FPIF

FIREFIGHTERS' PENSION INVESTMENT FUND

December 18, 2024

The Honorable J.B. Pritzker
Governor, State of Illinois
Office of the Governor
207 State House
Springfield, IL 62706

Via EMAIL/U.S. MAIL

Dear Governor Pritzker:

This letter is submitted in fulfillment of the reporting requirements of section 1-109.1, subsection 8 of the Illinois Pension Code (40 ILCS 5/1-109.1(8)).

The Illinois Firefighters' Pension Investment Fund ("FPIF" or the "Fund") was created by Illinois Public Act 101-0610 to consolidate the State's 296 Article 4 firefighter pension funds. FPIF began asset consolidation transfers in October 2021 and all planned transfers have been completed. As of FPIF's 2024 fiscal year end, the Fund managed $8.99 billion.

The FPIF Board of Trustees (the "Board") adopted its Diversity Policy on December 7, 2020 and adopted its Investment Policy Statement (IPS) on June 17, 2021 (the "Policies"), attached herein as Exhibit A and Exhibit B. The Policies seek to increase access and opportunities for investment managers, brokers, and vendors owned by minorities, women, and persons with a disability. These Policies and goals will be reviewed annually by the Board.

The attached disclosures were compiled based on FPIF's investment portfolio holdings as of June 30, 2024 and brokerage activities from July 1, 2023 through June 30, 2024.

In summary:

- The first investment manager retained by FPIF was RhumbLine Advisers, a female-owned passive investment management firm
- The first active investment manager retained by FPIF was Garcia Hamilton & Associates, a Latino-owned firm
- FPIF increased its utilization of MWDBE investment managers to 48.4% of total fund assets in FY 2024 (Exhibit C)
- FPIF increased fees paid to MWDBE investment managers from $331,101 in FY 2023 to $946,649 in FY 2024
- In July 2024 FPIF retained a private credit discretionary manager The Rock Creek Group, a female-owned investment management firm (est. $325 million in committed capital per year)
- In addition to retaining MWDEB managers, in 2024 FPIF retained Illinois-based investment manager William Blair to manage Emerging Markets Debt portfolio ($120 million mandate)
- Almost 88% of FPIF's domestic equity assets within separately managed accounts were traded with MWDBE broker/dealers

- 34% of FPIF's domestic fixed income assets within separately managed accounts were traded with MWDBE broker/dealers
- Almost 49% of domestic equity assets within separately managed accounts were traded with Illinois-based brokers/dealers
- Over 9% of domestic fixed income assets within separately managed accounts were traded with Illinois-based brokers/dealers (Exhibit D)

FPIF has prioritized its diversity initiatives throughout the development of the consolidated Fund. In addition to the adoption of its Policies and the procurement of several MWDBE firms, FPIF has taken several actions to increase utilization of Emerging and MWDBE firms:

- FPIF staff conducted dozens of meetings with Emerging and MWDBE firms in preparation for its recent search for Emerging Market Debt, Emerging Market ex-China Small Cap Equities and Private Markets active investment managers. The staff also notified several organizations that promote diversity in the investment management industry of FPIF's RFPs to spread awareness among Emerging and MWBDE firms. These organizations included the Association of Asian American Investment Management (AAAIM), the National Association of Securities Professionals ("NASP"), the New America Alliance ("NAA"), and the Robert Toigo Foundation, among others.
- FPIF continues to monitor and increase the percent of expenses paid to MWDBE vendors

Thank you for the opportunity to present this report. Please contact FPIF if any further information is desired.

Sincerely,

William R. Atwood
Executive Director

CC: The Honorable Emanual "Chris" Welch, Speaker of the House
The Honorable Don Harmon, Senate President
The Honorable Dan McConchie, Senate Republican Leader
The Honorable Tony McCombie, House Republican Leader

Exhibit A

FPIF Investment Policy Statement

I. About

The Illinois Firefighters' Pension Investment Fund ("FPIF"), including its Board of Trustees (the "Board") and staff members (the "Staff"), is responsible for managing, investing, and reinvesting the assets of the Participating Pension Funds created pursuant to Article 4 of the Illinois Pension Code (40 ILCS 5/4 *et seq.*) as set forth in Article 5/22C of the Illinois 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.

