar quarter. The schedule shall be published as required by Section 2.02 of the Open Meetings Act.

The annual meeting of the Board shall be the first regular meeting held in the calendar year, unless otherwise agreed upon by the Board. Special or emergency meetings may be called by the Chair or by written request of any three members of the Board submitted to the Secretary. The Board will conduct its meetings in accordance with the Open Meetings Act.

#### **2-1.2. Procedure for Meetings**

Robert's Rules of Order shall govern the procedure for all meetings of the Board and its Committees, except to the extent otherwise provided in these Rules or applicable law.

#### **2-1.3. Quorum and Voting**

The presence of six members of the Board shall constitute a quorum for the transaction of business at any properly noticed meeting of the Board. A majority of the members of a duly authorized Committee of the Board shall constitute a quorum for the transaction of business at any meeting of that Committee. A smaller number of members of the Board or of a Committee may meet and adjourn to some other time or until a quorum is obtained; provided, however, that no motion, resolution or other action shall be effective unless a quorum is present.

For purpose of determining quorum, a member of the Board or a Committee of the Board is considered to be present if physically present at a public meeting location of the Board, unless Section 7(e) of the Open Meetings Act (or any successor provision) applies, in which case a member participating by audio or video conference may be considered to be present as and to the extent so permitted by the Open Meetings Act.

Assuming a quorum is present, all actions taken by the Board shall require the affirmative vote of at least five members of the Board, except that the following actions shall require the affirmative vote of at least six trustees: the adoption of actuarial assumptions; the selection of a chief investment officer, fiduciary counsel, or a consultant as defined under Section 1-101.5 of the Pension Code; the adoption of rules for the conduct of election of trustees; and the adoption of asset allocation policies and investment policies. Assuming a quorum is present, all actions taken by a Committee shall require the affirmative vote of a majority of members of that Committee. No final action for which the affirmative vote of at least six Trustees is required may be taken by a Committee.

Votes may be taken by voice vote, except that a vote to close a meeting to the public must be taken by recorded roll call (as required by Section 2(a) of the Open Meetings Act) and except when a recorded roll call vote is otherwise required by law or requested by the Chair or any

other member of the Board or Committee. In the case of a recorded roll call vote, the vote of each member in attendance shall then be recorded in the minutes of the meeting.

#### **2-1.4. Attendance at Meeting by Audio or Video Conference**

Any member of the Board or a Committee may attend any meeting of the Board or a Committee, respectively, whether opened or closed, by video or audio conference if (a) the member is prevented from physically attending the meeting because of (i) personal illness or disability, (ii) employment purposes or the business of FPIF, or (iii) a family or other emergency or (b) otherwise permitted by the Open Meetings Act; provided, however, that such attendance by video or audio conference is permitted by and in compliance with this Chapter and any applicable laws, including the Section 7 of the Open Meetings Act.

A member desiring to attend a meeting of the Board or a Committee by video or audio conference must notify the Secretary prior to the meeting. Such notice should state why the member is unable to attend the meeting in-person. Such notice should be given at least 24 hours before the meeting if possible. The member's request to participate by video or audio conference may be denied.

The Secretary shall notify the Board or Committee of any request received to participate in a meeting by video or audio conference at the start of the meeting. After first establishing that a quorum is physically present at the meeting, the Chair or Secretary shall state the request to the Board or Committee. The request shall be granted if approved by a majority of those members of the Board or Committee who are physically present at the meeting.

A member attending the meeting by video or audio conference must be able to communicate effectively with other members of the Board or Committee who are present. All members attending the meeting must be able to hear all communications at the meeting site. The Secretary and FPIF staff will be responsible for providing equipment adequate to facilitate proper communications at the meeting site.

A member attending the meeting by video or audio conference will be counted as "present" for that meeting, permitted to participate in discussion, and permitted to vote on matters considered during the meeting, as and to the extent that the member could so participate and vote if the member were physically present. The minutes of the meeting shall state that the member participated through video or audio conference.

Notwithstanding the foregoing, if the requirement of the Open Meetings Act that a quorum of members be physically present is waived pursuant to Section 7(e) of the Open Meetings Act, a member may attend a meeting of the Board or a Committee by video or audio conference for reasons other than those enumerated in clauses (i)-(iii) of the first paragraph of Section 2-1.4, no prior notice to the Secretary is required to be given, and no approval by the Board shall be required to permit such attendance. The Board or Committee shall ensure that the meeting otherwise complies with applicable law.

#### **2-2. OFFICERS**

The elective officers of the Board shall comprise a Chair, a Vice-Chair, a Treasurer, a Secretary, and an Ethics Officer. The elective officers shall be elected by the Board biennially at the annual meeting in each odd-numbered year. The Chair, Vice-Chair, Treasurer, and Secretary shall be

elected from among the members of the Board; the Ethics Officer shall be elected from among the members of the Board or the staff of FPIF. The same person may not hold two or more elective offices of the Board, except that the Treasurer or Secretary may also serve as the Ethics Officer if the Board so desires. Each elective officer shall hold office until the election and qualification of his or her successor, unless he or she earlier resigns, is removed from that office by the Board, or ceases to be a member of the Board for any reason. Any vacancy occurring during a biennial period shall be filled in like manner for the unexpired term of office.

**2-2.1. The Chair**

The Chair shall preside at all meetings, announce the business before the Board, announce the question under consideration and the result of the vote taken, recognize members of the Board and others to speak, and ensure an orderly meeting. He or she shall appoint members of the Board to all Standing Committees (as provided in Section 2-5) and see that Committee members perform their assigned duties.

**2-2.2. The Vice-Chair**

The Vice-Chair shall preside at all meetings of the Board in the absence of the Chair. The Vice-Chair shall assume all of the duties of the Chair if the Chair becomes statutorily ineligible to serve in that capacity or is legally incapacitated or in the event of a vacancy in the Chair position. The Vice-Chair shall relinquish those duties when a new Chair is properly qualified.

**2-2.3. The Treasurer**

The Treasurer shall have custody of funds of FPIF. The Treasurer shall have the authority to open, maintain, and close bank, depository, brokerage, and other accounts for depositing, keeping, expending, and investing funds of FPIF in accordance with policies adopted by the Board. The Treasurer shall maintain financial accounts and records of FPIF and report financial information to the Board regularly.

**2-2.4. The Secretary**

The Secretary shall authenticate with his or her signature any resolutions of the Board, shall record minutes of meetings of the Board, and shall perform such other duties as may be prescribed by the Board.

**2-2.5. The Ethics Officer**

The Ethics Officer shall perform duties set out in the Illinois State Officials and Employees Ethics Act and other applicable law, shall review statements of economic interest and disclosure forms of Board members upon request, shall provide requested guidance to Board members and employees of FPIF in the interpretation and implementation of the FPIF ethics policy, and shall perform such other duties as may be prescribed by the Board.

**2-3. EXECUTIVE PERSONNEL**

**2-3.1. The Executive Director**

The Executive Director shall act as Chief Executive Officer of FPIF. The Executive Director may act as the Chief Investment Officer of FPIF, as described in Section 2-3.2. He or she shall

administer the affairs of FPIF pursuant to the provisions of Article 22C of the Pension Code and other applicable law, subject to and under supervision of the Board. Consistent with the budget approved by the Board, the Executive Director may employ such personnel, professional or clerical, as may be desirable and necessary, and fix their compensation. The Executive Director shall assign a member of FPIF staff to act as Governmental Liaison. The Executive Director shall be responsible for all records, books, files, papers and documents belonging to the Board. The Executive Director shall present to the Board reports summarizing expenses paid against budgeted amounts; shall request any information and reports that may be required during the course of operations to effectuate the objectives of the Board and shall prepare periodic statements and reports to fully carry out the expressed and implied requirements of applicable law. He or she shall perform such other duties that are called for by the rules, orders, directives and resolutions of the Board. The Executive Director shall prepare a budget for the fiscal year commencing July 1 and ending the following June 30 and present such budget to the Board for approval prior to the beginning of the upcoming fiscal year. The Director shall submit a monthly report to the Board setting forth by designated categories the cumulative amount of expenditure for the fiscal year to date and the total amount budgeted for each such category.

### **2-3.2. The Chief Investment Officer**

The Executive Director may act as the Chief Investment Officer or the Board may appoint a separate Chief Investment Officer. The Chief Investment Officer shall report to the Board. The Chief Investment Officer is responsible for leading the management and operations of the Board's investment program. The Chief Investment Officer will work closely with the Board and the Executive Director to ensure the operations, management, and strategies of the Board are carried out in accordance with the Investment Policy and other relevant policies and procedures.

### **2-4. COMMUNICATIONS**

The Executive Director shall generally serve as the spokesperson for FPIF.

### **2-5. STANDING COMMITTEES**

The Board shall have the following Standing Committees: the Audit and Compliance Committee, the Elections Committee, the Investments and Operations Committee, and the Legislative Committee.

At the annual meeting of the Board each year, the Chair shall recommend to the Board, subject to approval by the Board, the appointment of Board members to the Audit and Compliance Committee, the Elections Committee, and the Investments & Operations Committee. Each Standing Committee shall comprise not less than three members of the Board.

The Legislative Committee shall comprise four members of the Board. The Chair and Vice Chair of the Board shall each serve on the Legislative Committee. At the annual meeting of the Board each year, the Chair and Vice Chair shall each recommend to the Board, subject to the approval of the Board, the appointment of one member to the Legislative Committee. Membership of the Legislative Committee shall consist of two members appointed or elected to represent participants or beneficiaries and two members appointed or elected to represent municipalities and fire protection districts.

Any member of a Standing Committee may resign at any time by giving written notice to the Chair and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. A vacancy on any Standing Committee may be filled at the next meeting of the Board in the same manner as the Standing Committee members are appointed at the annual meeting of the Board.

Each Board member may attend any meeting of any Standing Committee and participate in discussions during any such meeting, even if he or she is not a member of that Standing Committee, but only members of the Standing Committee may vote on matters before the Standing Committee.

Each Standing Committee may fix its own rules and procedures, which shall not be inconsistent with these by-laws or applicable law, including the Open Meetings Act. Each Standing Committee shall keep regular minutes of its proceedings and shall report to the Board at the meeting of the Board following the Standing Committee's meeting of all actions taken by or recommended by the Standing Committee. The chair of each Standing Committee shall be appointed by a majority of the members of the Standing Committee at the first meeting of the Standing Committee after the annual meeting of the Board each year.

A majority of the members of the Standing Committee shall constitute a quorum. The act of a majority of the Standing Committee members in attendance at a meeting at which a quorum is present shall be the act of the Standing Committee.

