

**Firefighters' Pension Investment Fund**  
**2024 Trustee Election**  
**Candidate Packet**

May 1, 2024

Prospective Candidates,

Thank you for expressing an interest in becoming a candidate for the Firefighters' Pension Investment Fund ("FPIF") Board of Trustees. Voters will elect two Participant Trustees and two Executive Trustee in 2024. Participant Trustee candidate applications will be made available on June 21, 2024, and Executive Trustee candidate applications will be made available on July 19, 2024. Additional information on the election can be found on the 2024 Trustee Election page found under the Member Resources heading on the FPIF website.

Ballots will be mailed to eligible voters on or before October 25, 2024 and must be returned by December 2, 2024.

Candidates should review the information included in this packet including the 2024 Trustee Election Schedules, the FPIF Rules, Article 22C of the Illinois Pension Code, and various sections of Article 1 of the Illinois Pension Code that govern the fiduciary duties of trustees. Trustee election rules are included in Chapter 3 of the FPIF Rules and relevant definitions can be found in Chapter 1.

Trustees serve without compensation but will be reimbursed for expenses necessarily incurred in attending board meetings and carrying out his or her duties as a trustee. The schedule of Board and Committee meetings is published under the News & Calendar heading on the FPIF website.

Trustees are required to file Statements of Economic Interest annually and will be required to take 8 hours of ethics training each year. Trustees are responsible for meeting the ethics training requirements and FPIF will help facilitate ethics trainings.

This packet is intended to provide prospective candidates with an understanding of the duties required of FPIF trustees. This packet is not meant to be comprehensive. Prospective candidates are encouraged to email the Fund at [information@ifpif.org](mailto:information@ifpif.org) to schedule a call if they have questions about the responsibilities of trustees.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Atwood".

William R. Atwood  
Executive Director

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# **Firefighters' Pension Investment Fund**

## **2024 Trustee Election Schedules**



## **Firefighters' Pension Investment Fund** **2024 Participant Trustee Elections** **Schedule**

### **June 21**

Candidates may submit candidate applications for Participant Trustee positions to the Fund. Candidates may circulate nominating petitions for Participant Trustee positions beginning June 24.

### **September 16**

Nominating petitions and biography forms for Participant Trustee Positions shall be received by the Election Panel no later than 12:00 pm on September 16.

### **September 23**

The Election Panel will verify the nominating petitions submitted and determine the initial slate of candidates notify candidates on or before September 23.

### **September 30**

Beginning September 24, any individual may, upon reasonable notice and during normal business hours examine petitions that have been filed and may challenge the petition validation process. All challenges shall be submitted to the Election Panel no later than 4:30 pm on September 30.

### **October 7**

The Election Panel will rule on candidate challenges on or before October 7.

### **October 25**

Ballots and election materials will be mailed to eligible voters on or before October 25.

### **December 2**

Election Date. Eligible voters must submit ballots by 4:30 pm on December 2.

### **December 9**

The Election Panel will certify the election results on or before December 9.

Any challenge to the election results shall be submitted in a written statement to the Board Secretary no later than 7 calendar days following the certification of election results.

### **December 20**

The Board of Trustees will meet on December 20 and consider any challenges properly submitted and read the election results into its minutes.



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## **Firefighters' Pension Investment Fund** **2024 Executive Trustee Elections Schedule**

### **July 19**

Candidates may submit candidate applications for Executive Trustee positions to the Fund. Candidates may circulate nominating petitions for Executive Trustee positions beginning July 22.

### **July 31**

Nominating petitions and biography forms for Executive Trustee Positions shall be received by the Election Panel no later than 5:00 pm on July 31.

### **August 7**

The Election Panel will verify the nominating petitions submitted and determine the initial slate of candidates on or before August 7.

### **August 14**

Beginning August 8, any individual may, upon reasonable notice and during normal business hours examine petitions that have been filed and may challenge the petition validation process. All challenges shall be submitted to the Election Panel no later than 4:30 pm on August 14.

### **August 21**

The Election Panel will rule on candidate challenges on or before August 21.

### **October 25**

Ballots and election materials will be mailed to eligible voters on or before October 25.

### **December 2**

Election Date. Eligible voters must return ballots placed into their return envelopes via USPS or other delivery service. Ballots must be received at the appropriate address by 4:30 pm on December 2.

### **December 9**

The Election Panel will certify the election results on or before December 9.

Any challenge to the election results shall be submitted in a written statement to the Board Secretary no later than 7 calendar days following the certification of election results.

### **December 20**

The Board of Trustees will meet on December 20 and consider any challenges properly submitted and read the election results into its minutes.

# Firefighters' Pension Investment Fund

## Rules

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FIREFIGHTERS' PENSION INVESTMENT FUND

## Rules

Revised December 1, 2023

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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 Product"** means an investment fund or account managed by an Investment Product Manager in which FPIF receives a limited partnership or similar interest.

**"Investment Product Manager"** means a third party that manages or advises an Investment Product and which may act as an investment manager, investment adviser, general partner, and/or fiduciary to or of such fund or account, but which is not an Investment Adviser, Investment Manager, or fiduciary to FPIF.

**"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**

For a vacancy of an elected Trustee occurring with an unexpired term, 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. Appointment Term**

A trustee appointed to fill the vacancy of an elected trustee shall serve until a successor is elected.

## Chapter 3. Elections

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

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

The Election Date shall be December 1 except 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. Special Election to Fill an Unexpired Term**

A special election to fill the remainder of an unexpired term vacated by an elected trustee shall be administered at a scheduled election if the trustee position was vacated at least 14 calendar days prior to the first date that candidate petitions may be circulated for that scheduled election. The special election shall be held concurrently with and in the same manner as the scheduled election.

### **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.

A trustee elected to fill an unexpired term shall serve from election until the expiration of that unexpired term.

**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 for Executive Trustee Positions**

Elections for Executive Trustee Positions shall be conducted via mail balloting. On or before 35 calendar days before the Election Date of an Executive Trustee Position 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 that shall contain the names of all candidates in alphabetical order.
- (d) A pre-printed return envelope.
- (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. Contents for Beneficiary and Participant Trustee Positions**

Elections for Beneficiary and Participant Trustee Positions shall be conducted online through Internet balloting. On or before 35 calendar days before the Election Date of a Beneficiary or Participant Trustee Position the following election materials shall be mailed to the eligible voters' address on file:

- (a) Instructions for accessing Candidate Biographies in the format and length specified and approved by the Election Panel.
- (b) Instructions on how to vote online using an online ballot that shall contain the names of all candidates in alphabetical order.
- (c) Instructions on how to receive an appropriate online ballot, if an eligible voter received an incorrect online ballot.

#### **3-9.3. 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 two calendar days prior to the Election Date for online election materials and 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 after the calendar deadlines provided.

#### **3-9.4. 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.

**3-9.5. 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 ballots will be counted. Write-in candidates are invalid and will not be counted.
- (f) Votes cast online must be submitted in accordance with the online voting instructions provided.

**3-11. RETURN OF BALLOTS**

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

Upon receipt of the election materials for elections for Executive Trustee Positions conducted by mail, 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) 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 or, via hand delivery 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.

#### **6-2.4. Contracts for Investment Products**

All subscription, capital commitment, and other investment contracts evidencing an investment in an Investment Product, and any amendments or side letters to such contracts, shall be signed by the Chief Investment Officer. The form of such contracts shall be approved by the Chief Investment Officer, as evidenced by execution thereof, in consultation with legal counsel.

### **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 such Board Member, FPIF employee, or 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

<b>Classification</b>	<b>Percent of Total Portfolio</b>	
	<b>Emerging</b>	<b>Minority</b>
Minority-Owned	10%	10%
Female-Owned	10%	10%
Disabled	2%	2%

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

<b>Asset Class</b>	<b>Percent of Asset Class</b>	
	<b>Emerging</b>	<b>Minority</b>
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.

