Firefighters' Pension Investment Fund

PRIVATE MARKETS STRATEGIC PLAN

Effective December 1, 2023

INTRODUCTION

The Firefighters' Pension Investment Fund ("FPIF" or "the Fund") established target allocations to Private Market assets classes ("the Programs") in 2022. FPIF has established a framework and Strategic Plan for constructing the Programs, which will be implemented in accordance with the FPIF's Investment Policy ("IPS") dated June 18, 2021. The Fund set the following Interim and Long Term Allocations to Private Market asset classes as part of the broader target asset allocation in its IPS.

Asset Class	Interim Asset Allocation (%)	Long-Term Asset Allocation (%)	Interim Ranges (%)	Long-Term Ranges (%)
Private Equity	0	10	+/- 10	+/- 10
Private Credit	0	7	+/- 7	+/- 7
Real Estate	5	10	+/- 2	+/- 7
Infrastructure	0	4	+/- 4	+/- 4

This Strategic Plan sets forth the underlying philosophies and principles which will be followed with the construction and ongoing maintenance of the Programs.

I. INVESTMENT PRINCIPLES

Investment Objectives

The Programs will be administered based on the risk and return objectives outlined in the IPS, which are referenced below.

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 Illinois 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

Top-Down Considerations

The Programs will use top-down considerations to achieve the risk and return objectives outlined in the IPS. The Programs may encounter competing top-down themes and will seek to balance the use of top-down investment themes that serve the Programs' return objectives. The Programs will seek to utilize a combination of top-down considerations along with a bottom-up process of reviewing the quality of individual managers and strategies. In this way, the Programs will seek to balance the risks and capitalize on the opportunities in the Private Markets. To the extent that top-down investment themes guide the investment process, they should be limited to areas in which there is high conviction or that are closely tied to the Programs' financial return and structural objectives. These top-down themes should be tested for validity, for how close or far they are from the consensus view, and for what risks they bring relative to generic market risk.

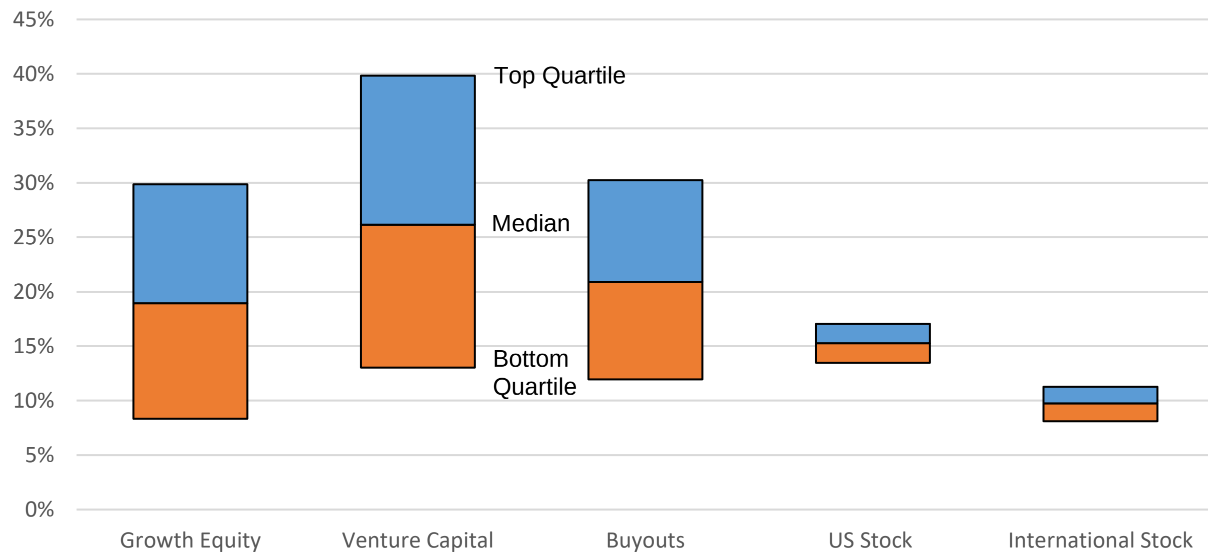
The Programs will be diversified based on a number of factors, including geography, strategy, vintage year, industry, deal size, investment stage, and debt versus equity exposure. These diversification factors will ensure that the Programs have the flexibility to respond to relevant market opportunities while also maintaining adequate protections from unfavorable market forces.