The Standing Committees shall meet when necessary. The chair of the Standing Committee may call meetings of the Standing Committee consistent with the requirements of the Open Meetings Act. Each Standing Committee will have those purposes and responsibilities that are set out in, and otherwise be constituted in accordance with the following subsections of this Section 2-5.

#### **2-5.1. Audit and Compliance Committee**

In general, the Audit and Compliance Committee shall assist the Board in providing oversight with respect its statutory responsibilities to audit constituent pension funds, and prepare actuarial statements for constituent pension funds. The Audit Committee shall also monitor the financial reporting process, the system of risk management, the system of internal controls, internal and external audit functions and ensure compliance with applicable laws, rules, regulations and policies.

The Audit and Compliance Committee shall undertake the following responsibilities, which are set forth as a guide. The Audit and Compliance Committee is authorized to carry out these activities and other actions reasonably related to its purposes or assigned by the Board from time to time. To fulfill its purposes, the Audit and Compliance Committee shall:

- (a) Monitor the work of retained audit and actuarial firms, as well as FPIF staff, in meeting statutory obligations related to audits of constituent pension funds, and the preparation of actuarial statements for constituent pension funds;
- (b) Oversee processes to identify and retain audit and actuarial firms. Work with staff to evaluate the services provided by such firms;

- (c) Review and oversee the work of the audit, including review of all audit reports and management's follow-up activities, approval and completion of the annual audit plan, ensure compliance with professional standards and ensure that the audit unit's independence and objectivity are maintained;
- (d) Review audit findings and recommendations, management's responses and actions taken to implement the audit recommendations;
- (e) Review audit work completed by the auditors, including audit scope and approach, annual audit reports, accounting, compliance and financial reporting issues, difficulties encountered during the audit and all matters required to be communicated to the Board under generally accepted audited standards;
- (f) Review the effectiveness of FPIF's system for monitoring compliance with laws, regulations, rules, policies and procedures and the results of management's investigation and follow-up of any instances of noncompliance;
- (g) Oversee responsibility for all matters relating to the FPIF's Ethics Policy;
- (h) Work with FPIF's legal counsel and the Executive Director to ensure all required FPIF reporting has been completed in compliance with relevant laws, regulations, rules, policies and procedures;
- (i) Provide oversight of FPIF fiscal operations; and
- (j) Conduct any other duties as assigned by the Board.

## **2-5.2. Elections Committee**

In general, the Elections Committee shall assist the Board in conducting and administering the trustee elections in a manner consistent with 40 ILCS 5/22C-116.

The Elections Committee shall undertake the following responsibilities, which are set forth as a guide. The Elections Committee is authorized to carry out these activities and other actions reasonably related to its purposes or assigned by the Board from time to time. To fulfill its purposes, the Elections Committee shall:

- (a) Assist the Board in reviewing and overseeing the construction and maintenance of a database of eligible voters;
- (b) Assist the Board in reviewing and overseeing the addition of eligible voters to the database;
- (c) Assist the Board in reviewing and overseeing the administration of trustee elections, including but not limited to the submission and counting of nominating petitions, the distribution of election materials to eligible voters, the election timeline, the acceptance and counting of ballots, and the selection and monitoring of any third party contracted to conduct the elections;
- (d) Make recommendations to the Board on appropriate election procedures, including but not limited to the submission of ballots; and



- (e) Conduct other duties as assigned by the Board.

### **2-5.3. Investments and Operations Committee**

In general, the Investments and Operations Committee shall assist the Board in overseeing the transfer of assets to, and the investment of assets held by, FPIF and in overseeing other operations of FPIF.

The Investments and Operations Committee shall undertake the following responsibilities, which are set forth as a guide. The Investments and Operations Committee is authorized to carry out these activities and other actions reasonably related to its purposes or assigned by the Board from time to time. To fulfill its purposes, the Investments and Operations Committee shall:

- (a) Assist the Board in reviewing and overseeing the transfer of assets from local firefighter pension systems (established under Article 4 of the Pension Code) to FPIF, including recommending policies and rules to facilitate the transfer and appraisal of those assets;
- (b) Assist the Board in reviewing and overseeing the retention of custodians, investment advisers, consultants, and other professionals to hold and manage assets in the custody of FPIF, in accordance with FPIF's procurement policy and other applicable rules;
- (c) Assist the Board in reviewing and overseeing the investment of assets, including recommending an investment policy for adoption by the Board and overseeing its proper implementation;
- (d) Assist the Board in reviewing and overseeing personnel matters, including as provided in FPIF's hiring policy and other applicable rules; and
- (e) Conduct other duties as assigned by the Board.

### **2-5.4. Legislative Committee**

In general, the Legislative Committee shall assist the Board in legislative matters relevant to Article 22C of the Pension Code.

The Legislative Committee shall undertake the following responsibilities, which are set forth as a guide. The Legislative Committee is authorized to carry out these activities and other actions reasonably related to its purposes or assigned by the Board from time to time. To fulfill its purposes, the committee shall:

- (a) Identify the ongoing needs of the FPIF for future legislative proposals;
- (b) Analyzing legislative proposals and determine appropriate action to be undertaken;
- (c) Make recommendations to the Board of Trustees on legislative matters and communications regarding legislative proposals or matters;
- (d) Be the primary point of contact for and oversee the activity of the Governmental Liaison;

- (e) Receive reports from the Governmental Liaison; and
- (f) Conduct other duties as assigned by the Board.

## **2-6. BOARD VACANCIES**

### **2-6.1. General**

A vacancy occurring in the elected membership of the Board shall be filled by the elected trustees as prescribed in Section 22C-116(h) of the Pension Code.

### **2-6.2. Unexpired Term of Less Than 6 Months**

For a vacancy of an elected Trustee occurring with an unexpired term of less than 6 months, the vacancy shall be filled by appointment by the Board, as follows:

- (a) The vacancy shall be announced via the FPIF newsletter and posted on the FPIF website.
- (b) Nominations shall be submitted in writing to the Secretary within 30 calendar days of the vacancy announcement in the form provided by FPIF. Once the nomination period has ended, the Secretary shall determine the eligibility of the candidates pursuant to Section 22C-115 of the Pension Code.
- (c) The list of eligible nominees shall be submitted to all members of the Board for consideration of which candidate would best represent the beneficiaries, participants, or municipalities and fire protection districts, as appropriate, as soon as practicable.
- (d) The appointee will be determined by majority vote of all Trustees.

### **2-6.3. Unexpired Term of 6 Months or More**

For a vacancy of an elected Trustee occurring with an unexpired term of 6 months or more, the vacancy shall be filled by election in a manner consistent with Chapter 3 of these Rules.

## Chapter 3. Elections

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### **3-1. ELECTION DATE**

#### **3-1.1. Election Date**

The Election Date shall be December 1 except (1) as provided in Section 3-1.2 and (2) if the Election Date falls on a Saturday, Sunday or holiday, the election will be held the next business day after December 1.

#### **3-1.2. Election Date for Vacancies**

The Election Date to fill a vacancy on the Board shall be determined by the Elections Committee.

### **3-2. ELECTION SCHEDULE**

#### **3-2.1. Schedule**

The Elections Committee shall adopt an election schedule consistent with these rules no later than 14 calendar days prior to the first date that candidate petitions may be circulated.

#### **3-2.2. Release of Schedule**

The schedule shall be released via the Fund Newsletter and posted on the Fund website.

### **3-3. TRUSTEE POSITIONS AND TERMS OF OFFICE**

#### **3-3.1. Positions**

These rules shall apply to and govern the election of the following trustee positions, pursuant to Section 22C-116 of the Pension Code (each, a "Trustee Position"):

- (a) Three Executive Trustees shall be elected to serve a 4-year term each, of which (i) one Executive Trustee shall be elected in December 2022, for a four-year term beginning in January 2023, and in December every four years thereafter, and (ii) two Executive Trustees shall be elected in December 2024, for a four-year term beginning in January 2025, and in December every four years thereafter.
- (b) Three Participant Trustees shall be elected to serve a 4-year term each, of which (i) one Participant Trustee shall be elected in December 2022, for a four-year term beginning in January 2023, and in December every four years thereafter, and (ii) two Participant Trustees shall be elected in December 2024, for a four-year term beginning in January 2025, and in December every four years thereafter.
- (c) One Beneficiary Trustee shall be elected to serve a 4-year term in December 2022 for a four-year term beginning in January 2023, and in December every four years thereafter.

#### **3-3.2. Commencement of Term**

A trustee's term shall commence on the first business day of the first month following the Election Date.

### **3-4. CANDIDATE ELIGIBILITY**

#### **3-4.1. Qualifications**

A candidate for a Trustee Position described in Section 3-3 shall be a person who is:

- (a) For the Executive Trustee Positions, an Employer Executive in continuing service as an Employer Executive from the date the candidate application is submitted through the commencement of the term. A candidate for Executive Trustee shall be nominated by a petition, conforming to the requirements of Section 3-5, signed by no fewer than 20 individuals who, as of the date of signing, were mayors or presidents of municipalities or fire protection districts that have Participating Pension Funds.
- (b) For the Participant Trustee Positions, a Participant in continuing service as a Participant from the date the candidate application is submitted through the Election Date. A candidate for Participant Trustee shall be nominated by a petition, conforming to the requirements of Section 3-5, signed by no fewer than 400 individuals who, as of the date of signing, were Participants.
- (c) For the Beneficiary Trustee Position, a Beneficiary who remains a Beneficiary from the date the candidate application is submitted through the Election Date. A candidate for Beneficiary Trustee shall be nominated by a petition, conforming to the requirements of Section 3-5, signed by no fewer than 100 individuals who, as of the date of signing, were Beneficiaries.

#### **3-4.2. Application**

All candidates must complete and submit an application in the form adopted by the Fund in order to qualify their eligibility. Candidate application forms shall be obtained from the Fund website beginning the day prior to the first date that nominating petitions may be circulated. A candidate must notify the Fund of any change after the submission of his or her candidate application form in his or her employment or other circumstance that may affect his or her eligibility.

#### **3-4.3. Selection of Trustee Position**

Candidates shall only be eligible for a single trustee position. A candidate may submit an application for a different trustee position by withdrawing their previous application. All petition signatures collected for the previous trustee position will be considered invalid and shall not be counted toward the petition signature requirement for the subsequent trustee position. A candidate application that has been withdrawn may not be renewed.

#### **3-4.4. Determination of Eligibility**

The Fund shall review candidate applications and determine the eligibility of candidates. If a candidate should become ineligible for the Board position after submission of the candidate application form, but before the election, the Election Panel shall declare the candidate ineligible

and remove that candidate from the ballot. If a candidate should become ineligible for the Board position after the printing of the ballots, the ineligible candidate's votes shall not be counted.