## **6-9. INVESTMENT PRODUCTS**

### **6-9.1. Applicability**

This Section 6-9 applies to the selection of Investment Products. 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 in the best interests of the participants and beneficiaries of Participating Pension Funds.

### **6-9.2. Solicitations**

FPIF's non-discretionary Consultant(s) shall recommend to the Chief Investment Officer a strategy for the solicitation and selection of Investment Products within the Consultant's investment mandate and consistent with FPIF's current investment policy. The strategy shall be subject to approval by the Chief Investment Officer.

Once approved, the Consultant shall publish and market the solicitation. FPIF may, but is not required to, also publish a copy of the solicitation on its website. In addition, if FPIF is unable to utilize a Consultant to publish and market an Investment Product solicitation, FPIF may publish and market a solicitation itself on its website.

At minimum, the solicitation shall describe the Investment Product being solicited, the goal and proposed strategy thereof, and any minimum qualifications. The solicitation shall direct respondents how and when to respond. The solicitation shall be open at least 14 days after being published. FPIF may, or may permit the Consultant to, amend or cancel the solicitation; waive or permit corrections, irregularities, informalities, or deficiencies to proposals; and request proposal revisions or best-and-final offers.

### **6-9.3. Selection**

- (a) **General Selection Criteria.** The criteria used to select an Investment Product may vary based on the particular investment goal and proposed strategy for which the Investment Product is being solicited. However, the general criteria include, but are not limited to, the following:
- (i) The Investment Product Manager's experience investing assets on behalf of large defined benefit plans;
  - (ii) Qualifications and depth of the Investment Product Manager's professional staff;
  - (iii) Relevance and differentiation of stated strategy relative to the mandate sought by FPIF;
  - (iv) Soundness of the Investment Product Manager's strategy, philosophy, and process with respect to the investment of assets;
  - (v) The Investment Product Manager's track record of investment performance on an absolute and relative basis;
  - (vi) The adequacy of the Investment Product Manager's investment, portfolio management, back office, accounting and reporting and client servicing capabilities; and
  - (vii) Fees.

- (b) **Due Diligence and Recommendation.** If the solicited Investment Product is within the investment mandate of a non-discretionary Consultant, then, unless otherwise directed by the Chief Investment Officer, that Consultant shall review the proposals and assist with selection of one or more Investment Products to be further evaluated for selection. The Consultant and FPIF investment staff may conduct further diligence and interviews.

The Consultant shall conduct, on FPIF's behalf, due diligence and review of any Investment Product being considered for selection consistent with industry standards and best practices based on the type of Investment Product. At minimum, that due diligence and review will include the following:

- (i) For all Investment Products, (1) a review of offering documents (e.g. the private placement memorandum) for the Investment Product, (2) a review of key business terms and conditions for the Investment Product, and (3) a basic review of the Investment Product Manager's prior track record, including, but not limited to, a performance attribution analysis for factors that are relevant to the proposed firm and strategy; and
  - (ii) For private market Investment Products that are illiquid on a short-term basis and are not diversified or numerous in their underlying assets, in addition to the reviews described in clause (i) immediately above, (1) a review of the Investment Manager's response to a due diligence questionnaire of industry-standard breadth; (2) reference checks conducted covering key departed professionals, team member prior employers, institutional limited partners, co-investment sponsors, and/or management teams of prior investments; (3) on-site visit to the Investment Product Manager's offices for an interview, unless infeasible; (4) a basic review of back-office operations; and (5) a more extensive review of the Investment Product Manager's prior track record, including, but not limited to, independent performance calculation validation and deal-by-deal performance evaluation.
- (c) **Selection Authority.** The Investments and Operations Committee, in consultation with the Chief Investment Officer and the Consultant, is authorized to approve the selection of an Investment Product so long as (i) the total investment or capital commitment by FPIF in the Investment Product is not more than \$50 million, (ii) the target aggregate subscriptions in the Investment Product by other investors is at least \$5 billion, (iii) the investment is consistent with FPIF's current investment policy, and (iv) the Investment Product is recommended by the Chief Investment Officer and the Consultant. The selection of any Investment Product that does not meet the foregoing criteria is subject to approval by the Board.

Any investment approved by the Investments and Operations Committee will be reported to the Board at its next meeting, together with an investment memorandum from the Chief Investment Officer or Consultant.

- (d) **Contracts.** FPIF investment staff, the Consultant, and FPIF legal counsel are authorized to negotiate subscription, capital commitment, and other investment contracts and supporting documentation for any approved Investment Product. Contract execution is subject to compliance with Section 6-2.4.

#### 6-9.4. Other Requirements

- (a) **Public Disclosures.** Without limiting other information that may be requested pursuant to the Illinois Freedom of Information Act, FPIF shall regularly provide in its reports or website the following information about each Investment Product in which FPIF has invested: (i) the names of the Investment Product and Investment Product Manager; (ii) the total amount invested or committed; and (iii) the total fees paid to the Investment Product Manager.
- (b) **Contingent Compensation.** No Investment Product Manager shall retain a person or entity to influence the outcome of an investment decision or the selection of an Investment Product by FPIF for compensation that is contingent in whole or in part upon the decision or selection.
- (c) **Other Applicable Laws.** The selection of Investment Products by FPIF shall be made and awarded in accordance with the Pension Code, the State Officials and Employees Ethics Act, and all other applicable Illinois law. All FPIF trustees and employees shall comply with all gift ban restrictions prescribed in the FPIF Ethics Policy.
- (d) **Communications.** The solicitation documents for an Investment Product may include restrictions or requirements for communications by potential Investment Product Managers with FPIF or its Consultant, such as requiring that communications be directed to the Consultant.
- (e) **Conflicts of Interest.** No Trustee, FPIF employee, or FPIF Consultant shall knowingly cause or advise FPIF to engage in an investment transaction with an Investment Product when such Trustee, FPIF employee, or FPIF Consultant, or any of their spouses, (1) has any direct interest in the income, gains or profits of the Investment Product or (2) has a relationship with that Investment Product Manager 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, Investment Product Manager includes an employee or agent of such firm who has greater than 7.5% ownership of the firm.



## 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.

**Firefighters' Pension Investment Fund**

**Article 22C of the Illinois Pension Code**



## Introduction to Article 22C of the Illinois Pension Code

Article 22C of the Illinois Pension Code establishes the Firefighters' Pension Investment Fund and its Board of Trustees. Article 22C governs the conduct of the Board of Trustees and establishes the Board's authority to conduct its mandates. Those mandates include but are not limited to the administration of trustee elections and the investment of participating pension funds' assets.

### Article 22C of the Illinois Pension Code

(40 ILCS 5/Art. 22C heading)

ARTICLE 22C. THE FIREFIGHTERS' PENSION INVESTMENT FUND  
(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-101)

Sec. 22C-101. Establishment. The Firefighters' Pension Investment Fund is created with authority to manage the reserves, funds, assets, securities, properties, and moneys of the firefighter pension funds created pursuant to Article 4 of this Code, all as provided in this Article.  
(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-102)

Sec. 22C-102. Definitions. For the purposes of this Article, the following words and phrases shall have the meaning ascribed to them unless the context requires otherwise.  
(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-103)

Sec. 22C-103. Fund. "Fund" means the Firefighters' Pension Investment Fund.  
(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-104)

Sec. 22C-104. Transferor pension fund. "Transferor pension fund" means any pension fund established pursuant to Article 4 of this Code.  
(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-105)

Sec. 22C-105. Participating pension fund. "Participating pension fund" means any pension fund established pursuant to Article 4 of this 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.  
(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-106)

Sec. 22C-106. Pension fund assets. "Pension fund assets" means the reserves, funds, assets, securities, and moneys of any transferor pension fund.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-107)

Sec. 22C-107. Invest. "Invest" means to acquire, invest, reinvest, exchange, or retain pension fund assets of the transferor pension funds and to sell and manage the reserves, funds, securities, moneys, or assets of the transferor pension fund, all in accordance with this Article.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-108)

Sec. 22C-108. Investment advisor. "Investment advisor" means any person or business entity that provides investment advice to the board on a personalized basis and with an understanding of the policies and goals of the board.