Bottoms-Up Considerations

In addition, the Programs will balance top-down considerations with the identification of high-quality managers utilizing bottom-up research as a tool to mitigate risk and optimize returns.

The chart below demonstrates that there is a consistently large gap between the performance of a median performing manager and a top-quartile performing manager in the Private Markets universe. In addition, median Private Markets performance has typically provided meaningful outperformance relative to the public equity markets.

Quartile Returns, Last 10 Years[1]



The Programs will seek to identify Private Markets managers that have the skills and advantages to generate median or better performance relative to the universe of

[1] Data sourced from Cambridge Associates via IHS Markit and eVestment. Data for PE funds raised from 2012 through December 2021 and public equity managers for the trailing 10 years, as of December 2021. All data sourced in August 2022.

managers available. FPIF has developed due diligence standards that it, or third-party Investment Account Managers contracted by FPIF, will employ to select quality fund managers to achieve the Programs' objectives. This due diligence process includes, but is not limited to the following: (1) analyzing the stability and experience of the manager and its investment team, the manager's investment process as well as its middle and back office operations; (2) analyzing the fund's strategy, historical, and pro-forma performance, risk management procedures, ESG procedures; and (3) market competition and the macro- and micro-economic environment specific to the fund's focus.

Based on the top-down and bottom-up approaches, the Programs will develop a diversified portfolio by geography, strategy, vintage year, industry, deal size, investment stage, and debt versus equity exposure. As indicated earlier, the purpose of a well-diversified portfolio is to achieve the best risk-adjusted return, and to ensure that the Programs have the flexibility to respond to attractive market opportunities while maintaining adequate protections from unfavorable market forces through diversification.

II. COMMITMENT PACING

Relative to more liquid asset classes, gaining diversified exposure to Private Markets investments requires substantial time, resources, and planning. Private Markets funds are typically blind pools in which investors do not buy interests in existing assets, but rather the fund managers slowly call capital to build portfolios of assets. The timing of such investments is generally unpredictable. In addition, Private Markets funds typically self-liquidate, and generally may not exit their last holdings until 10 or more years into a fund's life. Due to the unpredictable nature of the timing of Private Markets fund cash flows and the self-liquidating fund structures, commitments to Private Markets funds must be made on a relatively consistent basis from year to year in order to gain and maintain diversified exposure across various points of economic, business, and market cycles. As such, FPIF Staff, in collaboration with Consultant(s), as appropriate, will conduct a Commitment Pacing analysis for each of its Private Markets target allocations at least annually to evaluate the status of existing Private Markets asset exposures and determine the appropriate budget of annual commitments to reach and maintain each Programs' target allocations.

III. DIVERSIFICATION

The Fund will diversify its portfolio to mitigate the investment risk. Because of the structure of most Private Markets vehicles (i.e., illiquid and concentrated blind-pools with finite investment horizons), ensuring diversification requires careful portfolio construction and management. This section highlights the important dimensions of diversification within the Programs. To support the diversification parameters outlined below, the Programs are expected to commit capital to the following number of funds annually.

Asset Class	Target Annual Commitments (#)	Target Annual Commitments Range (#)
Private Equity[2]	10	8 - 12
Private Credit	8	4 - 12
Real Estate	5	3 - 7
Infrastructure	4	2 - 6

Since Private Markets programs require careful and iterative implementation, FPIF expects that several years will be required, at minimum, for the Programs to reach maturity and begin to comply with many of the diversification metrics described below.

A. Strategy

The Programs will be allocated across multiple Private Markets asset classes and strategies, which will produce diversification benefits and help determine the risk and return attributes of the Portfolio.

While the selection of funds will result primarily from bottom-up fund-level analysis, FPIF will target a specific allocation of Portfolio assets across select types of strategies. Once the Programs reach maturity, the strategy allocation targets and ranges below shall apply.