### **3-5. NOMINATING PETITIONS**

#### **3-5.1. Participant and Beneficiary Trustee Petitions**

All petitions for Participant and Beneficiary Trustee Positions shall be in the form approved by the Elections Committee. Petition forms shall be provided to candidates within one business day of receipt of their candidate application. A valid petition nominating a candidate for a Participant or Beneficiary Trustee Position shall meet the following requirements:

- (a) The petition must bear the requisite number of original signatures of individuals eligible to nominate the candidate, as established by Section 3-4. A valid petition may consist of multiple pages and may contain blank signature lines.
- (b) Each signature of an eligible voter must be accompanied by the signing person's name (printed), home address (street and city), Participating Pension Fund, and the date of signature. Signatures that are not accompanied by at least a partial address will not be accepted.
- (c) Petitions may be circulated for signatures beginning on a date no earlier than 175 calendar days before the Election Date. Petitions must be received by the Fund on or before a date no later than 75 calendar days before the Election Date. Petitions filed after the prescribed petition filing period are invalid and will not be counted.
- (d) An individual eligible to sign a petition nominating a candidate for a trustee position on the Board may sign petitions for as many position candidates as desired.
- (e) An individual submitting an electronic signature shall attest that the signature submitted is their own and that the information contained therein is correct.
- (f) A printed petition shall bear the notarized signature of the individual who circulated the petition for signatures, verifying that the signatures contained on the petition were signed in that individual's presence and are genuine, and that, to the best of the circulating individual's knowledge, the persons who signed the petition were eligible to do so under Section 3-4.

#### **3-5.2. Executive Trustee Petitions**

All petitions for Executive Trustee Positions shall be printed in the form adopted by the Fund. Petition forms shall be provided to candidates within one business day after receipt of their candidate application. The petition forms may be photocopied for use by the candidates. A valid petition nominating a candidate for an Executive Trustee Position shall meet the following requirements:

- (a) The petition must bear the requisite number of original signatures of individuals eligible to nominate the candidate, as established by Section 3-4. A valid petition may consist of multiple pages and may contain blank signature lines.

- (b) Each signature of an eligible voter must be accompanied by the signing person's name (printed), public office address (street and city), title, municipality or fire protection district, and the date of signature. Signatures that are not accompanied by at least a partial address will not be accepted.
- (c) Petitions may be circulated for signatures beginning on a date no earlier than 175 calendar days before the Elections Date. Original petitions must be received by the Fund on or before a date no later than 75 calendar days before the Election Date. Petitions filed after the prescribed petition filing period are invalid and will not be counted.
- (d) Notwithstanding the preceding paragraph, petitions for an election to fill a vacancy may be circulated for signatures beginning no earlier than 105 calendar days before the Election Date, and original petitions must be received by the Fund on or before a date no later than 60 calendar days before the Election Date. Petitions filed after the prescribed petition filing period are invalid and will not be counted.
- (e) An individual eligible to sign a petition nominating a candidate for a trustee position on the Board may sign petitions for as many position candidates as desired.
- (f) The petition shall bear the notarized signature of the individual who circulated the petition for signatures, verifying that the signatures contained on the petition were signed in that individual's presence and are genuine, and that, to the best of the circulating individual's knowledge, the persons who signed the petition were eligible to do so under Section 3-4.

### **3-6. DETERMINATION OF CANDIDATES**

#### **3-6.1. Initial Slate of Candidates**

The Election Panel shall determine the validity of petitions and notify all candidates whether their petitions met all petition requirements within seven calendar days after the deadline to submit nominating petitions. Candidates filing conforming petitions will be added to the initial slate of candidates on the respective ballot. Candidates and eligible voters shall be given notice of the initial slate of candidates on the Fund's website.

#### **3-6.2. Candidacy Challenges**

The Election Panel shall consider a written statement filed in accordance with Section 3-7 and proceed to make a final determination with respect to the challenge within 21 calendar days after the deadline to submit nominating petitions. The Election Panel shall send a written notice of the final determination to the challenger and all candidates. The determination of the Election Panel shall constitute a final administrative decision for purposes of the Administrative Review Law, 735 ILCS 5/Art. III.

#### **3-6.3. Final Slate of Candidates**

The Election Panel shall determine the final slate of candidates within 21 calendar days after the deadline to submit nominating petitions. Candidates and eligible voters shall be given notice of the final slate of candidates on the Fund's website.

#### **3-6.4. Withdrawal of Candidacy**

A candidate may withdraw his or her candidacy by notifying the Election Panel in writing, in the manner prescribed by the Election Panel. The Election Panel shall remove any withdrawn candidate from the ballot. If a candidate withdraws his or her candidacy after the printing of the ballots, any votes cast in favor of such withdrawn candidate shall not be counted.

#### **3-6.5. Absence of Challengers**

If the number of candidates filing conforming nominating petitions for a trustee position does not exceed the number of positions to be elected, the Election Panel shall deem the candidate or candidates elected. If a candidate is deemed elected under this paragraph, the Election Panel shall certify the result and no further election for that trustee position shall be administered.

### **3-7. CHALLENGE OF NOMINATING PETITIONS**

#### **3-7.1. Examination of Petitions**

Any individual may, upon reasonable notice and during normal business hours on or after the first business day following the deadline for the Election Panel's determination of the initial slate of candidates and until 4:30 pm on the fifth business day following the deadline for the Election Panel's determination of the initial slate of candidates, examine petitions that have been filed; provided, however, that in order to protect the signing participants' and annuitants' privacy and confidentiality, the examination shall be subject to the following limitations:

- (a) Petitions that are examined will be duplicate copies of the original petitions filed, with any confidential information redacted.
- (b) Petitions may only be examined at the Fund's office.
- (c) Petitions may not be removed from the Fund's office, copied, or duplicated by any means.

#### **3-7.2. Challenges**

A prospective candidate or eligible voter may challenge the petition validation process for a nominating petition or candidacy only in the class within which that prospective candidate or voter is eligible. A challenge shall be submitted in a written statement identifying the specific aspects of the petition validation process that is being challenged.

#### **3-7.3. Submission of Challenges**

All challenges shall be submitted to the Election Panel no later than 4:30 pm on the fifth business day following the deadline for the Election Panel's determination of the initial slate of candidates. Any challenge submitted after such time shall not be considered.

### **3-8. ELIGIBLE VOTERS**

#### **3-8.1. Voters for Executive Trustees**

Individuals eligible to vote for Executive Trustees shall be mayors of municipalities and presidents of fire protection districts that have Participating Pension Funds as of 75 calendar days before the Election Date.

**3-8.2. Voters for Participant Trustees**

Individuals eligible to vote for Participant Trustees shall be Participants as of 105 calendar days before the Election Date.

**3-8.3. Voters for Beneficiary Trustees**

Individuals eligible to vote for Beneficiary Trustees shall be Beneficiaries as of 105 calendar days before the Election Date.

**3-8.4. Single Ballot Allowed**

For the avoidance of doubt, no voter shall be entitled to cast more than one ballot for any trustee position.

**3-8.5. Beneficiaries also Participants**

An individual who is eligible to vote as a Participant who is also a Beneficiary due to prior participation in another Participating Pension Fund shall be eligible to vote for Participant Trustee candidates and shall not be eligible to vote for any Beneficiary Trustee candidate.

**3-8.6. Participants in Multiple Funds**

An individual who is eligible to vote as a Participant who is a Participant in multiple Participating Pension Funds shall be eligible to vote for Participant Trustee candidates but shall not be eligible to cast multiple ballots for any trustee position.

**3-8.7. Beneficiaries in Multiple Funds**

An individual who is eligible to vote as a Beneficiary who is a Beneficiary in multiple Participating Pension Funds shall be eligible to vote for a Beneficiary Trustee candidate but shall not be eligible to cast multiple ballots.

**3-8.8. Beneficiaries and Participants also Executives**

A Participant or Beneficiary who is also a mayor or president of a municipality or fire protection district that has a Participating Pension Fund shall be eligible to vote for (i) Participant Trustees or the Beneficiary Trustee in accordance with this Section and (ii) Executive Trustees.

**3-9. ELECTION MATERIALS**

**3-9.1. Contents**

On or before 35 calendar days before the Election Date the following election materials shall be mailed to the eligible voters' address on file:

- (a) Candidate Biographies in the format and length specified and approved by the Election Panel.



- (b) Instructions on how to vote by mail ballot.
- (c) The mail ballot for the applicable Trustee Position(s) that shall contain the names of all candidates in alphabetical order.
- (d) A pre-printed return envelope with a form of certificate stating that the person voting the ballot is an eligible voter for the specific Trustee Position(s).
- (e) Instructions on how to receive an appropriate mail ballot, if an eligible voter received an incorrect mail ballot, or if an eligible voter incorrectly marks or spoils his or her paper ballot prior to returning it.

### **3-9.2. Request for Materials**

An eligible voter who has not received any or all of the election materials must contact the Election Panel Clerk at least four calendar days prior to the Election Date to request that the Election Panel Clerk mail election materials to him or her. The Election Panel Clerk shall not mail election materials to an eligible voter who requested election materials less than four calendar days in advance of the Election Date.

### **3-9.3. Provisional Ballots**

An individual who believes they are an eligible voter but has not received election materials may vote using a provisional ballot approved by the Election Panel. Any such individual must contact the Election Panel at least 10 calendar days prior to the Election Date to request a provisional ballot. The Election Panel must confirm whether the individual is an eligible voter prior to the certification of election results otherwise the provisional ballot shall not be counted.

### **3-9.4. Delivery of Materials Near Election Date**

Election materials shall be delivered via overnight delivery service to individuals requesting election materials within 12 calendar days of the Election Date. Election materials shall not be delivered via overnight delivery service for a second time if the overnight delivery service confirms the initial overnight delivery of election materials to the individual.

## **3-10. CASTING OF BALLOTS**

### **3-10.1. Valid Ballot Requirements**

A valid ballot must conform to the following requirements:

- (a) The choice of candidates must be clearly indicated as directed on the voting instructions. If ballots are not marked as directed, the marks are invalid and the associated votes will not be counted. An invalid mark for one candidate will not negate other valid marks on the ballot.
- (b) Each eligible voter is entitled to only one vote for any candidate.
- (c) With respect to a ballot on which more than one trustee is to be elected, each eligible voter may vote for only one candidate for each position to be elected. If more candidates are selected than the number of positions to be elected, the ballot is invalid

and will not be counted. If the number of candidates selected is fewer than the number of positions to be elected, the ballot is valid and will be counted.