"Investment advisor" does not include any person or business entity that provides statistical or general market research data available for purchase or use by others.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-112)

Sec. 22C-112. Transition period. "Transition period" means the period immediately following the effective date of this amendatory Act of the 101st General Assembly during which pension fund assets, and responsibility for custody and control of those assets, will be transferred from the transferor pension funds to the board, as described in Section 22C-120.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-113)

Sec. 22C-113. Illinois Municipal League. "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.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-114)

Sec. 22C-114. Purpose, establishment, and governance. The Fund is established to consolidate the transferor pension funds to streamline investments and eliminate unnecessary and redundant administrative costs, thereby ensuring more money is available to fund pension benefits for the beneficiaries of

the transferor pension funds. The transition board trustees and permanent board trustees of the Fund shall be fiduciaries for the participants and beneficiaries of the participating pension funds and shall discharge their duties with respect to the retirement system or pension fund solely in the interest of the participants and beneficiaries. Further, the transition board trustees and permanent board trustees, acting prudently and as fiduciaries, shall take all reasonable steps to ensure that all of the transferor pension funds are treated equitably and that the financial condition of one participating pension fund, including, but not limited to, pension benefit funding levels and ratios, will have no effect on the financial condition of any other transferor pension fund.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-115)

Sec. 22C-115. Board of Trustees of the Fund.

(a) No later than February 1, 2020 (one month after the effective date of Public Act 101-610) or as soon thereafter as may be practicable, the Governor shall appoint, by and with the advice and consent of the Senate, a transition board of trustees consisting of 9 members as follows:

(1) three members representing municipalities and fire protection districts who are mayors, presidents, chief executive officers, chief financial officers, or other officers, executives, or department heads of municipalities or fire protection districts and appointed from among candidates recommended by the Illinois Municipal League;

(2) three members representing participants who are participants and appointed from among candidates recommended by the statewide labor organization representing firefighters employed by at least 85 municipalities that is affiliated with the Illinois State Federation of Labor;

(3) one member representing beneficiaries who is a beneficiary and appointed from among the candidate or candidates recommended by the statewide labor organization representing firefighters employed by at least 85 municipalities that is affiliated with the Illinois State Federation of Labor;

(4) one member recommended by the Illinois Municipal League; and

(5) one member who is a participant recommended by the statewide labor organization representing firefighters employed by at least 85 municipalities and that is affiliated with the Illinois State Federation of Labor.

The transition board members shall serve until the initial permanent board members are elected and qualified.

The transition board of trustees shall select the chairperson of the transition board of trustees from among the trustees for the duration of the transition board's tenure.

(b) The permanent board of trustees shall consist of 9 members comprised as follows:

(1) Three members who are mayors, presidents, chief

executive officers, chief financial officers, or other officers, executives, or department heads of municipalities or fire protection districts that have participating pension funds and are elected by the mayors and presidents of municipalities or fire protection districts that have participating pension funds.

(2) Three members who are participants of participating pension funds and elected by the participants of participating pension funds.

(3) One member who is a beneficiary of a participating pension fund and is elected by the beneficiaries of participating pension funds.

(4) One member recommended by the Illinois Municipal League who shall be appointed by the Governor with the advice and consent of the Senate.

(5) One member recommended by the statewide labor organization representing firefighters employed by at least 85 municipalities and that is affiliated with the Illinois State Federation of Labor who shall be appointed by the Governor with the advice and consent of the Senate.

The permanent board of trustees shall select the chairperson of the permanent board of trustees from among the trustees for a term of 2 years. The holder of the office of chairperson shall alternate between a person elected or appointed under item (1) or (4) of this subsection (b) and a person elected or appointed under item (2), (3), or (5) of this subsection (b).

(c) Each trustee shall qualify by taking an oath of office before the Secretary of State or the Board's appointed legal counsel stating that he or she will diligently and honestly administer the affairs of the board and will not violate or knowingly permit the violation of any provision of this Article.

(d) Trustees shall receive no salary for service on the board but shall be reimbursed for travel expenses incurred while on business for the board.

A municipality or fire protection district employing a firefighter who is an elected or appointed trustee of the board must allow reasonable time off with compensation for the firefighter to conduct official business related to his or her position on the board, including time for travel. The board shall notify the municipality or fire protection district in advance of the dates, times, and locations of this official business. The Fund shall timely reimburse the municipality or fire protection district for the reasonable costs incurred that are due to the firefighter's absence.

(e) No trustee shall have any interest in any brokerage fee, commission, or other profit or gain arising out of any investment directed by the board. This subsection does not preclude ownership by any member of any minority interest in any common stock or any corporate obligation in which an investment is directed by the board.

(f) Notwithstanding any provision or interpretation of law to the contrary, any member of the transition board may also be elected or appointed as a member of the permanent board.

Notwithstanding any provision or interpretation of law to the contrary, any trustee of a fund established under Article



4 of this Code may also be appointed as a member of the transition board or elected or appointed as a member of the permanent board.

The restriction in Section 3.1 of the Lobbyist Registration Act shall not apply to a member of the transition board appointed pursuant to items (4) or (5) of subsection (a) or to a member of the permanent board appointed pursuant to items (4) or (5) of subsection (b).

(Source: P.A. 102-558, eff. 8-20-21; 103-552, eff. 8-11-23.)

(40 ILCS 5/22C-116)

Sec. 22C-116. Conduct and administration of elections; terms of office.

(a) For the election of the permanent trustees, the transition board shall administer the initial elections and the permanent board shall administer all subsequent elections. Each board shall develop and implement such procedures as it determines to be appropriate for the conduct of such elections. For the purposes of obtaining information necessary to conduct elections under this Section, participating pension funds shall cooperate with the Fund.

(b) All nominations for election shall be by petition. Each petition for a trustee shall be executed as follows:

(1) for trustees to be elected by the mayors and presidents of municipalities or fire protection districts that have participating pension funds, by at least 20 such mayors and presidents; except that this item (1) shall apply only with respect to participating pension funds;

(2) for trustees to be elected by participants, by at least 400 participants; and

(3) for trustees to be elected by beneficiaries, by at least 100 beneficiaries.

(c) A separate ballot shall be used for each class of trustee. The board shall prepare and send ballots and ballot envelopes to eligible voters in accordance with rules adopted by the board. The ballots shall contain the names of all candidates in alphabetical order.

Eligible voters, upon receipt of the ballot, shall vote the ballot and place it in the ballot envelope, seal the envelope, and return the ballot to the Fund.

The board shall set a final date for ballot return, and ballots received prior to that date in a ballot envelope shall be valid ballots.

The board shall set a day for counting the ballots and name judges and clerks of election to conduct the count of ballots and shall make any rules necessary for the conduct of the count.

The candidate or candidates receiving the highest number of votes for each class of trustee shall be elected. In the case of a tie vote, the winner shall be determined in accordance with procedures developed by the Department of Insurance.

In lieu of conducting elections via mail balloting as described in this Section, the board may instead adopt rules to provide for elections to be carried out solely via Internet

balloting or phone balloting. Nothing in this Section prohibits the Fund from contracting with a third party to administer the election in accordance with this Section.

(d) At any election, voting shall be as follows:

(1) Each person authorized to vote for an elected trustee may cast one vote for each related position for which such person is entitled to vote and may cast such vote for any candidate or candidates on the ballot for such trustee position.

(2) If only one candidate for each position is properly nominated in petitions received, that candidate shall be deemed the winner and no election under this Section shall be required.

(3) The results shall be entered in the minutes of the first meeting of the board following the tally of votes.

