



Procurement Policy
of the
Firefighters'
Pension Investment Fund

(April 30, 2020 Draft)



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of the

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This Procurement Policy (this "**Policy**") is adopted by the Board of Trustees (the "**Board**") of the Firefighters' Pension Investment Fund ("**FPIF**"), established under Article 22C of the Illinois Pension Code, to provide for procurement and purchase of goods, services, and investment services. In the event of any inconsistency between this Policy and the provisions of applicable law, including the Illinois Pension Code, the provisions of applicable law shall prevail.

1. INTRODUCTION; DEFINITIONS

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 Policy.

1.2 Definitions. When used in this Policy, the following terms have the following meanings given to them, respectively:

- (a) "**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.
- (b) "**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," "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.
- (c) "**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.

- (d) **"Investment Services"** means services provided by an Investment Adviser or a Consultant.
- (e) **"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 this Policy.

2. APPROVAL AUTHORITY

- 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.
- 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.
- 2.3 Board Chairperson Approval for Fiduciary Services.** In addition to other requirements of this Policy, 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 Chairperson of the Board, or his or her designee. Notwithstanding the foregoing, the Executive Director's signature is sufficient with respect to investment management agreements or other contracts with Board-approved Investment Service providers, or amendments thereto, if the terms of the agreement or amendment have been approved by the Board or the Investment Committee of the Board. The Executive Director shall provide a report of such execution, with a description of any contract or amendment executed, to the Investment Committee at its next regularly scheduled meeting.



3. CONTRACTING AND PURCHASING

- 3.1 When Required.** Purchases of \$500 or more require a purchase order or contract. Purchases of less than \$500 do not require a purchase order or contract, but must be within the authority of the employee to purchase.
- 3.2 Purchase Orders.** Employees requesting goods or services that cost more than \$500 and that are not part of a written contract shall complete a FPIF purchase order form and receive written approval from the Executive Director or Procurement Officer prior to placing the order.
- 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 Policy. 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 2.3](#). A copy of each contract shall be retained by the Chief Financial Officer of FPIF.
- 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.
- 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.
- 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.
- 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.
- 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."

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 contribution 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 contributions.

- 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.

4. COMPETITIVE PROCUREMENT FOR NON-INVESTMENT SERVICES

- 4.1 Applicability; Exempt Purchases.** This Section 4 applies to any expenditure other than Investment Services (which are subject to Section 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 4, even though the contract or purchase might otherwise be exempt from this Section 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 4.1](#) shall be reported to the Board or its designated committee at its next meeting.

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.

4.3 Competitive Proposals Process. All procurements for goods and services subject to this Section 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 possible, the State of Illinois's "BidBuy" system (or other comparable system as appropriate for the opportunity). 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.
- (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.
- (d) FPIF may interview or directly negotiate with any offeror as to the terms of a proposal. 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 whose proposal is determined to be most advantageous to FPIF, consistent with the evaluation criteria.

5. INVESTMENT SERVICES

5.1 Applicability. This Section 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.

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.** When required by the Illinois Pension Code, 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 Illinois 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 possible, the State of Illinois's "BidBuy" system (or other comparable system as appropriate for the opportunity). Notice shall be published at least 14 days before the date on which proposals are due.
 - (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.



- (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) 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. 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 Illinois 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 Illinois 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 Fund trustee, official, or employee 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 FPIF trustee, official, or employee and reported to FPIF's chief compliance officer. While a competitive procurement is ongoing, communications shall be restricted in the manner provided in the procurement documents.
- (h) **Conflicts of Interest.** No Board Member, FPIF employee, or FPIF Consultant shall knowingly cause or advise FPIF to engage in an investment transaction with an Investment Adviser when FPIF Member, FPIF employee, FPIF Consultant or any of their spouses (1) has any direct interest in the income, gains or profits of the Investment Adviser through which the investment transaction is made or (2) has a relationship with that Investment Adviser that would result in a pecuniary benefit to the Board Member, FPIF employee or FPIF Consultant or any of their spouses as a result of the investment transaction. With respect to this requirement, Consultant includes an employee or agent of a consulting firm who has greater than 7.5% ownership of the consulting firm.

5.3 Selection of Consultant Services. Under the Illinois 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 Illinois 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.

5.4 Selection of Investment Advisory Services. Under the Illinois 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 Illinois 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.

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.

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.



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- (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 Illinois Pension Code.