- (d) With respect to any ballot casting a vote in favor of a candidate who has withdrawn his or her candidacy or is otherwise ineligible, any vote in favor of such withdrawn or ineligible candidate will not invalidate the ballot; rather, the vote in favor of such withdrawn or ineligible candidate will not be counted.
- (e) Only official paper ballots will be counted. Write-in candidates are invalid and will not be counted.

### **3-11. RETURN OF BALLOTS**

#### **3-11.1. Requirements for Ballot Return**

Upon receipt of the election materials, the eligible voter shall:

- (a) Mark his or her ballot in accordance with Section 3-10.
- (b) Place the completed ballot into the return envelope provided and seal the envelope.
- (c) Execute the certificate on the envelope and mail, via U.S. mail or other delivery service, the return envelope to the address on the envelope.

### **3-12. BALLOT COUNTING AND CERTIFICATION OF RESULTS**

#### **3-12.1. Standards for Handling of Ballots**

The Fund shall ensure that minimum standards are in place to ensure ballots are properly recorded, secured, tabulated and retained.

#### **3-12.2. Receipt Deadline**

Ballots must be received by 4:30 pm on the Election Date. Ballots received after 4:30 pm on the Election Date are invalid and will not be counted. A record of the receipt date of each ballot will be maintained.

#### **3-12.3. Invalid Delivery**

Ballots delivered to the Fund in bulk, via hand delivery, or any delivery method other than U.S. Mail are invalid and will not be counted.

#### **3-12.4. Multiple Ballots from Single Voter**

If multiple ballots are received from an eligible voter, the first ballot received will be counted as the official ballot and any subsequent votes will not be counted.

#### **3-12.5. Votes for Ineligible Candidates**

Votes received in favor of any candidate who has withdrawn his or her candidacy or is otherwise ineligible will not be counted.

**3-12.6. Determination of Elected Trustees**

When all eligible ballots have been counted and tabulated, the candidates who have received the greatest number of votes in each Trustee Position will be elected trustees.

**3-12.7. Ties**

In the case of a tie vote, the winner shall be determined in accordance with procedures developed by the Department of Insurance.

**3-12.8. Certification of Results**

The results of the election process shall be certified by the Election Panel, posted on the Fund website, and reported to the Board. The Election Panel will certify the election results by the fifth business day following the Election Date.

**3-12.9. Reading Results into Board Record**

The Board shall read the election results into the minutes of the first meeting of the Board following the declaration of election results.

**3-13. CHALLENGE OF ELECTION RESULTS**

**3-13.1. Challenge Procedure**

Any challenge to the certified election results shall be made in the following manner:

- (a) The challenger shall submit a written statement to the Secretary identifying the specific aspects of the election results that are being challenged.
- (b) All challenges shall be submitted to the Secretary no later than seven calendar days after the election results have been certified. Any challenge submitted more than seven calendar days after the election results have been certified shall not be considered.
- (c) The written statement timely submitted in accordance with this Section shall be presented to and considered by the Board at the next regularly scheduled meeting of the Board. The challenger shall have no right to make a presentation at the Board meeting. The Board shall, in its sole discretion, determine what steps, if any, need to be taken in response to the challenge, including, but not limited to, modifying the election results declared.
- (d) The election results shall remain valid pending determination of any challenge.
- (e) A written notice of the final determination shall be sent to the challenger and all candidates within seven calendar days after making the determination. This notice shall constitute a final administrative decision of the Board for purposes of the Administrative Review Law.

**3-14. ELECTION PANEL**

**3-14.1. Appointment of Panel**

An Election Panel shall be appointed by the Board. Each panel member shall be appointed to a term expiring immediately prior to the first business day of January of every odd-numbered year. The Election Panel shall comprise three individuals who shall not be individuals running for any Trustee Position. The Election Panel shall include one Participant recommended by a Firefighter Labor Organization and appointed by the Board, one Beneficiary recommended by a Firefighter Labor Organization and appointed by the Board, and one Employer Executive representative recommended by the Illinois Municipal League and appointed by the Board. A member of the Election Panel who submits a candidate application to run for a trustee position shall immediately be disqualified from serving on the Election Panel. Any vacancy of the Election Panel shall be replaced by Board appointment in a like manner.

**3-14.2. Role of Panel**

The Election Panel shall serve as the election judges and be responsible for ballot tabulation and other responsibilities prescribed by Board rule. The Election Panel shall appoint a clerk for the purposes of taking records of the Election Panel. The clerk shall report the actions taken by the Election Panel at regularly scheduled meetings of the Board.

## Chapter 4. Personnel

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### **4-1. GENERAL HIRING POLICIES**

#### **4-1.1. Equal Employment Opportunity Employer**

FPIF is committed to providing equal employment opportunities to all employees and applicants for employment without regard to race, color, religion, sex, national origin, age, disability, veteran status, marital status, sexual orientation, or gender identity. In order to provide such equal employment opportunities, employment decisions at FPIF will be based on job-related criteria, such as individual merit, qualifications, attitude, and competence. Political affiliation will not be considered in employment decisions.

#### **4-1.2. Applicability of Ethics and Anti-Harassment Policy, Employee Manual, and Other Policies**

All employees and hiring decisions are subject to compliance with policies adopted by the Board, including (without limitation) the Ethics and Anti-Harassment Policy and the Employee Manual.

### **4-2. PRE-CONDITIONS TO HIRING**

#### **4-2.1. Position Descriptions**

Each FPIF position will have a position description. A position description will include a description of the job functions and responsibilities of the position and an explanation of where the position fits within the FPIF organizational structure (to whom the position reports, and any other persons to be supervised by the position). Position descriptions for all Category 1 Positions will be considered by the Board's Investments and Operations Committee and, upon recommendation of the Investments and Operations Committee, approved by the Board. Position descriptions for all Category 2 Positions will be considered and approved by the Investments and Operations Committee.

#### **4-2.2. Annual Budgeting Process**

The Executive Director shall include all anticipated Personnel Costs in the FPIF budget each fiscal year. The Executive Director shall ensure that the payment of Personnel Costs, in aggregate, do not exceed the amounts authorized by the Board in the budget approved by the Board (including any subsequent adjustments or supplements approved by the Board to the budget).

#### **4-2.3. Annual Headcount Process**

At the same time that the Executive Director submits a proposed budget for a fiscal year to the Board, the Executive Director shall also submit to the Board a proposed headcount for that fiscal year. The headcount will include all positions that the Executive Director anticipates will be filled during all or part of that fiscal year. The headcount will identify those positions and the Personnel Costs anticipated for each position.

### **4-3. HIRING PROCESS**

#### **4-3.1. Approved Positions**

A position may not be posted or filled unless and until (a) the position description is approved, (b) the position is capable of being funded as part of the Personnel Costs included in the Board-approved budget, and (c) the position is included in the Board-approved headcount, all as provided in Section 4-2. If the foregoing criteria have been satisfied, the Executive Director may proceed to post the position.

#### **4-3.2. Job Postings**

Any position to be filled shall be posted on the FPIF website for at least seven days. The position may also be posted on any other job posting site as reasonably determined by the Executive Director.

#### **4-3.3. Selection of Preferred Candidate; Notice to the Investments and Operations Committee**

The Executive Director shall select a preferred candidate for an unfilled position from among the qualified candidates for that position. The Executive Director shall notify the Investments and Operations Committee of the preferred candidate before making any offer of employment for that position and share a copy of that notice concurrently with all other Board Members.

#### **4-3.4. Approval to Hire**

- (a) **Category 1 Positions.** The Executive Director's recommendation of a preferred candidate for a Category 1 Position shall be considered by the Investments and Operations Committee and then by the Board. The hiring decision is subject to approval by the Board.
- (b) **Category 2 Positions.** Provided that the position is approved to be filled as described in Section 4-3.1 (which is intended to constitute approval by the Board pursuant to Section 22C-118(d) of the Pension Code), the Executive Director may proceed to hire a preferred candidate for a Category 2 Position after notifying the Investments and Operations Committee (and all other Board Members) and taking into consideration any input provided by the Investments and Operations Committee (including all other Board Members who may participate in the Investments and Operations Committee meeting).

#### **4-3.5. Notifying the Board of New Hires**

The Executive Director shall notify the Board of all new hires.

#### **4-3.6. Compensation and Benefit Terms**

The Executive Director shall fix the compensation and benefits for each employee, subject to any policy regarding compensation and benefits adopted by the Board and the Board-approved budget and headcount.

#### **4-3.7. Employment Agreements.**

Notwithstanding any other provision of this Chapter to the contrary, any employment agreement must be approved by the Board before it may be entered.

## Chapter 5. Ethics

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### **5-1. FIDUCIARY DUTY**

#### **5-1.1. Fiduciary Duty**

Board Members and Employees who exercise discretionary authority or responsibility with respect to the management of FPIF or the management or operation of its assets shall at all times in the performance of their FPIF duties owe a fiduciary duty to FPIF and its participants and beneficiaries.

#### **5-1.2. Duties of Fiduciaries**

Pursuant to the Pension Code, a fiduciary with respect to a retirement system or pension fund established under the Pension Code shall discharge his or her duties with respect to the retirement system or pension fund solely in the interest of the participants and beneficiaries and:

- (a) For the exclusive purpose of:
  - (i) Providing benefits to participants and their beneficiaries; and
  - (ii) Defraying reasonable expenses of administering the retirement system or pension fund;
- (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims;
- (c) By diversifying the investments of the retirement system or pension fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- (d) In accordance with the applicable provisions of the Article of the Pension Code governing the retirement system or pension fund.

### **5-2. GIFTS**

#### **5-2.1. Prohibition**

Except as otherwise provided, no Board Member or Employee, and no spouse of or immediate family member living with a Board Member or Employee, shall intentionally solicit or accept any gift from any Prohibited Source or in violation of any federal or State statute, rule, or regulation. No Prohibited Source shall intentionally offer or make a gift that violates this Section 5-2.