(e) The initial election for permanent trustees shall be held and the permanent board shall be seated no later than 12 months after the effective date of this amendatory Act of the 101st General Assembly. Each subsequent election shall be held no later than 30 days prior to the end of the term of the incumbent trustees.

(f) The elected trustees shall each serve for terms of 4 years commencing on the first business day of the first month after election; except that the terms of office of the initially elected trustees shall be as follows:

(1) One trustee elected pursuant to item (1) of subsection (b) of Section 22C-115 shall serve for a term of 2 years and 2 trustees elected pursuant to item (1) of subsection (b) of Section 22C-115 shall serve for a term of 4 years;

(2) One trustee elected pursuant to item (2) of subsection (b) of Section 22C-115 shall serve for a term of 2 years and 2 trustees elected pursuant to item (2) of subsection (b) of Section 22C-115 shall serve for a term of 4 years; and

(3) The trustee elected pursuant to item (3) of subsection (b) of Section 22C-115 shall serve for a term of 2 years.

(g) The trustees appointed pursuant to items (4) and (5) of subsection (b) of Section 22C-115 shall each serve for a term of 4 years commencing on the first business day of the first month after the election of the elected trustees.

(h) A member of the board who was elected pursuant to item (1) of subsection (b) of Section 22C-115 who ceases to serve as 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 shall not be eligible to serve as a member of the board and his or her position shall be deemed vacant. A member of the board who was elected by the participants of participating pension funds who ceases to be a participant may serve the remainder of his or her elected term.

For a vacancy of an elected trustee, the vacancy shall be filled by appointment by the board as follows: a vacancy of a member elected pursuant to item (1) of subsection (b) of

Section 22C-115 shall be filled by 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; a vacancy of a member elected pursuant to item (2) of subsection (b) of Section 22C-115 shall be filled by a participant of a participating pension fund; and a vacancy of a member elected under item (3) of subsection (b) of Section 22C-115 shall be filled by a beneficiary of a participating pension fund. A trustee appointed to fill the vacancy of an elected trustee shall serve until a successor is elected. Special elections to fill the remainder of an unexpired term vacated by an elected trustee shall be held concurrently with and in the same manner as the next regular election for an elected trustee position.

Vacancies among the appointed trustees shall be filled for unexpired terms by appointment in like manner as for the original appointments.

(Source: P.A. 103-552, eff. 8-11-23.)

(40 ILCS 5/22C-117)

Sec. 22C-117. Meetings of the board.

(a) The transition board and the permanent board shall each meet at least quarterly and otherwise upon written request of either the Chairperson or 3 other members. The Chairperson shall preside over meetings of the board. The executive director and personnel of the board shall prepare agendas and materials and required postings for meetings of the board.

(b) Six members of the board shall constitute a quorum.

(c) All actions taken by the transition board and the permanent board shall require a vote of least 5 trustees, except that the following shall require a vote of at least 6 trustees: the adoption of actuarial assumptions; the selection of the chief investment officer, fiduciary counsel, or a consultant as defined under Section 1-101.5 of this Code; the adoption of rules for the conduct of election of trustees; and the adoption of asset allocation policies and investment policies.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-118)

Sec. 22C-118. Operation and administration of the Fund.

(a) The operation and administration of the Fund shall be managed by an executive director. No later than 2 months after the transition board is appointed or as soon thereafter as may be practicable, the transition board shall appoint an interim executive director who shall serve until a permanent executive director is appointed by the board, with such appointment to be made no later than 6 months after the end of the transition period. The executive director shall act subject to and under the supervision of the board and the board shall fix the compensation of the executive director.

(b) The board may appoint one or more custodians to facilitate the transfer of pension fund assets during the

transition period, and subsequently to provide custodial and related fiduciary services on behalf of the board, and enter into contracts for such services. The board may also appoint external legal counsel and an independent auditing firm and may appoint investment advisors and other consultants as it determines to be appropriate and enter into contracts for such services. With approval of the board, the executive director may retain such other consultants, advisors, fiduciaries, and service providers as may be desirable and enter into contracts for such services.

(c) The board shall separately calculate account balances for each participating pension fund. The operations and financial condition of each participating pension fund account shall not affect the account balance of any other participating pension fund. Further, investment returns earned by the Fund shall be allocated and distributed pro rata among each participating pension fund account in accordance with the value of the pension fund assets attributable to each fund.

(d) With approval of the board, the executive director may employ such personnel, professional or clerical, as may be desirable and fix their compensation. The appointment and compensation of the personnel, including the executive director, shall not be subject to the Personnel Code.

(e) The board shall annually adopt a budget to support its operations and administration. The board shall apply moneys derived from the pension fund assets transferred and under its control to pay the costs and expenses incurred in the operation and administration of the Fund. The board shall from time to time transfer moneys and other assets to the participating pension funds as required for the participating pension funds to pay expenses, benefits, and other required payments to beneficiaries in the amounts and at the times prescribed in this Code.

(f) The board may exercise any of the powers granted to boards of trustees of pension funds under Sections 1-107 and 1-108 of this Code and may by resolution provide for the indemnification of its members and any of its officers, advisors, or employees in a manner consistent with those Sections.

(g) An office for meetings of the board and for its administrative personnel shall be established at any suitable place within the State as may be selected by the board. All books and records of the board shall be kept in such office.

(h) The board shall contract for a blanket fidelity bond in the penal sum of not less than \$1,000,000 to cover members of the board of trustees, the executive director, and all other employees of the board, conditioned for the faithful performance of the duties of their respective offices, the premium on which shall be paid by the board.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-119)

Sec. 22C-119. Adoption of rules. The board shall adopt such rules (not inconsistent with this Code) as in its judgment are desirable to implement and properly administer

this Article. Such rules shall specifically provide for the following: (1) the implementation of the transition process described in Section 22C-120; (2) the process by which the participating pension funds may request transfer of funds; (3) the process for the transfer in, receipt for, and investment of pension assets received by the Fund after the transition period from the participating pension funds; (4) the process by which contributions from municipalities and fire protection districts for the benefit of the participating pension funds may, but are not required to, be directly transferred to the Fund; and (5) compensation and benefits for its employees. A copy of the rules adopted by the Fund shall be posted on the Fund's website. The adoption and effectiveness of such rules shall not be subject to Article 5 of the Illinois Administrative Procedure Act.  
(Source: P.A. 103-552, eff. 8-11-23.)

(40 ILCS 5/22C-120)

Sec. 22C-120. Transition period; transfer of securities, assets, and investment functions.

(a) The transition period shall commence on the effective date of this amendatory Act of the 101st General Assembly and shall end as determined by the board, consistent with and in the application of its fiduciary responsibilities, but in no event later than 30 months thereafter.

(b) The board may retain the services of custodians, investment consultants, and other professional services it deems prudent to implement the transition of assets described in this Section. The permanent board of trustees shall not be bound by any contract or agreement regarding such custodians, investment consultants, or other professional services entered into by the transition board of trustees.

(c) As soon as practicable after the effective date of this amendatory Act of the 101st General Assembly, the board, in cooperation with the Department of Insurance, shall audit the investment assets of each transferor pension fund to determine a certified investment asset list for each transferor pension fund. The audit shall be performed by a certified public accountant engaged by the board, and the board shall be responsible for payment of the costs and expenses associated with the audit. Upon completion of the audit for any transferor pension fund, the board and the Department of Insurance shall provide the certified investment asset list to that transferor pension fund. Upon determination of the certified investment asset list for any transferor pension fund, the board shall, within 10 business days or as soon thereafter as may be practicable, as determined by the board, initiate the transfer of assets from that transferor pension fund. Further and to maintain accuracy of the certified investment asset list, upon determination of the certified investment asset list for a transferor pension fund, that fund shall not purchase or sell any of its pension fund assets.