II. 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.

III. 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 Illinois Pension Code (40 ILCS 5 *et seq.*) and other applicable laws and regulations. Long-term return objectives are based on an assumed rate of return as set forth by FPIF's actuary.

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

IV. 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.

A. Strategic Asset Allocation

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 (5) 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.

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.

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.

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.

Asset Allocation	Interim Asset Allocation (%)	Long-Term Asset Allocation (%)	Interim Ranges (%)	Long-Term Ranges (%)
Equity				
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
Credit				
Public Credit	3	3	+/- 1	+/- 1
Private Credit	0	7	+/- 7	+/- 7
Rate Sensitive				
Core Fixed Income	12	9	+/- 3	+/- 6
Core Plus Fixed Income	12	9	+/- 3	+/- 6
Short-Term Treasuries	3	3	+/- 1	+/- 1
Real Assets				
Real Estate	5	10	+/- 2	+/- 7
Infrastructure	0	4	+/- 4	+/- 4

B. Performance Monitoring

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.

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.

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.

If performance or other matters dictate, investment managers may be added or removed from the Board's Watch List at the Board's discretion.

Each investment manager will provide performance reports and other updates related to its portfolio. Such reports should contain, at minimum: (i) performance versus the applicable benchmark(s), (ii) recent investments or commitments, and (iii) material organizational matters affecting such managers.

V. Risk Management

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.

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.

VI. Other

A. 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.

B. Diversity

FPIF's Diversity Policy seeks to increase access and opportunities for managers, brokers, and venders 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 to FPIF's Diversity Policy.

C. 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.

D. 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 (the "Proxy Voting 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

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.

E. 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 ("legacy portfolio") and into another portfolio of marketable securities ("target portfolio"), 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.

F. 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.

Exhibit B

FPIF Diversity Policy

Objective

The Illinois Firefighters' Pension Investment Fund ("FPIF"), through its Board of Trustees (the "Board"), has adopted this Diversity Policy (the "Policy") to realize the value of a diversified portfolio of investment professionals and to promote opportunities for investment managers, brokers, vendors, and employees who are minorities, women and persons with a disability as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act and the Illinois Pension Code.

A. Emerging and Minority Investment Managers

FPIF was founded to develop and maintain an investment program that enhances returns, reduces costs, and secures the retirement benefits for its participating Article 4 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, FPIF has established the following aspirational goals:[1]

- To utilize emerging investment managers[2] and firms owned by minorities, females, and persons with a disability[3] for no less than 20% of FPIF's total fund assets

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 shall be considered for each of the broad asset classes in which it is invested.

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[1] Effective January 1, 2016, Public Act 99-0462 requires FPIF to establish certain aspirational goals for the utilization of Minority Investment Managers.

[2] Effective April 3, 2009, Public Act 96-0006 revised the definition of "emerging investment manager." As a result, the current definition applicable to FPIF is found in 40 Ill. Comp. Stat. § 5/1-109(4) and is defined as "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."

[3] For purposes of this Policy, the term "Minority Investment Manager" includes emerging investment managers and/or 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.

[3] Public Act 96-0006 requires the establishment of "3 separate goals for (i) emerging investment managers that are minority owned businesses; (ii) emerging investment managers that are female owned businesses; and (iii) emerging investment managers that are businesses owned by a person with a disability."

FPIF has adopted the following minimum goals for the utilization of emerging and minority managers[4].

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

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

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

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

* Alternative investments are not subject to the requirements set forth in Public Act 96-0006.

These goals will be reviewed annually by Staff and the Board.

For purposes of this Policy, emerging and/or minority investment managers must provide documentation of a current State of Illinois certification[4], documentation of a current state issued certification, or documentation of certification issued by a unit of local government. For emerging and/or minority investment managers without a government issued certification, an attestation by the investment manager or General Partner stating that the investment manager or advisor is a "minority owned business," "female owned business," or "business owned by a person with a disability," as those terms are defined by the Illinois Business Enterprise for Minorities, Females and Persons with Disabilities Act[5] is required. The emerging and/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 shall be grounds for termination of the relationship.

[4] A "State of Illinois certification" is a certification granted by the Illinois Department of Central Management Services to a Minority Business Enterprise, a Female Business Enterprise or a Person with Disabilities Enterprise under the Business Enterprise Program for Minorities, Females, and Persons with Disabilities.
[5] 30 ILCS 575

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.