#### **5-2.2. Exceptions**

The restrictions in Section 5-2.1 above do not apply to the following:

- (a) Opportunities, benefits, and services that are available on the same conditions as for the general public.
- (b) Anything for which the Board Member or Employee or his or her spouse, domestic partner, or immediate family member living with him or her pays the market value.
- (c) Any (i) Election Contributions that is lawfully made under the Election Code or under the State Ethics Act or (ii) activities associated with a fundraising event in support of a Political Organization or candidate.
- (d) Educational materials.
- (e) A Gift from a relative, meaning those people related to the individual as father, mother, son, daughter, brother, sister, uncle, aunt, great aunt, great uncle, cousin, nephew, niece, husband, wife, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother, half-sister, and including the father, mother, grandfather, or grandmother of the individual's spouse and the individual's fiancé or fiancée.
- (f) Anything provided by an individual on the basis of a personal friendship unless the Board Member or Employee has reason to believe that, under the circumstances, the Gift was provided because of the official position or employment of the Board Member or Employee and not because of the personal friendship.
- (g) In determining whether a Gift is provided on the basis of personal friendship, the Board Member or Employee shall consider the circumstances under which the Gift was offered, such as:
  - (i) the history of the relationship between the individual giving the Gift and the recipient of the gift, including any previous exchange of Gifts between those individuals;
  - (ii) whether to the actual knowledge of the Board Member or Employee the individual who gave the Gift personally paid for the Gift or sought a tax deduction or business reimbursement for the Gift; and
  - (iii) whether to the actual knowledge of the Board Member or Employee the individual who gave the Gift also at the same time gave the same or similar Gifts to other Board Members of FPIF or employees or their spouses or immediate family members living with them.
- (h) Food or refreshments not exceeding \$75 per person in value on a single calendar day; provided that the food or refreshments are (i) consumed on the premises from which they were purchased or prepared or (ii) catered. For purposes of this subsection, "catered" means food or refreshments that are purchased ready to eat and delivered by any means.
- (i) Food, refreshments, lodging, transportation, and other benefits resulting from the outside business or employment activities (or outside activities that are not connected



to the duties of the Board Member or Employee as an office holder or employee) of the Board Member or Employee, or the spouse of the Board Member or Employee, if the benefits have not been offered or enhanced because of the position or employment of the Board Member or Employee, and are customarily provided to others in similar circumstances.

- (j) Intra-governmental and inter-governmental gifts. For the purpose of this Section, "intra-governmental gift" means any gift given to a Board Member or Employee of FPIF from another Board Member or Employee of FPIF; and "inter-governmental gift" means any gift given to a Board Member or Employee of FPIF by a Board Member or employee of State of Illinois agency, of a federal agency, or of any governmental entity.
- (k) Bequests, inheritances, and other transfers at death.
- (l) Any item or items from any one Prohibited Source during any calendar year having a cumulative total value of no more than \$100.

Each exception listed in this Section 5-2.2 is mutually exclusive and independent of one another.

### **5-2.3. Return of Gifts**

A Board Member or Employee does not violate this Section if the Board Member or Employee promptly takes reasonable action to return the prohibited Gift to its source or gives the Gift or an amount equal to its value to an appropriate charity that is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as now or hereafter amended, renumbered, or succeeded.

## **5-3. PROHIBITED POLITICAL ACTIVITY**

### **5-3.1. Prohibition on Prohibited Political Activity**

No Employee shall intentionally perform any Prohibited Political Activity during any compensated time, as defined herein. No Board Member or Employee shall intentionally use any property or resources of FPIF in connection with any Prohibited Political Activity.

### **5-3.2. Prohibition on Requiring Prohibited Political Activity**

At no time shall any Board Member or Employee require any Employee to perform any Prohibited Political Activity (i) as part of that Employee's duties, (ii) as a condition of employment, or (iii) during any compensated time off (such as holidays, vacation or personal time off).

### **5-3.3. Prohibition on Compensation for Prohibited Political Activity**

No Employee shall be required at any time to participate in any Prohibited Political Activity in consideration for additional compensation or any benefit, nor shall any employee be awarded additional compensation or any benefit in consideration for his or her participation in any Prohibited Political Activity.

### **5-3.4. Voluntary Activity**

Nothing in this Section 5-3 prohibits activities that are permissible for a Board Member or Employee to engage in as part of his or her official duties, or activities that are undertaken by a trustee or employee on a voluntary basis which are not prohibited by this Section.

**5-3.5. Employment**

No person shall be denied or deprived of employment at FPIF solely because he or she is a member or an officer of a political committee, political party, or Political Organization or club.

**5-4. CONFLICTS OF INTEREST AND PROHIBITED TRANSACTIONS**

**5-4.1. In General**

No Board Member or Employee shall make, or participate in making, any FPIF decision with respect to any matter in which the Board Member or Employee, or the spouse or domestic partner of the Board Member or Employee, has any Economic Interest.

**5-4.2. Notice of Conflict by Employees**

Any Employee who has a conflict of interest as described by Section 5-4.1 above shall advise his or her supervisor or Ethics Officer of the conflict or potential conflict. The immediate supervisor shall either:

- (a) assign the matter to another Employee; or
- (b) require the Employee to eliminate the economic interest giving rise to the conflict and only thereafter shall the Employee continue to participate in the matter.

**5-4.3. Disclosure and Abstention by Board Members**

Any Board Member who has a conflict of interest as described by Section 5-4.1 above shall disclose the existence of the conflict of interest on the record and should consider the possibility of abstaining from official action in relation to the matter. In making the decision as to abstention, the following factors should be considered:

- (a) whether a substantial threat to the Board Member's independence of judgment has been created by the conflict situation;
- (b) the effect of participation on public confidence in the integrity of the Board's decision;
- (c) whether participation is likely to have any significant effect on the disposition of the matter; and
- (d) the need for the Board Member's contribution, such as special knowledge of the subject matter, to the effective functioning of FPIF.

**5-4.4. Representation of Other Persons**

No Board Member or Employee may represent, or have an Economic Interest in the representation of, any person, in any formal or informal proceeding or transaction (a) before FPIF, any administrative agency or any court in which FPIF is a party and that person's interest

is adverse to that of FPIF or (b) in which the Board's or FPIF staff's action or non-action is of a non-ministerial nature.

#### **5-4.5. No Monetary Gain on Investments**

No Board Member or Employee, or any spouse or domestic partner of such Board Member or Employee, shall knowingly have any direct interest in the income, gains, or profits of any investments made on behalf of FPIF, nor receive any pay or emolument for services in connection with any investment. No Board Member or Employee shall become an endorser or surety, or in any manner an obligor for money loaned or borrowed from any retirement system or pension fund created under the Pension Code, including FPIF, the Illinois State Board of Investment and the Police Officers' Pension Investment Fund. For the purposes of this provision, an annuity otherwise provided in accordance with the Pension Code or any income, gains, or profits related to any non-controlling interest in any public securities, mutual fund, insurance contract, annuity, trust, or other passive investment shall not be considered monetary gain on investments.

Pursuant to the Pension Code, a violation of this provision is a Class 3 felony.

#### **5-4.6. Prohibited Transactions**

- (a) No Board Member, Employee, or other fiduciary of FPIF shall cause FPIF to engage in a transaction if he or she knows or should know that such transaction constitutes a direct or indirect:
  - (i) Sale or exchange, or leasing of any property from FPIF to a Party in Interest for less than adequate consideration, or from a Party in Interest to FPIF for more than adequate consideration.
  - (ii) Lending of money or other extension of credit from FPIF to a Party in Interest without the receipt of adequate security and a reasonable rate of interest, or from a Party in Interest to FPIF with the provision of excessive security or an unreasonably high rate of interest.
  - (iii) Furnishing of goods, services, or facilities from FPIF to a Party in Interest for less than adequate consideration, or from a Party in Interest to FPIF for more than adequate consideration.
  - (iv) Transfer to, or use by or for the benefit of, a Party in Interest of any assets of FPIF for less than adequate consideration.
- (b) No Board Member, Employee, or fiduciary of FPIF shall:
  - (i) Deal with the assets of FPIF in his or her own interest or for his own account;
  - (ii) In his or her individual capacity or any other capacity act in any transaction involving FPIF on behalf of a party whose interests are adverse to the interests of FPIF or the interests of its participants or beneficiaries; or
  - (iii) Receive any consideration for his or her own personal account from any party dealing with FPIF in connection with a transaction involving the assets of FPIF.

- (c) Nothing in this provision shall be construed to prohibit any Board Member or Employee from:
  - (i) Receiving any benefit to which he or she may be entitled as a participant or beneficiary in FPIF;
  - (ii) Receiving any reimbursement of expenses properly and actually incurred in the performance of his or her duties with FPIF; or
  - (iii) Serving as a Board Member in addition to being an officer, employee, agent or other representative of a Party in Interest.
- (d) No Board Member, Employee or fiduciary of FPIF shall knowingly cause or advise FPIF to engage in an investment transaction when the Board Member, Employee or fiduciary (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a business relationship with the investment adviser that would result in a pecuniary benefit to the fiduciary as a result of the investment transaction. Pursuant to the Pension Code, a violation of this Subsection (d) is a Class 4 felony.
- (e) A Board Member, Employee or Consultant, with respect to FPIF shall not knowingly cause or advise FPIF to engage in an investment transaction with an investment adviser when the Board Member, Employee or Consultant, or their spouse or domestic partner (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a relationship with that investment advisor that would result in a pecuniary benefit to the Board Member, Employee or Consultant or spouse or domestic partner of such Board Member, Employee or Consultant as a result of the investment transaction. For purposes of this Subsection (e), a Consultant includes an employee or agent of a consulting firm who has greater than 7.5% ownership of that consulting firm. Pursuant to the Pension Code, a violation of this Subsection (e) is a Class 4 Felony.

## **5-5. FINANCIAL DISCLOSURE**

### **5-5.1. Required Disclosure**

On or before May 1 of each year, each Board Member shall file verified written statements of economic interests as required by the Illinois Governmental Ethics Act, 5 ILCS 420/4A-101 et seq., as amended. All statements shall be available in electronic form for examination and duplication by the Board upon request.

## **5-6. POST-EMPLOYMENT OBLIGATIONS**

### **5-6.1. One-Year Bar Related to Transactions**

For a period of one year from and after the expiration or other termination of his or her term of office as a Board Member or employment as an Employee, no former Board Member or Employee shall assist or represent any person in any business transaction involving or other matter adverse to FPIF, if the Board Member or Employee participated personally and

substantially in the consideration of or implementation of that transaction or matter during his or her term of office or employment.

**5-6.2. One-Year Bar Related to Employment by FPIF**

No Board Member may be employed by FPIF at any time during his or her service as a Board Member and for a period of 12 months after he or she ceases to be a Board Member, except to the extent permitted by Section 1-109.5 of the Pension Code.

**5-7. TRAINING**

**5-7.1. Annual Ethics Training**

Pursuant to the Pension Code, each Board Member must attend ethics training of at least eight hours per year. The training required includes training on ethics, fiduciary duty, and investment issues and any other curriculum that the Board establishes as being important for the administration of FPIF. The Board must annually certify its Board Members' compliance with the Pension Code's ethics training requirements. Board Members will comply with any other training requirements under State law.