(d) When the Fund is prepared to receive pension fund assets from any transferor pension fund, the executive

director shall notify in writing the board of trustees of that transferor pension fund of the Fund's intent to assume fiduciary control of those pension fund assets, and the date at which it will assume such control and that the transferor pension fund will cease to exercise fiduciary responsibility. This letter shall be transmitted no less than 30 days prior to the transfer date. A copy of the letter shall be transmitted to the Department of Insurance. Upon receipt of the letter, the transferor pension fund shall promptly notify its custodian, as well as any and all entities with fiduciary control of any portion of the pension assets. Each transferor pension fund shall have sole fiduciary and statutory responsibility for the management of its pension assets until the start of business on the transfer date. At the start of business on the transfer date, statutory and fiduciary responsibility for the investment of pension fund assets shall shift exclusively to the Fund and the Fund shall promptly and prudently transfer all such pension fund assets to the board and terminate the relationship with the local custodian of that transferor pension fund. The Fund shall provide a receipt for the transfer to the transferor pension fund within 30 days of the transfer date.

As used in this subsection, "transfer date" means the date at which the Fund will assume fiduciary control of the transferor pension fund's assets and the transferor pension fund will cease to exercise fiduciary responsibility.

(e) Within 90 days after the end of the transition period or as soon thereafter as may be practicable as determined by the board, the Fund and the Department of Insurance shall cooperate in transferring to the Fund all pension fund assets remaining in the custody of the transferor pension funds.

(f) The board shall adopt such rules as in its judgment are desirable to implement the transition process, including, without limitation, the transfer of the pension fund assets of the transferor pension funds, the assumption of fiduciary control of such assets by the Fund, and the termination of relationships with local custodians. The adoption and effectiveness of such rules and regulations shall not be subject to Article 5 of the Illinois Administrative Procedure Act.

(g) Within 6 months after the end of the transition period or as soon thereafter as may be practicable as determined by the board, the books, records, accounts, and securities of the Fund shall be audited by a certified public accountant selected by the board. This audit shall include, but not be limited to, the following: (1) a full description of the investments acquired, showing average costs; (2) a full description of the securities sold or exchanged, showing average proceeds or other conditions of an exchange; (3) gains or losses realized during the period; (4) income from investments; and (5) administrative expenses incurred by the board. This audit report shall be published on the Fund's official website and filed with the Department of Insurance.

(h) To provide funds for payment of the ordinary and regular costs associated with the implementation of this transition process, the Illinois Finance Authority is authorized to loan to the Fund up to \$7,500,000 of any of the

Authority's funds, including, but not limited to, funds in its Illinois Housing Partnership Program Fund, its Industrial Project Insurance Fund, or its Illinois Venture Investment Fund, for such purpose. Such loan shall be repaid by the Fund with an interest rate tied to the Federal Funds Rate or an equivalent market established variable rate. The Fund and the Illinois Finance Authority shall enter into a loan or similar agreement that specifies the period of the loan, the payment interval, procedures for making periodic loans, the variable rate methodology to which the interest rate for loans should be tied, the funds of the Illinois Finance Authority that will be used to provide the loan, and such other terms that the Fund and the Illinois Finance Authority reasonably believe to be mutually beneficial. Such agreement shall be a public record and the Fund shall post the terms of the agreement on its official website.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-121)

Sec. 22C-121. Management and direction of investments.

(a) The board shall have the authority to manage the pension fund assets of the transferor pension funds for the purpose of obtaining a total return on investments for the long term.

(b) The authority of the board to manage pension fund assets and the liability shall begin when there has been a physical transfer of the pension fund assets to the Fund and placed in the custody of the Fund's custodian or custodians, as described in Section 22C-123.

(c) The pension fund assets of the Fund shall be maintained in accounts held outside the State treasury. Moneys in those accounts are not subject to administrative charges or chargebacks, including, but not limited to, those authorized under the State Finance Act.

(d) The board may not delegate its management functions, but it may, but is not required to, arrange to compensate for personalized investment advisory service for any or all investments under its control with any national or state bank or trust company authorized to do a trust business and domiciled in Illinois, other financial institution organized under the laws of Illinois, or an investment advisor who is qualified under the federal Investment Advisers Act of 1940 and is registered under the Illinois Securities Law of 1953. Nothing contained in this Article prevents the board from subscribing to general investment research services available for purchase or use by others. The board shall also have the authority to compensate for accounting services.

(e) This Section does not prohibit the board from directly investing pension fund assets in public market investments, private investments, real estate investments, or other investments authorized by this Code.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-122)

Sec. 22C-122. Investment authority. The Fund shall have the authority to invest funds, subject to the requirements and restrictions set forth in Sections 1-109, 1-109.1, 1-109.2, 1-110, 1-111, 1-114, and 1-115 of this Code.

The Fund shall not be subject to any of the limitations applicable to investments of pension fund assets by the transferor pension funds under Sections 1-113.1 through 1-113.12 or Article 4 of this Code. The Fund shall not, for purposes of Article 1 of this Code, be deemed to be a retirement system, pension fund, or investment board whose investments are restricted by Section 1-113.2 of this Code, and, as a result, the Fund shall be subject to the provisions of Section 1-109.1, including, but not limited to: utilization of emerging investment managers; increasing racial, ethnic, and gender diversity of its fiduciaries; utilization of businesses owned by minorities, women, and persons with disabilities; utilization of minority broker-dealers; utilization of minority investment managers; and applicable reporting requirements.

No bank or savings and loan association shall receive investment funds as permitted by this Section, unless it has complied with the requirements established pursuant to Section 6 of the Public Funds Investment Act. The limitations set forth in Section 6 of the Public Funds Investment Act shall be applicable only at the time of investment and shall not require the liquidation of any investment at any time.

The Fund shall have the authority to enter into such agreements and to execute such documents as it determines to be necessary to complete any investment transaction.

All investments shall be clearly held and accounted for to indicate ownership by the Fund. The Fund may direct the registration of securities in its own name or in the name of a nominee created for the express purpose of registration of securities by a national or state bank or trust company authorized to conduct a trust business in the State of Illinois.

Investments shall be carried at cost or at a value determined in accordance with generally accepted accounting principles and accounting procedures approved by the Fund.  
(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-123)

Sec. 22C-123. Custodian. The pension fund assets transferred to or otherwise acquired by the Fund shall be placed in the custody of a custodian who shall provide adequate safe deposit facilities for those assets and hold all such securities, funds, and other assets subject to the order of the Fund.

Each custodian shall furnish a corporate surety bond of such amount as the board designates, which bond shall indemnify the Fund, the board, and the officers and employees of the Fund against any loss that may result from any action or failure to act by the custodian or any of the custodian's agents, or provide insurance coverages of such type and limits



as the board designates. All charges incidental to the procuring and giving of any bond shall be paid by the board and each bond shall be in the custody of the board.  
(Source: P.A. 103-552, eff. 8-11-23.)

(40 ILCS 5/22C-124)

Sec. 22C-124. Accounting for pension fund assets. In the management of the pension fund assets of the transferor pension funds, the Fund:

(1) shall carry all pension fund assets at fair market value determined in accordance with generally accepted accounting principles and accounting procedures approved by the board. Each investment initially transferred to the Fund by a transferor pension fund shall be similarly valued, except that the board may elect to place such value on any investment conditionally in which case, the amount of any later realization of such asset in cash that is in excess of or is less than the amount so credited shall be credited or charged to the account maintained for the transferor pension fund that made the transfer;

(2) shall keep proper books of account that shall reflect at all times the value of all investments held by the Fund; and

(3) shall charge all distributions made by the Fund to or for a transferor pension fund to the account maintained for that fund.

(Source: P.A. 101-610, eff. 1-1-20.)

(40 ILCS 5/22C-125)

Sec. 22C-125. Audits and reports.

(a) At least annually, the books, records, accounts, and securities of the Fund shall be audited by a certified public accountant selected by the board and conducted in accordance with the rules and procedures promulgated by the Governmental Accounting Standards Board. The audit opinion shall be published as a part of the annual report of the Fund, which shall be submitted to the transferor pension funds and to the Department of Insurance.