Private Equity

Strategy Type	Target Allocation (%)	Target Allocation Range (%)
Buyout	55	40 - 70
Growth Equity	10	0 - 20
Venture Capital	10	0 - 20
Co-Investments	15	0 - 30
Secondaries	10	0 - 20

Private Debt

Strategy Type	Target Allocation (%)	Target Allocation Range (%)
Direct Lending	30	20 - 40
Asset-based Lending	20	10 - 30
Special Situations	40	30 - 50
Opportunistic	10	0 - 20

[2] Excludes direct investments into companies via co-investment. Co-investments are expected comprise a distinct program of between three and six investments annually.

Real Estate

Strategy Type	Target Allocation (%)	Target Allocation Range (%)
Core	30	10 - 50
Value-Added	40	30 - 50
Opportunistic	20	10 - 30
Secondaries	10	0 - 20

Infrastructure

Strategy Type	Target Allocation (%)	Target Allocation Range (%)
Core	25	15 - 35
Value-Added	45	25 - 65
Opportunistic	20	10 - 30
Secondaries	10	0 - 20

The target strategy allocations and allocation ranges listed above are based on the Program's total exposure (unfunded commitments plus fair market value).

B. Geography

The Programs will be allocated across multiple regions globally, which will produce diversification benefits and help determine the risk and return attributes of the Portfolio. While the selection of funds will result primarily from bottom-up fund-level analysis, FPIF will target a specific allocation of Portfolio assets across multiple geographies. Once the Programs reach maturity, the strategy allocation targets and ranges below shall apply.

Strategy Type	Target Allocation (%)	Target Allocation Range (%)
North America	75	65 - 85
Other	25	15 - 35

The target region allocations and allocation ranges listed above are based on the Programs' total exposure (unfunded commitments plus fair market value).

C. Vintage Year

FPIF will diversify the Programs' commitments across vintage years in accordance with the process detailed in the Commitment Pacing section of this document to ensure diversification across economic, business and market cycles.

D. Manager

The Programs' performance will be closely linked to the prudence and diligence of the investment managers to which the Programs commit capital. In addition, Private Markets funds are highly illiquid and have life cycles of typically 10 years or more. As such, timely, adequate protections may not be available to remedy manager-specific risks, e.g. strategy drift, personnel turnover. To manage such risks, the Programs will limit commitments to a single fund to 10% of each Private Markets asset class Portfolio's total exposure (aggregate unfunded balance plus fair market value). Exempted from the limitations above will be strategies that are highly diversified and include hundreds or thousands of underlying assets within a single product, such as Secondary funds or Open-end Core funds.

E. Industry

As with business cycles, it is difficult to predict the relative performance of industries, and investors are well-served with diversified exposure to them. Still, FPIF may emphasize certain industries based on thematic observations within the context of a well-diversified portfolio.

FPIF intends to diversify the Programs across numerous industries, and will be mindful of the Programs' exposures to industries relative to broad market industry allocations.

IV. INVESTMENT STRUCTURES

A. Primary Closed-end Funds

Commitments to Primary Closed-end Funds that make direct investments into underlying companies and assets are the primary investment structure that the FPIF will utilize. This represents the most commonly used structure for institutional Private Markets programs, and is the most robust market opportunity for accessing high quality investment opportunities. Such funds are self-liquidating, typically over a 10 to 15 year period, and do not provide predictable interim liquidity to investors.

B. Funds of Funds and Secondary Funds

Funds that invest in underlying closed-end funds (on a primary or secondary basis) are a valid option for the Programs to access high conviction market opportunities. However, FPIF recognizes that the Fund of Funds and Secondary Funds structures involve an additional layer of fees and limits the quality of information from and relationships with underlying fund managers.

C. Open-end Funds

Commingled funds that make direct investments into underlying companies and assets but do not have a finite term length and provide some periodic liquidity available to investors, typically at the discretion of the manager. FPIF anticipates that Open-end Funds will be the primary structure for accessing Core investment opportunities within the Real Estate and Infrastructure Portfolios.

D. Separate Accounts

FPIF does not expect to explicitly target separate account structures within the Programs. However, the Fund will consider such structures on a case-by-case basis, in particular as a tool to secure fee reductions or to customize investment strategies to optimally align with the Programs' risk and return objectives. The latter may be accomplished through customizing a separate account to operate as a parallel vehicle alongside a commingled fund that narrows the scope of the strategy, for example, to a specific region or deal type that suits the Programs' objectives.