**5-7.2. Harassment and Discrimination Prevention Training**

Beginning upon the adoption of this Chapter, each Board Member and Employee must, within 30 days of initial appointment or employment and thereafter annually, participate in a harassment and discrimination prevention training program. The training will be determined by the Ethics Officer and will include:

- (a) the definition and a description of sexual harassment, unlawful discrimination, and harassment, including examples of each;
- (b) details on how an individual can report an allegation of sexual harassment, unlawful discrimination, or harassment, including options for making a confidential report to a supervisor, Ethics Officer, Inspector General, or the Department of Human Rights;
- (c) the definition and description of retaliation for reporting sexual harassment, unlawful discrimination, or harassment allegations utilizing examples, including availability of whistleblower protections under the State Ethics Act, the Whistleblower Act, 740 ILCS 174/1 et seq., and the Illinois Human Rights Act, 775 ILCS 5/1-101 et seq.; and
- (d) the consequences of a violation of the prohibition on sexual harassment, unlawful discrimination, and harassment and the consequences for knowingly making a false report.

Proof of completion must be submitted to the Ethics Officer.

**5-8. ETHICS OFFICER**

**5-8.1. Duties of Ethics Officer**

The duties of the Ethics Officer include (i) reviewing statements of economic interest and disclosure forms of Board Members upon request and (ii) providing requested guidance to

Board Members and Employees in the interpretation and implementation of this Chapter; provided, however, that compliance with this Chapter remains the individual responsibility of each Board Member and Employee. If uncertainty exists as to the proper procedure(s) to be followed in connection with this Chapter, Board Members and Employees are encouraged to consult with FPIF's Ethics Officer.

**5-8.2. Representation**

Further, Board Members and Employees are hereby advised that the Ethics Officer represents FPIF and not the individual Board Members and Employees. As such, any guidance or advice provided to an individual by the Ethics Officer pursuant to this Chapter is not given to him or her personally, but instead is given because of the position or employment of the particular Board Member or Employee with FPIF.

**5-9. WHISTLEBLOWER PROTECTION**

**5-9.1. No Retaliation**

No complainant, or Employee acting on behalf of a complainant, shall be discharged, threatened or otherwise discriminated against regarding compensation, terms, conditions, location or privileges of employment because:

- (a) the complainant or Employee acting on behalf of the complainant reports or is about to report, verbally or in writing, a violation or suspected violation of this Chapter; or
- (b) the complainant or Employee acting on behalf of the complainant is requested to participate in an investigation, hearing or inquiry held pursuant to this Chapter, or in any related court action.

This Section 5-9.1 shall not apply to a complainant, or Employee acting on behalf of a complainant, who knowingly makes a false report.

**5-10. VIOLATIONS**

**5-10.1. Discipline for Violations**

Any Employee found to have violated any of the provisions of this Chapter, or to have furnished false or misleading information to the Board of Trustees, shall be subject to employment sanctions, including discharge, in accordance with procedures under which the employee may otherwise be disciplined, as outlined in the Employee Manual. Any Board Member who intentionally files a false or misleading statement of economic interest, or knowingly fails to disclose a conflict of interest as described in this Chapter, or otherwise violates any provision of this Chapter, may be subject to recall in accordance with the applicable provisions of Pension Code. Certain actions in violation of this Chapter may subject the Board Member or Employee to criminal penalties.

## Chapter 6. Procurement

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### **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, 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 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.
- (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.

### **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 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.
- (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) 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.

**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:

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) FPIF staff will use reasonable best efforts to include at least one Minority Investment Manager in final staff interviews, consistent with the requirements of the Pension Code. FPIF staff will inform the Board of all Minority Investment Manager candidates.
- (b) FPIF staff will regularly meet with Illinois-based Minority Investment Managers and learn more about the Illinois-based Minority Investment Manager community.
- (c) 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.

<b><u>Asset Class</u></b>	<b><u>Minimum Goal as a Percentage</u></b>
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.

## Chapter 7. Transparency

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### **7-1. PUBLIC COMMENT POLICY**

It is the policy of the FPIF Board that members of the public will be given reasonable opportunity to address the Board and provide input on matters of public concern. This Section 7-1 is intended to ensure opportunity for comments while allowing the Board and its committees to conduct meetings effectively.

#### **7-1.1. Notice of FPIF Meetings**

FPIF shall post the schedule of regular meetings of the Board on the FPIF website at the beginning of each calendar year in accordance with Section 2.02 of the Open Meetings Act. FPIF shall also post any amendments to that schedule on the FPIF website from time to time. FPIF shall post the agenda for each regular meeting of the Board or its committees on its website no later than 48 hours prior to each regular meeting in accordance with Section 2.02 of the Open Meetings Act.

#### **7-1.2. Submittal of Requests to Comment**

An individual who desires to comment at a public meeting of the Board or its committees may contact FPIF at [information@ifpif.org](mailto:information@ifpif.org) with his or her name and a request to speak. Such individuals will be recognized during the meeting in the order in which the requests to comment were received.

A commenter who did not request the opportunity to provide comments prior to a meeting, but who desires to provide comments at the meeting, will, after all other commenters are finished, identify him or herself by name and request an opportunity to speak. The Board will make reasonable efforts to allow such comment to be recognized, subject to the limitations provided for in Section 7-1.3.

#### **7-1.3. Conduct of Public Comment**

A maximum of thirty minutes during each meeting will be set aside for public comment.

Each commenter shall be allowed to speak for three minutes after being recognized by name by the presiding officer of the Board or committee.

When a group of commenters with similar views on topic desire to comment on the same topic, the presiding officer may direct the group of commenters to designate representatives so as to reduce redundancy. The presiding officer may limit the discussion to three commenters for each topic.

Commenters are encouraged to limit their comments to those germane to the specific matters listed on the agenda.

Commenters are required to conduct themselves in a professional manner prior to, during and after a meeting. Commenters will refrain from using inappropriate or threatening language,

innuendos, or other offensive actions or gestures. Such behavior may be cause for removal of the commenter from the meeting.

**7-2.** [Reserved for FOIA Policy]

**7-3.** [Reserved for Records Retention Policy]

## Chapter 8. Transition of Assets

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### **8-1. TRANSFER OF ASSETS – NOTICE OF THE TRANSFER DATE**

#### **8-1.1. Notice**

When FPIF is prepared to receive assets from any Pension Fund, the Executive Director of FPIF shall send written notice, pursuant to Section 8-9, to the Authorized Agents of the Pension Fund of FPIF's intent to assume fiduciary control of the Pension Fund's assets.

Such written notice shall be sent no fewer than 30 calendar days prior to the Transfer Date. FPIF shall file a copy of the written notice with the Department of Insurance.

On or after the date FPIF sends written notice, FPIF shall communicate that the notice has been sent to each of the Pension Fund's Authorized Agents.

#### **8-1.2. Components of Notice**

The written notice shall include (i) the Transfer Date; (ii) a copy of this Chapter; (iii) a resolution provided by FPIF that includes authorizations necessary for the administration of the transfer of assets to FPIF; (v) a Transferal Form to be executed and shared with any entity with fiduciary control of any portion of the Pension Fund's assets; and (vi) other materials necessary for the administration of the transfer of assets.

### **8-2. DETERMINATION OF TRANSITION ORDER**

FPIF shall determine a Transition Order by utilizing the following criteria that is listed in order of importance:

- (a) Fiscal Year End. FPIF shall attempt to limit disruption to each Pension Fund's end of plan year reporting by attempting to reasonably maximize the amount of time between a Pension Fund's Transfer Date and its next Fiscal Year End.
- (b) Prior Custodian. FPIF shall attempt to maximize operational efficiencies by reasonably assigning Pension Funds with shared custodians and Fiscal Year Ends the same Transfer Date.
- (c) Amount of Assets. FPIF shall limit portfolio trading costs by ensuring that sufficient amounts of assets are included in each Transfer Date.

Financial and fiduciary prudence dictates no fewer than three tranches of Transfer Dates in order to limit operational risk.

### **8-3. CERTIFIED INVESTMENT ASSET LISTS**

#### **8-3.1. Audit of Assets**

FPIF, in cooperation with the Department of Insurance, shall audit the Investment Assets of each Pension Fund to determine a Certified Investment Asset List. FPIF shall engage a certified public accountant and utilize an Agreed Upon Procedures engagement to complete the Certified



Investment Asset List. FPIF shall be responsible for payment of the costs and expenses associated with determining the Certified Investment Asset List.

### **8-3.2. Components of Certified Asset List**

The Certified Investment Asset List shall include all reserves, funds, assets, securities, and moneys of the Pension Fund, minus (i) any amounts of cash held by the Pension Fund in a local account or money market fund to pay its benefit payments and other reasonable expenses and (ii) any assets included on a Non-Transferable Asset List. Each Certified Investment Asset List shall, at a minimum, include for each investment the name, a unique identifier such as a CUSIP Code, the number of shares or units, the fair market value per share or per unit, and the total fair market value.

### **8-3.3. Notice**

Upon determination of a Certified Investment Asset List for any Pension Fund, FPIF and the Department of Insurance shall send written notice, pursuant to Section 8-9, of the Certified Investment Asset List to the Pension Fund. FPIF shall, within 10 business days, or as soon thereafter as may be practicable, in accordance with FPIF Rules, initiate the transfer of assets from the Pension Fund.

### **8-3.4. Variances**

If a variance is discovered on a Certified Investment Asset List before the Transfer Date, a second Certified Investment Asset List shall be determined for the Pension Fund consistent with this Section 8-3, and FPIF and the Department of Insurance shall send written notice, pursuant to Section 8-9, of the second Certified Investment Asset List to the Pension Fund.

### **8-3.5. No Purchase or Sale**

A Pension Fund in receipt of a Certified Investment Asset List provided by FPIF and the Department of Insurance shall not purchase assets or sell any assets on the Certified Investment Asset List.

### **8-3.6. Amendment of List**

In the event that a Non-Transferable Asset is included on a Certified Investment Asset List, FPIF reserves the right to amend a Certified Investment Asset List and reassign the Non-Transferable Asset to a Non-Transferable Asset List. Upon the amendment of a Certified Investment Asset List that reassigns a Non-Transferable Asset to a Non-Transferable Asset List, FPIF shall send written notice, pursuant to Section 8-9, of the amendment to the Pension Fund.

## **8-4. NON-TRANSFERABLE ASSET LIST**

### **8-4.1. Determination**

FPIF shall, when determining the Certified Investment Asset List of a Pension Fund, determine if a Pension Fund has Non-Transferable Assets.

Any asset determined to be a Non-Transferable Asset shall be included on a Non-Transferable Asset List. Upon determination of a Non-Transferable Asset List for any Pension Fund, FPIF shall send written notice, pursuant to Section 8-9, of the Non-Transferable Asset List to the Pension Fund.

**8-4.2. No Transfer**

Assets contained on the Non-Transferable Asset List will not be transferred to the FPIF on the Pension Fund's Transfer Date. Those assets will continue to be held by the Pension Fund until FPIF determines a prudent method for transferring such assets to the FPIF.