(b) For the quarterly periods ending September 30, December 31, and March 31, the Fund shall submit to the participating pension funds and to the Department of Insurance a report providing, among other things, the following information:

(1) a full description of the investments acquired, showing average costs;

(2) a full description of the securities sold or exchanged, showing average proceeds or other conditions of an exchange;

(3) gains or losses realized during the period;

(4) income from investments; and

(5) administrative expenses.

(c) An annual report shall be prepared by the Fund for submission to the participating pension funds and to the

Department of Insurance within 6 months after the close of each fiscal year. A fiscal year shall date from July 1 of one year to June 30 of the year next following. This report shall contain full information concerning the results of investment operations of the Fund. This report shall include the information described in subsection (b) and, in addition thereto, the following information:

(1) a listing of the investments held by the Fund at the end of the year, showing their book values and market values and their income yields on market values;

(2) comments on the pertinent factors affecting such investments;

(3) a review of the policies maintained by the Fund and any changes that occurred during the year;

(4) a copy of the audited financial statements for the year;

(5) recommendations for possible changes in this Article or otherwise governing the operations of the Fund; and

(6) a listing of the names of securities brokers and dealers dealt with during the year showing the total amount of commissions received by each on transactions with the Fund.

(Source: P.A. 101-610, eff. 1-1-20.)

**Firefighters' Pension Investment Fund**

**Article 1 of the Illinois Pension**

**Code Fiduciary Duties**

## Article 1 of the Illinois Pension Code: Fiduciary Duties

Article 1 of the Illinois Pension Code governs establishes the fiduciary duties of the Board of Trustees, its staff, and its external fiduciaries.

The Board of Trustees is responsible for investing the assets of the participating pension funds for the exclusive benefit of the members of the participating pension funds. Article 1 of the Illinois Pension Code governs the Board of Trustees as fiduciaries, and states:

A fiduciary with respect to a retirement system or pension fund established under this 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:

- (1) Providing benefits to participants and their beneficiaries; and
- (2) 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 provisions of the Article of the Pension Code governing the retirement system or pension fund.

## Article 1 of the Pension Code: Fiduciary Duties

(40 ILCS 5/1-101.1) (from Ch. 108 1/2, par. 1-101.1)

Sec. 1-101.1. Definitions. For purposes of this Article, unless the context otherwise requires, the words defined in the Sections following this Section and preceding Section 1-102 shall have meanings given in those Sections.

(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-101.2)

Sec. 1-101.2. Fiduciary. A person is a "fiduciary" with respect to a pension fund or retirement system established under this Code to the extent that the person:

(1) exercises any discretionary authority or discretionary control respecting management of the pension fund or retirement system, or exercises any authority or control respecting management or disposition of its assets;

(2) renders investment advice or renders advice on the selection of fiduciaries for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the pension fund or retirement

system, or has any authority or responsibility to do so;  
or

(3) has any discretionary authority or discretionary responsibility in the administration of the pension fund or retirement system.

(Source: P.A. 96-6, eff. 4-3-09.)

(40 ILCS 5/1-101.3)

Sec. 1-101.3. Party in interest. A person is a "party in interest" with respect to a pension fund or retirement system established under this Code if the person is:

(1) a fiduciary, counsel, or employee of the pension fund or retirement system, or a relative of such a person;

(2) a person providing services to the pension fund or retirement system, or a relative of such a person;

(3) an employer, any of whose employees are covered by the pension fund or retirement system;

(4) an employee organization, any members of which are covered by the pension fund or retirement system; or

(5) an employee, officer, or director (or an individual having powers or responsibilities similar to those of an officer or director) of the pension fund or retirement system or of a person described under item (2), (3), or (4) of this Section.

(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-101.4)

Sec. 1-101.4. Investment adviser. A person is an "investment adviser", "investment advisor", or "investment manager" with respect to a pension fund or retirement system established under this Code if the person:

(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;

(3) has acknowledged in writing that he or she is a fiduciary with respect to the pension fund or retirement system; and

(4) is at least one of the following: (i) registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.); (ii) registered as an investment adviser under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisers Act of 1940; or (iv) an insurance company authorized to transact business in this State.

(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-101.5)

Sec. 1-101.5. Consultant. "Consultant" means any person or entity retained or employed by the board of a retirement system, pension fund, or investment board to make recommendations in developing an investment strategy, assist with finding appropriate investment advisers, or 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. "Investment adviser" has the meaning ascribed to it in Section 1-101.4.

(Source: P.A. 96-6, eff. 4-3-09.)

(40 ILCS 5/1-107) (from Ch. 108 1/2, par. 1-107)

Sec. 1-107. Indemnification of trustees, consultants and employees of retirement systems and pension funds. Every retirement system, pension fund or other system or fund established under this Code may indemnify and protect the trustees, staff and consultants against all damage claims and suits, including defense thereof, when damages are sought for negligent or wrongful acts alleged to have been committed in the scope of employment or under the direction of the trustees. However, the trustees, staff and consultants shall not be indemnified for wilful misconduct and gross negligence. Each board is authorized to insure against loss or liability of the trustees, staff and consultants which may result from these damage claims. This insurance shall be carried in a company which is licensed to write such coverage in this State.

(Source: P.A. 80-1364.)

(40 ILCS 5/1-109) (from Ch. 108 1/2, par. 1-109)

Sec. 1-109. Duties of Fiduciaries. A fiduciary with respect to a retirement system or pension fund established under this 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:

(1) Providing benefits to participants and their beneficiaries; and

(2) 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 provisions of the Article of the Pension Code governing the retirement system or pension fund.

(Source: P.A. 82-960.)

(40 ILCS 5/1-109.1) (from Ch. 108 1/2, par. 1-109.1)

Sec. 1-109.1. Allocation and delegation of fiduciary duties.

(1) Subject to the provisions of Section 22A-113 of this Code and subsections (2) and (3) of this Section, the board of trustees of a retirement system or pension fund established under this Code may:

(a) Appoint one or more investment managers as fiduciaries to manage (including the power to acquire and dispose of) any assets of the retirement system or pension fund; and

(b) Allocate duties among themselves and designate others as fiduciaries to carry out specific fiduciary activities other than the management of the assets of the retirement system or pension fund.

(2) The board of trustees of a pension fund established under Article 5, 6, 8, 9, 10, 11, 12 or 17 of this Code may not transfer its investment authority, nor transfer the assets of the fund to any other person or entity for the purpose of consolidating or merging its assets and management with any other pension fund or public investment authority, unless the board resolution authorizing such transfer is submitted for approval to the contributors and pensioners of the fund at elections held not less than 30 days after the adoption of such resolution by the board, and such resolution is approved by a majority of the votes cast on the question in both the contributors election and the pensioners election. The election procedures and qualifications governing the election of trustees shall govern the submission of resolutions for approval under this paragraph, insofar as they may be made applicable.

(3) Pursuant to subsections (h) and (i) of Section 6 of Article VII of the Illinois Constitution, the investment authority of boards of trustees of retirement systems and pension funds established under this Code is declared to be a subject of exclusive State jurisdiction, and the concurrent exercise by a home rule unit of any power affecting such investment authority is hereby specifically denied and preempted.

(4) For the purposes of this Code, "emerging investment manager" means 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", "women-owned business" or "business owned by a person with a disability" as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

It is hereby declared to be the public policy of the State of Illinois to encourage the trustees of public employee retirement systems, pension funds, and investment boards to use emerging investment managers in managing their system's assets, encompassing all asset classes, and increase the racial, ethnic, and gender diversity of its fiduciaries, to the greatest extent feasible within the bounds of financial and fiduciary prudence, and to take affirmative steps to remove any barriers to the full participation in investment opportunities afforded by those retirement systems, pension funds, and investment boards.