E. Secondary Transactions

FPIF does not expect to explicitly target secondary transactions within the Programs. However, the Fund will remain open to considering such transactions**.** In particular, the Programs will consider unique opportunities to gain access to high quality managers at a reduced cost basis and options to rebalance the portfolio through sales of interests to secondary buyers.

F. Co-Investments

Co-Investments are investments alongside a Primary Closed-end Fund sponsor into a companies or assets directly. Co-Investments have an advantage of commonly providing a low or no fee basis for accessing private investment opportunities, but typically require more concentrated exposure to specific assets and require specialized due diligence. FPIF will consider including Co-Investments in the Portfolios, but will seek to manage asset concentration risk and ensure Co-Investments are executed through a robust program managed by a specialized investor.

V. INVESTMENT MANAGEMENT

Private Markets investments represent a wide range of opportunities of varying risk and reward propositions and complexity. Certain strategies require only modest education, specialization, and resources in order to obtain a reasonable level of expertise to make investment decisions and access quality opportunities, while other Private Markets strategies require a highly specialized skill set and robust resources to build investment portfolios.

Further, FPIF acknowledges that the Private Markets asset classes are associated with some of the highest cost and most complex fee schedules. However, it will consistently consider opportunities to reduce fees and access more cost-effective structures while meeting the Programs' return objectives and maintaining investment quality standards.

As such, FPIF will seek to hire third-party account managers to build portfolios of Private Markets investments in areas that require highly specialized knowledge and robust resources. For strategies that require less specialization and resources, FPIF will authorize its Investment & Operations Committee, as detailed in the Rules dated December 1, 2023, to execute investments into Private Markets investments. Below is the expected allocation of investment execution by FPIF directly and by discretionary third-party investment managers.

Private Equity

Strategy Type	Target Allocation (%)	Investment Management	Annual Commitment Budget
Buyout: Large Market	20	FPIF	$100 million total across 1 – 3 funds
Buyout: Small & Middle Market	20	Discretionary Manager	$145 million total across 9 – 11 funds, plus a portfolio of co-investments
Buyout: Opportunistic	15	Discretionary Manager	
Growth Equity	10	Discretionary Manager	
Venture Capital	10	Discretionary Manager	
Co-Investments	15	Discretionary Manager	
Secondaries	10	FPIF	$200 million to 1 fund, first year only

Private Debt

Strategy Type	Target Allocation (%)	Investment Management	Annual Commitment Budget
Direct Lending	30	FPIF	$100 million total across 1 – 3 funds
Asset-based Lending	20	Discretionary Manager	$225 million across 6 - 11 funds
Special Situations	40	Discretionary Manager	
Opportunistic	10	Discretionary Manager	

Real Estate

Strategy Type	Target Allocation (%)	Investment Management	Annual Commitment Budget
Core	30	FPIF	$525 million to 1 fund, first year only
Value-Added: Large Market	10	FPIF	$30 million total to 1 fund
Value-Added: Middle Market	30	Discretionary Manager	$155 million total across 2 – 6 funds
Opportunistic	20	Discretionary Manager	
Secondaries	10	FPIF	$50 million to 1 fund, first year only

Infrastructure

Strategy Type	Target Allocation (%)	Investment Management	Annual Commitment Budget
Core	25	FPIF	$135 million to 1 fund, first year only
Value-Added: Large Market	15	FPIF	$20 million total to 1 fund
Value-Added: Middle Market	30	Discretionary Manager	$55 million total across 1 – 5 funds
Opportunistic	20	Discretionary Manager	
Secondaries	10	FPIF	$50 million to 1 fund, first year only

VI. BENCHMARKING AND PERFORMANCE MEASUREMENT

FPIF Staff and Board will periodically evaluate the performance of the Programs relative to their objectives and to the returns available from the capital markets during the period under review. In general, FPIF will utilize relevant, market-accepted benchmarks for Private Markets asset classes in evaluating the Programs' performance. The total performance of the Programs' will be evaluated relative to the investment objectives and constraints identified in this Strategic Plan. The general benchmark used will be FPIF's financial return objectives, and other relevant public and private market indices and data.

APPENDIX A:

Placeholder

Placeholder.

APPENDIX B:

Placeholder

Placeholder.