**8-5. WRITTEN NOTICE OF THE CERTIFIED PUBLIC ACCOUNTANT**

No fewer than 30 calendar days prior to the Transfer Date, FPIF shall send written notice, pursuant to Section 8-9, to the Authorized Agents of the Pension Fund of the name of the certified public accountant who will determine the Pension Fund's Certified Investment Asset List.

FPIF shall file a copy of the written notice with the Department of Insurance.

**8-6. OBLIGATIONS OF PENSION FUNDS**

**8-6.1. Responsibility**

Each Pension Fund shall have sole fiduciary and statutory responsibility for the management of its assets included on the Certified Investment Asset List until 8:30 AM central time on the Transfer Date. At 8:30 AM central time on the Transfer Date, statutory and fiduciary responsibility for the investment of the Pension Fund's assets included on the Certified Investment Asset List shall shift exclusively to FPIF, and the Pension Fund shall not seek to exercise any control over the assets.

**8-6.2. Notice of Transfer Date**

Upon receipt of the written notice of the Transfer Date, the Pension Fund shall send prompt written notice of the Transfer Date to its custodian and any other entity with fiduciary control of any portion of its assets. The Pension Fund shall forward a copy of FPIF's written notice to any entity with fiduciary control of any portion of its assets and shall instruct such entities that FPIF will assume fiduciary control of its assets at 8:30 AM central time on the Transfer Date. The Pension Fund shall copy the FPIF Executive Director on each written notice of the Transfer Date delivered to its custodian and any other entity with fiduciary control of any portion of its assets.

**8-6.3. Authorization**

Each Pension Fund shall consider and approve a resolution provided by FPIF that includes authorizations necessary for the administration of the transfer of assets to FPIF no later than sixty calendar days prior to the Pension Fund's Transfer Date. Each Pension Fund, upon the adoption of the resolution, shall execute the Transferal Form provided by FPIF and forward a copy of the Transferal Form to any entity with fiduciary control of any portion of its assets. The Pension Fund shall copy the FPIF Executive Director on each notice of the Transferal Form delivered to its custodian and any other entity with fiduciary control of any portion of its assets.

**8-6.4. Notice Regarding Certified Investment Asset List**

Upon receipt of the written notice of the certified public accountant, the Pension Fund shall promptly notify its custodian and any other entity with fiduciary control of any portion of its assets of the certified public accountant that will determine the Certified Investment Asset List. The Pension Fund shall instruct its treasurer, its custodian, and any other entity with fiduciary control of any portion of its assets to assist the certified public accountant in determining the Certified Investment Asset List. The Pension Fund shall copy the FPIF Executive Director on each written notice of the certified public accountant delivered to its custodian and any other entity with fiduciary control of any portion of its assets.

**8-6.5. Responsibility for Non-Transferable Assets**

Each Pension Fund shall have sole fiduciary and statutory responsibility for the management of its assets included on the Non-Transferable Asset List until such time as FPIF determines prudent method for transferring such assets to the FPIF. If a Non-Transferable Asset matures or liquidates while on the Non-Transferable Asset List the Pension Fund shall transfer the proceeds to either its cash account or to the FPIF in accordance with the FPIF Cash Management Policy. Under no circumstances are any such proceeds to be reinvested by the Pension Fund.

**8-6.6. Assistance Regarding Non-Transferable Assets**

Each Pension Fund in receipt of a Non-Transferable Asset List shall take all reasonable steps to assist FPIF in converting Non-Transferable Assets to transferrable assets and shall insure that all information on Non-Transferable Assets requested by FPIF or its agents be made available to FPIF.

**8-7. TRANSFER OF ASSETS & RECEIPT OF TRANSFER**

FPIF shall initiate the transfer of assets from a Pension Fund in receipt of a Certified Investment Asset List on the Pension Fund's Transfer Date.

FPIF shall provide a receipt for the transfer to the Pension Fund within 30 days of the Transfer Date by written notice pursuant to Section 8-9.

**8-8. TRANSFER OF ASSETS ON NON-TRANSFERABLE ASSET LIST**

FPIF shall seek to prudently move Non-Transferable Assets to a Certified Investment Asset List and prudently transfer such assets to FPIF.

Upon determination that an asset on a Non-Transferable Asset List is transferable, FPIF shall:

- (a) Provide the Pension Fund with notice of the Transfer Date in accordance with Section 8-1;
- (b) Determine a Certified Investment Asset List in accordance with Section 8-3; and
- (c) Transfer the asset in accordance with Section 8-7.

FPIF shall take all reasonable steps to transfer all assets from all Pension Funds to the FPIF in advance of the June 30, 2022 deadline to transfer assets prescribed by Section 22C-120 of the Pension Code.

FPIF reserves the right to delay transfer assets included on a Non-Transferable List beyond the June 30, 2022 statutory deadline if financial and fiduciary prudence dictates the delay.

FPIF shall take all reasonable steps to monitor assets on Non-Transferable Asset Lists. The Executive Director shall make quarterly reports to the Investments and Operations Committee regarding the status of such assets and progress around transferring such assets to FPIF.

## **8-9. TRANSFER NOTICES**

Unless otherwise provided, all written notices required by this Chapter shall be sent by either facsimile or electronic mail (requesting delivery confirmation) and at least one of the following methods: U.S. First-Class Mail, U.S. Priority Mail Express, U.S. Certified Mail (return receipt requested), or a third-party delivery service.

Such notices shall be deemed received: (1) if sent by facsimile, on the date that the sender's fax machine confirms that the transmission was successful; (2) if sent by electronic mail, the date the sender receives an acknowledgment that the message was delivered; (3) if sent by U.S. First-Class Mail, then three days after deposit in the U.S. Mail by the sender; (4) if sent by U.S. Priority Mail Express, U.S. Certified Mail (return receipt requested), or a third-party delivery service, then the date of actual delivery.

A notice deemed received by an Authorized Agent(s) shall constitute delivery to the Pension Fund.

## **8-10. AMENDMENT OF TRANSFER DATE**

FPIF reserves the right to amend and delay the Transfer Date of a Pension Fund in the event that financial and fiduciary prudence dictates a delay in the transfer of assets. If financial and fiduciary prudence dictates a delay in the transfer of assets, FPIF shall send written notice, pursuant to Section 8-9, to the Authorized Agents of the Pension Fund.

## **8-11. CONCLUSION OF TRANSITION PERIOD**

### **8-11.1. Conclusion of Transition Period**

The Transition Period shall conclude on June 30, 2022.

### **8-11.2. Transfers after Conclusion of Transition**

On and after July 15, 2022, FPIF shall not accept the transfer of any Investment Asset from a Pension Fund, unless (i) the asset is included on a Non-Transferable Asset List determined by FPIF and (ii) the asset is being transferred pursuant to Section 8-8.

### **8-11.3. Cash Contributions after Conclusion of Transition**

Beginning July 15, 2022, FPIF shall only accept cash contributions from Pension Funds made in accordance with the FPIF Cash Management Policy, unless an Investment Asset is being transferred pursuant to Section 8-8.

**8-11.4. Notice of Conclusion of Transition**

The Executive Director of FPIF shall send written notice, pursuant to Section 8-9 of this Rule, to the Authorized Agents of all pensions funds established by Article 4 of the Pension Code to notify them of the conclusion of the transition period.

**8-12. CONFLICTS REGARDING TRANSFERS OF ASSETS**

In the event of any conflict between this Chapter and the provisions of Article 22C of the Pension Code, the latter shall prevail.

## 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 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 of trustees appointing a different individual(s). A 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.

Participating Pension Funds shall 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 or serve as the Participating Pension Fund's Treasurer, 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.

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 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.

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 14<sup>th</sup> of the month. The request for transfer must be made in the manner prescribed by FPIF.

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, 28th and the last business day 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 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.



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.

## Chapter 10. Investment Policy

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### **10-1. INVESTMENT RULES**

FPIF, including its Board and staff members, is responsible for managing, investing, and reinvesting the assets of the Participating Pension Funds created pursuant to Article 4 of the Pension Code (40 ILCS 5/4 et seq.) as set forth in Article 5/22C of the Pension Code (40 ILCS 5/22C et seq.). The Board and staff have fiduciary responsibilities for managing and investing assets belonging to the Participating Pension Funds .

#### **10-1.1. Purpose of the Investment Policy**

The purpose of this Investment Policy is to formalize FPIF's investment objectives, policies, and procedures, as well as to provide broad operational direction to the Board, staff, agents, and representatives of FPIF with respect to the management of FPIF's assets.

#### **10-1.2. Investment Objectives**

The investment strategy of the Fund seeks to maximize the likelihood of meeting long-term return objectives, while (i) maintaining prudent risk exposure, (ii) controlling fees and expenses related to management of the Fund and (iii) complying with the governing provisions of the Pension Code (40 ILCS 5 et seq.) and other applicable laws and regulations. Long-term return objectives are based on an assumed rate of return as set forth by FPIF's actuary.

The Fund is managed with a long-term investment horizon and endeavors to maintain sufficient liquidity, as projected by Staff and the Member Systems, to meet disbursement needs.

#### **10-1.3. Investment Philosophy**

FPIF invests for the long-term value of its beneficiaries and, therefore, does not evaluate managers or its portfolio exclusively through short-term (less than three years) performance metrics. The Board and Staff recognize that the diversification of funds across asset classes is the primary determinant of the Fund meeting its risk-adjusted return objective over time. Therefore, the Board, with input from Staff and investment service providers, sets target allocations (the "Targets") for the various asset classes and the portfolio is periodically rebalanced to continue to meet those Targets (the "Strategic Asset Allocation"). Upon establishment of a private markets portfolio, FPIF will seek to maintain a consistent commitment pacing model within the private markets portfolio to ensure appropriate vintage year diversification.

While certain pockets of market inefficiencies may exist, public securities markets tend to be efficient. Therefore, when making investment decisions, FPIF defaults to low-fee, passive strategies and evaluates active investment manager performance relative to appropriate benchmarks.

Active investment managers are considered for FPIF's portfolio when FPIF's retained investment professionals and Staff can (i) demonstrate that a manager can reasonably be expected to add value to the Fund through improved returns and/or mitigated risk (ii) demonstrate a track record of investment performance relative to appropriate benchmarks (iii) provide an opinion

with regard to the reasonableness of the proposed investment management fees (iv) provide an informed thesis in support of the strategy and (v) express confidence to the Board in the investment manager's firm, personnel, investment process, and suitability for the Fund.

The Board determines the asset classes and high-level investment guidelines (the "Investment Guidelines") pursuant to which the investment managers may invest. Within the bounds set by the Board, the Staff has discretion to refine guidelines and negotiate more favorable terms, subject to its fiduciary obligation to FPIF, in the best interests of the Fund's beneficiaries and subject to applicable laws.