On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those

whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for utilization of emerging investment managers. This policy shall include quantifiable goals for the management of assets in specific asset classes by emerging investment managers. The retirement system, pension fund, or investment board shall establish 3 separate goals for: (i) emerging investment managers that are minority-owned businesses; (ii) emerging investment managers that are women-owned businesses; and (iii) emerging investment managers that are businesses owned by a person with a disability. The goals established shall be based on the percentage of total dollar amount of investment service 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, Women, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this subsection.

If in any case an emerging investment manager meets the criteria established by a board for a specific search and meets the criteria established by a consultant for that search, then that emerging investment manager shall receive an invitation by the board of trustees, or an investment committee of the board of trustees, to present his or her firm for final consideration of a contract. In the case where multiple emerging investment managers meet the criteria of this Section, the staff may choose the most qualified firm or firms to present to the board.

The use of an emerging investment manager does not constitute a transfer of investment authority for the purposes of subsection (2) of this Section.

(5) Each retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall establish a policy that sets forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff. Each retirement system, pension fund, or investment board shall make 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. Each system, fund, and investment board shall annually review the goals established under this subsection.

(6) On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for utilization of businesses owned by minorities, women, and persons with disabilities for all contracts and services. The goals established 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, Women, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established



under this subsection.

(7) On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for increasing the utilization of minority broker-dealers. For the purposes of this Code, "minority broker-dealer" means a qualified broker-dealer who meets the definition of "minority-owned business", "women-owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this Section.

(8) Each retirement system, pension fund, and investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall submit a report to the Governor and the General Assembly by January 1 of each year that includes the following: (i) the policy adopted under subsection (4) of this Section, including the names and addresses of the emerging investment managers used, percentage of the assets under the investment control of emerging investment managers for the 3 separate goals, and the actions it has undertaken to increase the use of emerging investment managers, including encouraging other investment managers to use emerging investment managers as subcontractors when the opportunity arises; (ii) the policy adopted under subsection (5) of this Section; (iii) the policy adopted under subsection (6) of this Section; (iv) the policy adopted under subsection (7) of this Section, including specific actions undertaken to increase the use of minority broker-dealers; and (v) the policy adopted under subsection (9) of this Section.

(9) On or before February 1, 2015, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for increasing the utilization of minority investment managers. For the purposes of this Code, "minority investment manager" means a qualified investment manager that manages an investment portfolio and meets the definition of "minority-owned business", "women-owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

It is hereby declared to be the public policy of the State of Illinois to encourage the trustees of public employee retirement systems, pension funds, and investment boards to use minority investment managers in managing their systems' assets, encompassing all asset classes, and to increase the racial, ethnic, and gender diversity of their fiduciaries, to the greatest extent feasible within the bounds of financial and fiduciary prudence, and to take affirmative steps to remove any barriers to the full participation in investment opportunities afforded by those retirement systems, pension funds, and investment boards.

The retirement system, pension fund, or investment board shall establish 3 separate goals for: (i) minority investment

managers that are minority-owned businesses; (ii) minority investment managers that are women-owned businesses; and (iii) minority investment managers that are businesses owned by a person with a disability. The retirement system, pension fund, or investment board shall annually review the goals established under this Section.

If in any case a minority investment manager meets the criteria established by a board for a specific search and meets the criteria established by a consultant for that search, then that minority investment manager shall receive an invitation by the board of trustees, or an investment committee of the board of trustees, to present his or her firm for final consideration of a contract. In the case where multiple minority investment managers meet the criteria of this Section, the staff may choose the most qualified firm or firms to present to the board.

The use of a minority investment manager does not constitute a transfer of investment authority for the purposes of subsection (2) of this Section.

(10) Beginning January 1, 2016, it shall be the aspirational goal for a retirement system, pension fund, or investment board subject to this Code to use emerging investment managers for not less than 20% of the total funds under management. Furthermore, it shall be the aspirational goal that not less than 20% of investment advisors be minorities, women, and persons with disabilities as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. It shall be the aspirational goal to utilize businesses owned by minorities, women, and persons with disabilities for not less than 20% of contracts awarded for "information technology services", "accounting services", "insurance brokers", "architectural and engineering services", and "legal services" as those terms are defined in the Act.

(Source: P.A. 99-462, eff. 8-25-15; 100-391, eff. 8-25-17; 100-902, eff. 8-17-18.)

(40 ILCS 5/1-109.2) (from Ch. 108 1/2, par. 1-109.2)

Sec. 1-109.2. Extent of Fiduciary Duties. (a) (1) Except to the extent otherwise required in subsection (b) of this Section, a fiduciary of a retirement system or pension fund to whom a specified duty has not been allocated shall not be responsible or liable for an act or omission, in connection with that duty, by the fiduciary to whom that duty has been allocated, except to the extent that the allocation, or the continuation thereof, is a violation of Section 1-109 of this Code. Nothing in this paragraph (1) shall be construed to relieve a fiduciary from responsibility or liability for any act by that fiduciary.

(2) Except to the extent otherwise required in subsection (b) of this Section a fiduciary shall not be responsible or liable for an act or omission, in connection with a specific fiduciary activity, by any other person who has been designated to carry out that fiduciary activity, except to the extent that the designation, or the continuation thereof at any time under the circumstances then prevailing, is a

violation of Section 1-109 of this Code. Nothing in this paragraph (2) shall be construed to relieve a fiduciary from responsibility for any act by that fiduciary.

(b) With respect to any retirement system or pension fund established under this Code:

(1) Each trustee shall use reasonable care to prevent any other trustee from committing a breach of duty; and

(2) Subject to the provisions of Section 22A-113 of this Code, all trustees shall jointly manage and control the assets of the retirement system or pension fund.

Nothing in this subsection (b) shall be construed to attribute a duty to a trustee which would be inconsistent with the appointment of, and delegation of authority to, an investment manager in accordance with paragraph (a) of Section 1-109.1 of this Code.

(Source: P.A. 82-960.)

(40 ILCS 5/1-110) (from Ch. 108 1/2, par. 1-110)

Sec. 1-110. Prohibited Transactions.

(a) A fiduciary with respect to a retirement system, pension fund, or investment board shall not cause the retirement system or pension fund to engage in a transaction if he or she knows or should know that such transaction constitutes a direct or indirect:

(1) Sale or exchange, or leasing of any property from the retirement system or pension fund to a party in interest for less than adequate consideration, or from a party in interest to a retirement system or pension fund for more than adequate consideration.

(2) Lending of money or other extension of credit from the retirement system or pension fund to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to a retirement system or pension fund with the provision of excessive security or an unreasonably high rate of interest.

(3) Furnishing of goods, services or facilities from the retirement system or pension fund to a party in interest for less than adequate consideration, or from a party in interest to a retirement system or pension fund for more than adequate consideration.

(4) Transfer to, or use by or for the benefit of, a party in interest of any assets of a retirement system or pension fund for less than adequate consideration.

(b) A fiduciary with respect to a retirement system or pension fund established under this Code shall not:

(1) Deal with the assets of the retirement system or pension fund in his own interest or for his own account;

(2) In his individual or any other capacity act in any transaction involving the retirement system or pension fund on behalf of a party whose interests are adverse to the interests of the retirement system or pension fund or the interests of its participants or beneficiaries; or

(3) Receive any consideration for his own personal

account from any party dealing with the retirement system or pension fund in connection with a transaction involving the assets of the retirement system or pension fund.

(c) Nothing in this Section shall be construed to prohibit any trustee from:

(1) Receiving any benefit to which he may be entitled as a participant or beneficiary in the retirement system or pension fund.

(2) Receiving any reimbursement of expenses properly and actually incurred in the performance of his duties with the retirement system or pension fund.

(3) Serving as a trustee in addition to being an officer, employee, agent or other representative of a party in interest.