Asset Management

1. Staff will use reasonable best efforts to include at least one minority investment manager in final Staff interviews, consistent with the requirements of the Illinois Pension Code. Staff will inform the Board of all minority investment manager candidates.

2. Staff will regularly meet with Illinois-based minority investment managers and learn more about the Illinois-based minority investment manager community.

3. 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.

B. 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 Policy, has established goals for the use of minority-owned broker/dealers[6] 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[7] 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 Policy, in order to be considered a minority-owned broker/dealer, documentation of a current State of Illinois certification, documentation of a current state issued certification, or documentation of certification issued by a unit of local government must be provided to the Board.

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

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

[6] In accordance with Public Act 96-0006, "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."

[7] The definition of an "Illinois-based" firm is consistent with the Illinois Pension Code which defines "Illinois business" as "a business, including an investment adviser, that is headquartered in Illinois." 40 Ill. Comp. Stat. § 5/1A-108.5(a).

Asset Class	Minimum Goal as a Percentage
Domestic Below Investment Grade Fixed Income	5%
International Developed and Emerging Market Fixed Income	5%

These goals will be reviewed annually by Staff.

Brokerage

1. Staff will strongly encourage, verbally and in writing, FPIF's public markets investment advisers to directly utilize minority-owned brokers/dealers. Staff will add additional asset classes when appropriate.

2. Staff will strongly encourage, verbally and in writing, investment advisers to direct trades to Illinois-based broker/dealers.

3. 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.

4. Staff will provide to minority-owned broker/dealers the contact information for FPIF's public markets' investment advisers.

5. 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 Policy.

6. Staff will consider the use of Illinois-based broker/dealers and minority-owned broker/dealers when evaluating existing investment advisers.

Consequences of Non-Compliance
FPIF continuously monitors investment advisers' compliance with this Policy and 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:

1. 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.

2. Staff will conduct a meeting with the investment adviser to discuss the reasons for not achieving the desired level of brokerage usage.

3. Investment advisers not achieving the expected levels of minority-owned broker/dealer usage may be subject to a moratorium on additional funding.

4. 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.

5. The investment adviser may be placed on the Investment Advisers Watch List.

C. Minority Contract and Service Utilization

Public Act 96-0006 states that FPIF shall adopt a policy which sets forth goals for the utilization of businesses owned by minorities, females, and persons with disabilities for all contracts and services. According to PA 96-0006, "The goals shall be based on the percentage of total dollar amount of all contracts let to minority owned businesses, female 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 Act, FPIF, subject to its fiduciary responsibility, 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 Public Act 99-0462, 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.

D. 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.[8]

It is the policy objective of FPIF to comply with all federal and state statutes, rules, and regulations pertaining to FPIF's investments. PA 96-0006 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.[9]

In furtherance of the Act, it is the goal of FPIF to 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, PA 100-0902 states that FPIF shall 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[10]. 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 Policy and within the bounds of financial and fiduciary prudence.

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[8] *See* 40 ILCS 5/1-101.2
[9] *See* 40 Ill. Comp. Stat. § 5/1-109.1
[10] *See* 40 Ill. Comp. Stat. § 5/1-109.1(5)

Exhibit C

MWDBE Investment Manager Utilization

June 30, 2024

MWDBE Investment Managers	Address	Classification	AUM (in $)	% of FPIF Total Portfolio
Garcia Hamilton & Associates	1491 McKinney Street, Suite 1600, Houston, TX 77010	Latino-Owned	$1,048,461,245	11.66%
RhumbLine Advisers	265 Franklin Street, 21st Floor, Boston, MA 02110	Female-Owned	$3,305,122,599	36.76%
Total			**$4,353,583,845**	**48.42%**

*All managers listed have more than $10,000,000,000 in total assets under management

**All managers listed qualify as 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 a Disabilities Act

Exhibit D

MDWBE Brokerage Utilization within Separately Managed Accounts

July 1, 2023 – June 30, 2024

Asset Class	Target Utilization	Actual Utilization	IL-Based Brokers Utilization Rate
Domestic Equity	30%	87.6%	
Minority		84.6%	48.97%
Women		0%	
Disabled		3%	
Domestic Fixed Income	20%	34%	
Minority		20.2%	9.41%
Women		3%	
Disabled		11%	