#### **10-1.4. Strategic Asset Allocation**

- (a) **General.** The Board, with input from Staff and investment service providers, sets the Strategic Asset Allocation. The Targets are to be reviewed and approved, at least, every five years.

The Targets set forth in the Strategic Asset Allocation are expressed as a percentage of the Fund's overall market value, with ranges of permissible variations. It is permissible for certain asset classes within the overall Fund's Strategic Asset Allocation to deviate from the Targets during manager transitions, asset class restructurings and other temporary changes in the Fund's portfolio.

Consistent with academic research on the futility of market timing, the Targets will not be changed in response to current market conditions or short-term projections.

The Board will approve the public market funding source (passive benchmark) for any shortfalls to target allocations in private market asset classes.

- (b) **Rebalancing.** Daily market movements, cash flows to and from the Participating Pension Funds, and other factors may lead to deviations from the Targets set forth in the Strategic Asset Allocation. The Board recognizes that failing to rebalance the Fund in line with the Strategic Asset Allocation could change the Fund's risk exposure and expected returns. Therefore, the Board accords Staff discretion to take those rebalancing actions which, in the judgment of Staff, are consistent with this Investment Policy and in the best interest of the Fund. If Staff rebalances as a result of being outside of the permissible ranges, Staff will report the results of rebalancing activity to the Board at its next regularly scheduled meeting following such rebalancing.

Staff will rebalance assets to reconcile asset levels with the Targets. In rebalancing, Staff will consider (i) the cash flow needs of the Fund and Participating Pension Funds, (ii) relative proportion of overweight or underweight in each specific asset class, and (iii) trading costs. Staff will monitor asset class weights on a daily basis.

#### **10-1.5. Interim Allocation**

FPIF has established an interim liquid asset allocation for the near-term investment of its assets. The purpose of the interim liquid asset allocation is to allow FPIF to strategically deploy capital in a consistent manner upon receipt of assets from the Fund's Member Systems, while taking

into account existing market conditions, long-term return objectives, and a reasonable time frame to achieve long-term private market and alternative allocations.

#### 10-1.6. Long Term Allocation

FPIF has established a long-term asset allocation for the ongoing management of the Fund. The long-term asset allocation reflects private market and alternative exposures, which FPIF will strive to achieve in the coming years.

Strategic Asset Allocation	Interim Asset	Long-Term Asset	Interim Ranges (%)	Long-Term Ranges (%)
<b>Equity</b>				
US Equity	36	25	+/- 5	+/- 16
Developed Market Equity (non-US)	19	13	+/- 4	+/- 10
Emerging Market Equity	10	7	+/- 3	+/- 6
Private Equity	0	10	+/- 10	+/- 10
<b>Credit</b>				
Public Credit	3	3	+/- 1	+/- 1
Private Credit	0	7	+/- 7	+/- 7
<b>Rate Sensitive</b>				
Core Fixed Income	12	9	+/- 3	+/- 6
Core Plus Fixed Income	12	9	+/- 3	+/- 6
Short Term Treasuries	3	3	+/- 1	+/- 1
<b>Real Assets</b>				
Real Estate	5	10	+/- 2	+/- 7
Infrastructure	0	4	+/- 4	+/- 4

#### 10-1.7. Performance Monitoring

- (a) **Fund Level.** The Board will evaluate the performance of the Fund relative to its return objectives, on at least a quarterly basis at its regularly scheduled meetings. Total Fund performance will be evaluated relative to a “custom benchmark” using weights of the returns of available market indices based on the Strategic Asset Allocation and net of all applicable fees.

The Fund’s ranking relative to its applicable peer universe shall be evaluated with consideration given to the Fund’s risk relative to that of the applicable peer universe.

Staff will periodically arrange education sessions on specific asset classes to assist the Board in monitoring market conditions and portfolio performance.

- (b) **General Consultant.** The General Consultant shall act as a fiduciary to FPIF. Services will include, but not be limited to, assistance in the selection, oversight, and on-going due diligence of the fund’s investment managers, investment performance reporting, asset allocation studies, and research as requested by the Board and/or Staff.

- (c) **Benchmarking.** Each investment manager shall have an established benchmark(s) included in its Investment Guidelines, against which performance will be measured. Benchmarks will be consistent with the managers' investment portfolio. Performance will be evaluated net of all applicable fees on a (i) five-year basis, (ii) shorter and longer-term basis as appropriate, and (iii) dollar-weighted basis.

## **10-2. RISK MANAGEMENT**

### **10-2.1. Investment Risk**

In order to achieve the Assumed Rate of Return, the Fund must assume certain risks. The objective of the Fund's risk management is not to eliminate risk, but to ensure that market-based, strategic, and investment-specific risk is prudently managed across the Strategic Asset Allocation.

### **10-2.2. Operational Risk**

Staff will implement internal procedures to minimize the risk of errors or fraud associated with transfers and to ensure financial reporting adheres to generally accepted accounting principles, or GAAP.

FPIF receives a SOC 1 Report (Systems and Organizational Controls Report) from its custodian on an annual basis. This report is based on a review of the entire control structure in place at the custodian. The review is performed by an external auditing firm. Any internal control weaknesses are identified and management's responses are documented in the SOC 1 Report.

FPIF's internal control processes in all areas of the organization are reviewed and updated on an annual basis. Internal control narratives are provided to external auditors as a part of the annual audit process, and the auditors test the controls by reviewing transactions in various areas. Any internal control weaknesses that are identified and management's responses are documented in FPIF's Annual Audit Report.

## **10-3. OTHER**

### **10-3.1. Statutory Requirements**

The Fund shall be managed in accordance with the governing provisions of Illinois law. For current investment-related statutory requirements, please refer to 40 ILCS 5/1 and 40 ILCS 5/22C et seq.

State and federal lawmakers have adopted laws directing the behavior of public investors, such as FPIF, and from time to time such lawmakers will amend those laws. FPIF acknowledges that fulfilling its fiduciary duty is contingent upon compliance with those laws.

### **10-3.2. Diversity**

FPIF's diversity goals seek to increase access and opportunities for managers, brokers, and vendors owned by minorities, women, and persons with a disability.

For specific details, including numeric goals for emerging service provider utilization and FPIF's process in monitoring these service providers' status as emerging, please refer Chapter 6.

### **10-3.3. Procurement**

FPIF established a Procurement Policy for the selection and appointment of Investment Services providers, including but not limited to investment managers, consultants, and custodians. For the current Procurement Policy, please refer to FPIF's website. For searches conducted by the Board and Staff related to Investment Service Providers, FPIF has a competitive proposal process. To see current and ongoing RFP's, please refer to FPIF's website.

### **10-3.4. Sustainability and Corporate Governance**

Shareholder voting related to public equity securities held directly by FPIF is performed by FPIF's contracted proxy voting service provider. Votes are based on guidelines which will be adopted by the Board. Staff monitors FPIF's proxy votes and reports to the Board, as necessary.

Pursuant to 40 ILCS 5/1-113.6 and 1-113.17, FPIF shall include material, relevant, and decision-useful sustainability factors that will be considered by the Board, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. These factors consist of but are not limited to:

- (a) Corporate governance and leadership factors
- (b) Environmental factors
- (c) Social Capital factors
- (d) Human capital factors
- (e) Business model and innovation factors
- (f) In addition, FPIF's efforts will include the following:
  - (i) Periodic evaluation of sustainability factors to ensure the factors are relevant to the FPIF's investment portfolio and the evolving marketplace;
  - (ii) Periodic monitoring of investment managers to encourage implementation of the aforementioned factors.

### **10-3.5. Transition Management**

Transition services are most commonly utilized in the movement of securities within the public markets portfolio. Transition management is defined as the professional management of trading out of one portfolio of marketable securities and into another portfolio of marketable securities, while controlling for the timeliness of trades, explicit and implicit costs, and market exposure relative to a predetermined benchmark.

Staff will monitor all costs associated with transition events. Such costs shall include, though not be limited to

- (a) Commission Costs: Fees paid to brokers for execution of a transaction
- (b) Bid/Ask Spread Cost: Amount by which the execution price exceeds the bid or ask price
- (c) Market Impact: Effect that trading has on the market price of traded shares
- (d) Opportunity Cost: Cost of market movements over the time it takes to trade

The Board's investment staff shall manage the transition manager bench selection process, in coordination with the Board's Consultant. The Board's transition management bench shall consist of no less than three Board approved transition managers. Each transition manager selected for the transition manager bench shall enter into a transition management agreement with the Board, which shall establish terms and conditions for the relationship.

The criteria for selecting a transition manager to execute a transition will vary, just as the circumstances and types of portfolios being transitioned will vary. Investment staff shall consider the fact that transition managers may over-emphasize the value that can be added by their trading desks. Further, investment staff shall also consider that a firm which offers inexpensive trade execution may be neglecting other important aspects of the transition. Staff shall also consider that a firm which focuses on maximizing crosses may accumulate excessive and unnecessary costs associated with time delays.

Prior to engaging in a transition, the Board's investment staff shall distribute a detailed transition work request to the transition manager bench, which shall include the following information, at a minimum: (i) a description of the specific need for the transition services, (ii) identification of the goals for the transition, (iii) custodial contact information, (iv) a request for a pre-trade analysis that estimates explicit (i.e., commissions, custody, taxes, duties, foreign exchange) and implicit (i.e., market impact, opportunity costs, bid/ask spread) costs of the transition. Transition managers on the bench shall submit specific proposals to investment staff based on the transition work request.

The Board's investment staff and Consultant shall review the proposals submitted by the transition manager pool and prudently craft a transition manager recommendation for the Executive Director's review, selecting the transition manager best suited to execute the particular transition. Each individual transition assignment established under a transition management agreement between the Board and a transition manager within the pool shall be documented in a transition work order, setting forth, at a minimum, the specific tasks, deliverables, schedules, and costs for the specific transition assignment. Each transition work order shall be subject to the terms of the transition manager's transition management agreement with the Board and incorporated as an attachment thereto. All transition work orders shall be approved in writing by the Executive Director or the Executive Director's designee. The Executive Director has the authority to execute the transition work order on the Board's behalf.

Investment staff shall evaluate each transition assignment, assessing the transition manager's performance, cost effectiveness, and implementation efficiency. The Board's Consultant may provide evaluation and reporting services regarding the performance of the Board's transition managers, as well as aid in the solicitation and evaluation of bids submitted by transition managers for specific transition.

**10-3.6. Reporting; Additional Information**

For the net asset balances and other financial information regarding the Fund, please refer to FPIF's most recent Financial Report on FPIF's website.