(d) A fiduciary of a pension fund established under Article 3 or 4 shall not knowingly cause or advise the pension fund to engage in an investment transaction when the 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 that investment adviser that would result in a pecuniary benefit to the fiduciary as a result of the investment transaction.

Violation of this subsection (d) is a Class 4 felony.

(e) A board member, employee, or consultant with respect to a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2, shall not knowingly cause or advise the retirement system, pension fund, or investment board to engage in an investment transaction with an investment adviser when the board member, employee, consultant, or their spouse (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 adviser that would result in a pecuniary benefit to the board member, employee, or consultant or spouse 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 the consulting firm.

Violation of this subsection (e) is a Class 4 felony.

(Source: P.A. 95-950, eff. 8-29-08; 96-6, eff. 4-3-09.)

(40 ILCS 5/1-111) (from Ch. 108 1/2, par. 1-111)

Sec. 1-111. Ten Per Cent Limitation of Employer Securities. A plan may not acquire a security issued by an employer of employees covered by the retirement system or pension fund, if immediately after such acquisition, the aggregate fair market value of such employer securities held by the retirement system or pension fund exceed 10 per cent of the fair market value of the assets of the retirement system or pension fund.

(Source: P.A. 81-948.)

(40 ILCS 5/1-113.6)

Sec. 1-113.6. Investment policies. Every board of trustees of a pension fund shall adopt a written investment policy and file a copy of that policy with the Department of Insurance within 30 days after its adoption. Whenever a board changes its investment policy, it shall file a copy of the new policy with the Department within 30 days.

The investment policy shall include a statement that material, relevant, and decision-useful sustainability factors have been or are regularly considered by the board, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.

(Source: P.A. 101-473, eff. 1-1-20.)

(40 ILCS 5/1-113.9)

Sec. 1-113.9. Illegal investments. A person registered as a dealer, salesperson, or investment adviser under the Illinois Securities Law of 1953 who sells a pension fund a security, or engages in a transaction with a pension fund, that is not authorized by this Code, shall be subject to the penalty provisions of Subsection E of Section 8 of the Illinois Securities Law of 1953, if (1) the dealer, salesperson, or investment adviser has discretionary authority or control over the fund's assets and has acknowledged in writing that it is acting in a fiduciary capacity for the fund, (2) the fund has requested the investment advice of the dealer, salesperson, or investment adviser and has provided the dealer, salesperson, or investment adviser with its investment policy, and the dealer, salesperson, or investment adviser acknowledges in writing that the fund is relying primarily on the investment advice of that dealer, salesperson, or investment adviser, or (3) the dealer, salesperson, or investment adviser knows or has reason to know that the fund is not capable of independently evaluating investment risk or exercising independent judgment with respect to a particular securities transaction, and nonetheless recommends that the fund engage in that transaction.

A bank or trust company authorized to conduct a trust business in Illinois or a broker-dealer, and any officer, director, or employee thereof, that advises or causes a pension fund to make an investment or engages in a transaction not authorized by this Code is subject to the penalty provisions of Article V of the Corporate Fiduciary Act.

(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-113.16)

Sec. 1-113.16. Investment transparency.

(a) The purpose of this Section is to provide for transparency in the investment of retirement or pension funds

and require the reporting of full and complete information regarding the investments by pension funds, retirement systems, and investment boards.

(b) A retirement system, pension fund, or investment board subject to this Code and any committees established by such system, fund, or board must comply with the Open Meetings Act.

(c) Any retirement system, pension fund, or investment board subject to this Code that establishes a committee shall ensure that the majority of the members on such committee are board members. If any member of a committee is not a member of the board for the system, fund, or board, then that committee member shall be a fiduciary.

(d) A retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2, shall maintain an official web site and make available in a clear and conspicuous manner, and update at least quarterly, all of the following information concerning the investment of funds:

(1) The total amount of funds held by the pension fund, retirement system, or investment board.

(2) The asset allocation for the investments made by the pension fund, retirement system, or investment board.

(3) Current and historic return information.

(4) A detailed listing of the investment advisers for all asset classes.

(5) Performance of investments compared against established benchmarks.

(6) A detailed list of all consultants doing business with the retirement system, pension fund, or investment board.

(7) A detailed list of all contractors, other than investment advisers and consultants, doing business with the retirement system, pension fund, or investment board.

(8) Any requests for investment services.

(9) The names and email addresses of all board members, directors, and senior staff.

(10) The report required under Section 1-109.1 of this Code, if applicable.

(11) The description of each contract required under subsection (g) of Section 1-113.14 of this Code, if applicable.

(e) A pension fund whose investments are restricted by Section 1-113.2 of this Code shall make the information required in subsection (d) of this Section available on its web site or in a location that allows the information to be available for inspection by the public.

(f) Nothing in this Section requires the pension fund, retirement system, or investment board to make information available on the Internet that is exempt from inspection and copying under the Freedom of Information Act.

(Source: P.A. 96-6, eff. 4-3-09.)

(40 ILCS 5/1-113.18)

Sec. 1-113.18. Ethics training. All board members of a retirement system, pension fund, or investment board created under this Code must attend ethics training of at least 8 hours per year. The training required under this Section shall

include training on ethics, fiduciary duty, and investment issues and any other curriculum that the board of the retirement system, pension fund, or investment board establishes as being important for the administration of the retirement system, pension fund, or investment board. The Supreme Court of Illinois shall be responsible for ethics training and curriculum for judges designated by the Court to serve as members of a retirement system, pension fund, or investment board. Each board shall annually certify its members' compliance with this Section and submit an annual certification to the Division of Insurance of the Department of Financial and Professional Regulation. Judges shall annually certify compliance with the ethics training requirement and shall submit an annual certification to the Chief Justice of the Supreme Court of Illinois. For an elected or appointed trustee under Article 3 or 4 of this Code, fulfillment of the requirements of Section 1-109.3 satisfies the requirements of this Section.

(Source: P.A. 100-904, eff. 8-17-18.)

(40 ILCS 5/1-113.20)

Sec. 1-113.20. Investment strategies; explicit and implicit costs. Every pension fund, retirement system, and investment board created under this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall instruct the fund's, system's, or board's investment advisors to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and total proceeds in every transaction are the most favorable under the circumstances.

(Source: P.A. 96-753, eff. 8-25-09.)

(40 ILCS 5/1-114) (from Ch. 108 1/2, par. 1-114)

Sec. 1-114. Liability for Breach of Fiduciary Duty.

(a) Any person who is a fiduciary with respect to a retirement system or pension fund established under this Code who breaches any duty imposed upon fiduciaries by this Code, including, but not limited to, a failure to report a reasonable suspicion of a false statement specified in Section 1-135 of this Code, shall be personally liable to make good to such retirement system or pension fund any losses to it resulting from each such breach, and to restore to such retirement system or pension fund any profits of such fiduciary which have been made through use of assets of the retirement system or pension fund by the fiduciary, and shall be subject to such equitable or remedial relief as the court may deem appropriate, including the removal of such fiduciary.

(b) No person shall be liable with respect to a breach of fiduciary duty under this Code if such breach occurred before such person became a fiduciary or after such person ceased to be a fiduciary.

(Source: P.A. 97-651, eff. 1-5-12.)

(40 ILCS 5/1-115) (from Ch. 108 1/2, par. 1-115)

Sec. 1-115. Civil enforcement. A civil action may be

brought by the Attorney General or by a participant, beneficiary or fiduciary in order to:

(a) Obtain appropriate relief under Section 1-114 of this Code;

(b) Enjoin any act or practice which violates any provision of this Code; or

(c) Obtain other appropriate equitable relief to redress any such violation or to enforce any such provision.

Notwithstanding any other provision of the Administrative Review Law or this Code to the contrary, a civil action may be brought by the Attorney General to enjoin the payment of benefits under this Code to any person who is convicted of any felony relating to or arising out of or in connection with that person's service as an employee under this Code.

(Source: P.A. 98-1137, eff. 6-1-15.)